

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Special Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, the portion of each Lease Payment constituting interest (and original issue discount) is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Special Counsel, the portion of each Lease Payment constituting interest (and original issue discount) is exempt from State of California personal income tax. See “TAX MATTERS” herein with respect to tax consequences relating to the 2019 Certificates.

\$41,160,000
PERRIS UNION HIGH SCHOOL DISTRICT
2019 Certificates of Participation
(School Financing Project)
Evidencing the Fractional Interests of the
Owners Thereof in Lease Payments to be Made by the
PERRIS UNION HIGH SCHOOL DISTRICT

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

This cover page contains information for general reference only. It is not a complete summary of the 2019 Certificates, the Trust Agreement or the Lease. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision. See “RISK FACTORS” herein for a discussion of special risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the 2019 Certificates. Capitalized terms used but not otherwise defined on the cover page hereof shall have the meanings assigned herein.

The Perris Union High School District 2019 Certificates of Participation (School Financing Project) (the “2019 Certificates”), are being executed and delivered pursuant to a Trust Agreement, dated as of May 1, 2019 (the “Trust Agreement”), by and among U.S. Bank National Association, as trustee, the Perris Valley Schools Capital Facilities Corporation (the “Corporation”) and the Perris Union High School District (the “District”). The proceeds of the 2019 Certificates will be used to (i) prepay the lease obligations of the District related to its outstanding 2007 Certificates of Participation, (ii) finance capital improvements to District sites and facilities, (iii) purchase a municipal bond debt service reserve fund insurance policy for deposit in the debt service reserve account established for the 2019 Certificates, and (iv) pay certain costs related to the execution and delivery of the 2019 Certificates.

Pursuant to a Site Lease, dated as of May 1, 2019, the District will lease certain real property of the District and the school facilities located thereon as further described herein (the “Property”), to the Corporation, and will lease the Property back from the Corporation pursuant to a Lease/Purchase Agreement, dated as of May 1, 2019 (the “Lease”), by and between the Corporation and the District. The 2019 Certificates evidence fractional interests in Lease Payments to be made by the District, as lessee under the Lease, for use and possession of the Property. The District covenants to budget and appropriate Lease Payments in each fiscal year in consideration of the use and occupancy of the Property from any source of legally available funds, and to take such action as may be necessary to include all Lease Payments in its annual budgets and to make the necessary annual appropriations therefor. **The District’s obligation to make Lease Payments is subject to abatement in the event of the taking of, damage to or loss of use and possession of the Property.**

The 2019 Certificates will be delivered in book-entry form only, and will be initially delivered and registered in the name of Cede & Co. as nominee of the Depository Trust Company, New York, New York (collectively referred to herein as “DTC”). Purchasers of the 2019 Certificates (the “Beneficial Owners”) will not receive physical certificates representing their interest in the 2019 Certificates. The 2019 Certificates shall be dated their date of delivery and shall represent interest payable semiannually on each April 1 and October 1, commencing October 1, 2019. The Certificates shall be delivered in denominations of \$5,000 principal amount or any integral multiple thereof. Payments of principal and interest with respect to the 2019 Certificates will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the 2019 Certificates.

The scheduled payment of principal and interest with respect to the 2019 Certificates when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the 2019 Certificates by BUILD AMERICA MUTUAL ASSURANCE COMPANY.



The 2019 Certificates are subject to extraordinary prepayment, optional prepayment and mandatory sinking fund prepayment prior to their stated maturity dates as further described herein.

The obligation of the District to make Lease Payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. Neither the 2019 Certificates nor the obligation of the District to make Lease Payments constitutes a debt of the District, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. The obligation of the District to make Lease Payments is subject to the District’s beneficial use and possession of the Property.

Maturity Schedule
(see inside front cover)

The 2019 Certificates are offered when, as and if delivered, and received by the Underwriter subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, as Special Counsel. Certain matters will be passed on for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel, for the Underwriter by James F. Anderson Law Firm, a Professional Corporation, Laguna Hills, California, and for the Trustee and the Corporation by their respective counsels. The 2019 Certificates, in book-entry form, will be available for delivery through the facilities of The Depository Trust Company on or about May 22, 2019.

STIFEL

MATURITY SCHEDULE

Base CUSIP⁽¹⁾: 714399

\$41,160,000

**Perris Union High School District
2019 Certificates of Participation
(School Financing Project)**

\$8,920,000 Serial Certificates

<u>Maturity (October 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP⁽¹⁾ Suffix</u>
2019	\$965,000	3.000%	1.450%	CH3
2020	100,000	3.000	1.550	CJ9
2021	145,000	4.000	1.590	CK6
2022	185,000	4.000	1.630	CL4
2023	230,000	4.000	1.670	CM2
2024	275,000	4.000	1.720	CN0
2025	330,000	5.000	1.740	CP5
2026	380,000	5.000	1.790	CQ3
2027	445,000	5.000	1.860	CR1
2028	505,000	5.000	1.940	CS9
2029	575,000	5.000	2.040	CT7
2030	645,000	5.000	2.160 ⁽²⁾	CU4
2031	555,000	5.000	2.240 ⁽²⁾	CV2
2032	610,000	5.000	2.340 ⁽²⁾	CW0
2033	680,000	5.000	2.380 ⁽²⁾	CX8
2034	685,000	5.000	2.450 ⁽²⁾	CY6
2035	780,000	5.000	2.500 ⁽²⁾	CZ3
2036	830,000	5.000	2.540 ⁽²⁾	DA7

\$4,360,000 – 3.000% Term Certificates due October 1, 2039 – Yield: 3.150%; CUSIP⁽¹⁾ Suffix: DD1

\$10,000,000 – 4.000% Term Certificates due October 1, 2043 – Yield: 3.200%⁽²⁾; CUSIP⁽¹⁾ Suffix: DE9

\$13,000,000 – 5.000% Term Certificates due October 1, 2048 – Yield: 2.880%⁽²⁾; CUSIP⁽¹⁾ Suffix: DF6

\$4,880,000 – 3.125% Term Certificates due October 1, 2050 – Yield: 3.360%; CUSIP⁽¹⁾ Suffix: DG4

⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Services. Neither the Underwriter nor the District is responsible for the selection or correctness of the CUSIP numbers set forth herein.

⁽²⁾ Yield to call at par on October 1, 2029.

Certain of the information contained herein, other than that provided by the District, has been obtained from sources that are believed to be reliable. No representation, warranty or guarantee, however, is made by the Underwriter as to the accuracy or completeness of any information in this Official Statement, including, without limitation, the information contained in the Appendices hereto, and nothing contained in this Official Statement is or shall be relied upon as a promise or representation by the Underwriter.

No dealer, broker, salesperson or other person has been authorized by the District, the Corporation or the Underwriter to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2019 Certificates by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the 2019 Certificates shall under any circumstances create any implication that there has been no change in the affairs of the District, the Corporation or other matters described herein since the date hereof.

This Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Official Statement constitute an offer to sell or the 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 any such jurisdiction.

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

The Underwriter has provided the following sentence for inclusion in this Official Statement:

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

IN CONNECTION WITH THE OFFERING OF THE 2019 CERTIFICATES, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2019 CERTIFICATES AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

This Official Statement is submitted in connection with the sale of the 2019 Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The District maintains a website and social media accounts. However, the information presented on the District’s website or social media accounts is not incorporated into this Official Statement by any reference, and should not be relied upon in making investment decisions with respect to the 2019 Certificates.

Build America Mutual Assurance Company (“BAM”) makes no representation regarding the 2019 Certificates or the advisability of investing in the 2019 Certificates. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “SECURITY AND SOURCES OF PAYMENT OF THE 2019 CERTIFICATES – Bond Insurance” herein and “APPENDIX H – SPECIMEN MUNICIPAL BOND INSURANCE POLICY” attached hereto.

**PERRIS UNION HIGH SCHOOL DISTRICT
(Riverside County, California)**

BOARD OF TRUSTEES

Edward D. Garcia, Jr., President
Anthony T. Stafford, Sr., Vice President
Dr. Randall Freeman, Clerk
Dr. Jose Luis Araux, Member
David G. Nelissen, Member

DISTRICT ADMINISTRATION

Grant Bennett, *Superintendent*
Candace Reines, *Deputy Superintendent, Business Services*

PROFESSIONAL SERVICES

SPECIAL COUNSEL AND DISCLOSURE COUNSEL

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

FINANCIAL ADVISOR

CSG Advisors Incorporated
San Francisco, California

TRUSTEE

U.S. Bank National Association
Los Angeles, California

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\$41,160,000
PERRIS UNION HIGH SCHOOL DISTRICT
2019 Certificates of Participation
(School Financing Project)

Evidencing the Fractional Interests of the
Owners Thereof in Lease Payments to be
Made by the
PERRIS UNION HIGH SCHOOL DISTRICT

INTRODUCTION

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

This Official Statement provides certain information concerning the sale and delivery of \$41,160,000 of Perris Union High School District 2019 Certificates of Participation (School Financing Project) (the “2019 Certificates”), evidencing the fractional interests of the Owners thereof (as hereinafter defined) in Lease Payments (as defined in Appendix A hereto) to be made by the Perris Union High School District (the “District”) pursuant to a Lease/Purchase Agreement, dated as of May 1, 2019 (the “Lease”), by and between the Perris Valley Schools Capital Facilities Corporation, as lessor (the “Corporation”), and the District, as lessee, for the use and possession of the real property and school facilities thereon known as Paloma Valley High School (the “Property”).

The District

The Perris Union High School District (the “District”) was incorporated on August 23, 1897, and covers approximately 182 square miles in the northwestern part of Riverside County (the “County”) just south of the City of Riverside. A majority of the City of Perris, all of the City of Menifee, and all of the unincorporated communities of Sun City, Lakeview, Nuevo, Romoland, and Homeland are situated within the District’s boundaries, as well as a portion of the cities of Lake Elsinore, Murrieta, San Jacinto and Wildomar. The City of Perris is located 18 miles south of the City of Riverside, 75 miles northeast of the City of San Diego and 70 miles east of the City of Los Angeles.

The District currently operates one middle school, three comprehensive high schools, one continuation high school and one online independent study school. The District provides education for grades 7-12 for students generated by the Perris Elementary School District and grades 9-12 for students generated by the Menifee Union School District, the Nuview Union School District and the Romoland School District. The District additionally operates an adult education program, a functional skills special education school for students aged 18-22, and a military-based dependent charter school for grades 5-12.

The District is governed by a five-member Board of Trustees (the “Board”), each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The day-to-day affairs of the District are the responsibility of its Superintendent. Grant Bennett is the Superintendent of the District and Candace Reines is the Deputy Superintendent, Business Services.

For more information regarding the District, see also “PERRIS UNION HIGH SCHOOL DISTRICT” and “DISTRICT FINANCIAL MATTERS” herein. The District’s audited financial

statements for the fiscal year ended June 30, 2018 are attached hereto as Appendix C and should be read in their entirety.

Purpose of the 2019 Certificates

The proceeds of the 2019 Certificates will be used to (i) prepay the lease obligations of the District related to its outstanding 2007 Certificates of Participation (the “2007 Certificates”), (ii) finance capital improvements to District sites and facilities, (iii) purchase a municipal bond debt service reserve fund insurance policy for deposit in the Series Account of the Reserve Fund established for the 2019 Certificates (the “2019 Certificates Reserve Account”), and (iv) pay certain costs related to the execution and delivery of the 2019 Certificates. See also “THE PROJECT” and “ESTIMATED SOURCES AND USES OF PROCEEDS” herein.

Security and Source of Payment of the 2019 Certificates

The 2019 Certificates are being executed and delivered pursuant to a Trust Agreement (the “Trust Agreement”), dated as of May 1, 2019, by and among the District, the Corporation and U.S. Bank National Association, as trustee (the “Trustee”). The District is required under the Lease to pay Lease Payments for the use and possession of the Property, as further described under the caption “THE PROPERTY” herein. The District is also required to pay any taxes and assessments, and is responsible for all maintenance and repair of the Property.

Pursuant to an Assignment Agreement, dated as of May 1, 2019 (the “Assignment Agreement”), by and between the Corporation and the Trustee, the Corporation will assign to the Trustee, for the benefit of the Owners, substantially all of its rights under the Lease and a Site Lease, dated as of May 1, 2019 (the “Site Lease”), by and between the District and the Corporation, including its rights to receive and collect Lease Payments and prepayments from the District under the Lease and rights as may be necessary to enforce the payment of such Lease Payments and prepayments. All rights assigned by the Corporation pursuant to the Assignment Agreement shall be administered by the Trustee in accordance with the provisions of the Trust Agreement for the equal and proportionate benefit of all Owners.

The 2019 Certificates evidence fractional and undivided interests in the right to receive Lease Payments and prepayments thereof to be made by the District to the Corporation under the Lease. The Lease Payments are designed to pay, when due, the principal and interest with respect to the 2019 Certificates.

The District covenants in the Lease that it will take such action as may be necessary to include the Lease Payments and other payments due under the Lease in its annual budgets and to make the necessary annual appropriations therefor. See “SECURITY AND SOURCES OF PAYMENT OF THE CERTIFICATES – Lease Payments” herein. Notwithstanding the foregoing, the District expects to make Lease Payments due under the Lease from special tax revenue collected in connection with Community Facilities District No. 92-1 of the Perris Union High School District (“CFD No. 92-1”). See “DISTRICT FINANCIAL MATTERS – Other Revenue Sources – Special Taxes” and “DISTRICT FINANCIAL MATTERS – CFD No. 92-1 Special Taxes. The District’s obligation to make Lease Payments is subject to abatement in the event of the taking of, damage to or loss of use and possession of the Property. See “RISK FACTORS – Abatement” herein.

The obligation of the District to make Lease Payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. Neither the 2019 Certificates nor the obligation of the District to make Lease Payments constitutes a debt of the District, the State of

California (the “State”) or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Description of the 2019 Certificates

For a more complete description of the 2019 Certificates and the basic documentation pursuant to which they are being sold and delivered, see “THE 2019 CERTIFICATES” herein and “APPENDIX A –SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” attached hereto. The summaries and descriptions in the Official Statement of the Trust Agreement, the Lease, the Site Lease, the Assignment Agreement and other agreements relating to the 2019 Certificates are qualified in their entirety by the form thereof and the information with respect thereto included in such documents.

Registration, Transfers and Exchanges. The 2019 Certificates will be executed and delivered as fully registered 2019 Certificates, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to actual purchasers of interests in the 2019 Certificates (the “Beneficial Owners”), under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the 2019 Certificates, but will instead receive credit balances on the books of their respective nominees. See “APPENDIX E – BOOK-ENTRY ONLY SYSTEM” attached hereto. In the event that the book-entry only system described below is no longer used with respect to the 2019 Certificates, the 2019 Certificates will be registered and transferred in accordance with the Trust Agreement.

So long as Cede & Co. is the registered owner of the 2019 Certificates, as nominee of DTC, references herein to the “Owners” “Certificate Owners” or “Holders” of the 2019 Certificates (other than under the caption “TAX MATTERS” and in Appendix B) will mean Cede & Co. and will not mean the Beneficial Owners of interests in the 2019 Certificates.

Payments. The 2019 Certificates shall be dated as of their date of delivery and shall represent interest therefrom, payable semiannually on each April 1 and October 1, commencing October 1, 2019 (each, a “Certificate Payment Date”). Principal with respect to the 2019 Certificates shall be payable on each October 1, in the amounts and years as set forth on the inside cover page hereof.

Principal and interest due with respect to the 2019 Certificates are payable by the Trustee to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants. In the event that the book-entry only system is no longer used with respect to the 2019 Certificates, the Beneficial Owners will become the registered Owners of the 2019 Certificates and will be paid principal and interest by the Trustee, all as described herein. See “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” and “APPENDIX E – BOOK-ENTRY ONLY SYSTEM” attached hereto.

Prepayment. The 2019 Certificates are subject to optional prepayment, extraordinary prepayment and mandatory sinking fund prepayment as further described herein.

Denominations. The 2019 Certificates are being executed and delivered in minimum denominations of \$5,000 principal amount, or any integral multiple thereof.

Bond Insurance. The scheduled payment of principal and interest with respect to the 2019 Certificates when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the 2019 Certificates by Build America Mutual Assurance Company.

See “SECURITY AND SOURCES OF PAYMENT OF THE 2019 CERTIFICATES – Bond Insurance” herein.

Other Borrowing

The District received authorization at an election held on November 6, 2018, by more than 55% of the votes cast by eligible voters within the District to issue not to exceed \$148,000,000 of general obligation bonds (the “2018 Authorization”). On April 17, 2019, the Board of the District authorized the sale of the first series of bonds pursuant to the 2018 Authorization in an aggregate principal amount not to exceed \$148,000,000 (the “2018 Election Series A Bonds”). The 2018 Election Series A Bonds are expected to be delivered in June or July, 2019. See also “DISTRICT FINANCIAL MATTERS – District Debt Structure – General Obligation Bonds” herein.

Parity Indebtedness; Additional Certificates

The District may execute and deliver one or more series of Additional Certificates (each (including the 2019 Certificates), a “Series”) pursuant to the Trust Agreement in the future, subject to the requirements set forth in the Trust Agreement. If executed and delivered, such Additional Certificates of a Series would be equally and ratably secured with all certificates of participation issued pursuant to the Trust Agreement, including the 2019 Certificates. See “SECURITY AND SOURCES OF PAYMENT OF THE 2019 CERTIFICATES – Additional Certificates” herein.

Continuing Disclosure

The District covenants for the benefit of the Owners and Beneficial Owners of the 2019 Certificates to provide certain financial information and operating data relating to the District by not later than nine months following the end of the District’s fiscal year (presently ending on June 30) (the “Annual Report”), commencing with the report for the fiscal year ending June 30, 2019, and to provide notices of the occurrence of certain enumerated events. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934, as amended (the “Rule”). See “CONTINUING DISCLOSURE” herein and “APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE” attached hereto.

Professionals Involved in the Offering

U.S. Bank National Association, Los Angeles, California, will act as Trustee with respect to the 2019 Certificates. Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, is acting as Special Counsel and Disclosure Counsel with respect to the 2019 Certificates. CSG Advisors Incorporated, San Francisco, California is acting as Financial Advisor to the District with respect to the 2019 Certificates. James F. Anderson Law Firm, a Professional Corporation, Laguna Hills, California, will be acting as Underwriter’s Counsel with respect to the 2019 Certificates. Stradling Yocca Carlson & Rauth, a Professional Corporation, CSG Advisors, Incorporated and James F. Anderson Law Firm, a Professional Corporation, will receive compensation contingent upon the execution and delivery of the 2019 Certificates and the payment of the purchase price therefor by Stifel, Nicolaus & Company, Incorporated (the “Underwriter”). From time to time, Bond Counsel represents the Underwriter on matters unrelated to the 2019 Certificates.

2019 Certificate Owners' Risks

Certain events could affect the ability of the District to make the Lease Payments when due. See "RISK FACTORS" herein, for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the 2019 Certificates.

Forward Looking Statements

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

THE 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. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

Copies of the Lease, the Site Lease, the Trust Agreement and the Assignment Agreement are available, upon request, and upon payment to the District of a charge for copying, mailing and handling, from the Deputy Superintendent, Business Services, Perris Union High School District, 155 East Fourth Street, Perris, California 92570-2124.

No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2019 Certificates 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 2019 Certificates. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entirety by reference to each of such documents, statutes and constitutional provisions.

Certain information set forth herein, other than that provided by the District, has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or

completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the 2019 Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose

This Official Statement contains brief descriptions of, among other things, the District, the Corporation, the 2019 Certificates, the Trust Agreement, the Lease, the Assignment Agreement and the Site Lease and certain other matters relating to the security for the 2019 Certificates. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to documents and agreements are qualified in their entirety by reference to such documents, and agreements and references herein to the 2019 Certificates are qualified in their entirety by reference to the form thereof included in the Trust Agreement. Copies of such documents will be available for inspection at the principal office of the Trustee after delivery of the 2019 Certificates. Capitalized terms used but not otherwise defined herein shall have the meanings assigned thereto in the Trust Agreement or the Lease.

The sale and delivery of the 2019 Certificates to potential investors is made only by means of the Official Statement.

THE PROJECT

The proceeds of the 2019 Certificates will be used to (i) prepay the lease obligations of the District related to its outstanding 2007 Certificates, (ii) finance capital improvements to District sites and facilities, (iii) purchase a municipal bond debt service reserve fund insurance policy for deposit in the Series Account of the Reserve Fund established for the 2019 Certificates (the “2019 Certificates Reserve Account”), and (iv) pay certain costs related to the execution and delivery of the 2019 Certificates.

Refunding of 2007 Certificates

On December 20, 2007, the District caused the execution and delivery of the 2007 Certificates evidencing principal in an amount equal to \$9,100,000. The 2007 Certificates currently evidence outstanding principal in an amount equal to \$5,715,000. The table below shows information regarding the 2007 Certificates.

2007 CERTIFICATES Perris Union High School District 2007 Certificates of Participation

<u>Maturity (October 1)</u>	<u>Rate</u>	<u>Initial Principal Amount</u>	<u>Outstanding Principal to be Prepaid</u>	<u>CUSIP</u>	<u>Prepayment Price</u>
2019	4.000%	\$380,000	\$380,000	714399BY7	100%
2020	4.000	390,000	390,000	714399BZ4	100
2021	4.000	410,000	410,000	714399CA8	100
2022	4.000	425,000	425,000	714399CB6	100
2023	4.125	445,000	445,000	714399CE0	100
2026	4.250	1,435,000	1,435,000	714399CC4	100
2030	4.500	2,230,000	2,230,000	714399CD2	100

Pursuant to the Trust Agreement, a portion of the proceeds of the 2019 Certificates will be transferred to U.S. Bank, as trustee for the 2007 Certificates (the “2007 Certificates Trustee”) pursuant to

that certain Trust Agreement, dated as of December 1, 2007 (the “2007 Certificates Trust Agreement”), by and among the District, the Corporation, and the 2007 Certificates Trustee. Such proceeds, together with additional funds available under the 2007 Certificates Trust Agreement, will be used to prepay all remaining obligations of the District to make lease payments in connection with the 2007 Certificates, and to effect the prepayment in full of the 2007 Certificates. See “ESTIMATED SOURCES AND USES OF PROCEEDS” herein.

Additional Projects

The remaining net proceeds of the 2019 Certificates are expected to be used to finance priority facilities projects of the District, including a portion of the cost of construction of a new District high school, Liberty High School, to serve the City of Menifee and surrounding areas. In addition to the net proceeds of the 2019 Certificates, the total cost of construction of Liberty High School is expected to be funded with proceeds of District general obligation bonds and other available funds. See also “ESTIMATED SOURCES AND USES OF PROCEEDS” herein.

THE PROPERTY

Pursuant to the Site Lease, the District is leasing the Property to the Corporation and leasing the Property back from the Corporation pursuant to the Lease. The Property consists of the District’s Paloma Valley High School, located at 31375 Bradley Road, in Menifee, California, a comprehensive high school facility with a current enrollment of approximately 3,146 students. The Property comprises a site of 56.5 acres, and structures totaling approximately 296,435 square feet of building area, as well as athletic fields and parking facilities. The Property includes classrooms, laboratories, athletic facilities and fields, arts facilities, offices, administrative spaces, parking and custodial facilities. The high school facility was first constructed in 1995.

The improvements on the Property currently have a total estimated insured replacement value of approximately \$75 million. See also “RISK FACTORS – Property Values” herein.

THE 2019 CERTIFICATES

General

The 2019 Certificates will be executed in the aggregate principal amount of \$41,160,000. The 2019 Certificates will be dated the date of delivery (the “Date of Delivery”), and will be executed as fully registered book-entry 2019 Certificates, without coupons, in denominations of \$5,000 principal amount or any integral multiple thereof, and will mature on October 1 of each year, as set forth on the inside cover page hereof.

Interest with respect to the 2019 Certificates will be payable each Certificate Payment Date, commencing on October 1, 2019, at the rates per annum set forth on the inside cover page hereof. If a 2019 Certificate is executed: (i) as of a Certificate Payment Date, interest with respect thereto will be payable from the date thereto; (ii) after the close of business on the fifteenth day of the month preceding each Certificate Payment Date (whether or not such fifteenth day is a Business Day) (each, a “Record Date”) and before the following Certificate Payment Date, interest with respect thereto will be payable from such following Certificate Payment Date; or (iii) prior to or on September 15, 2019, interest with respect thereto will be payable from the Date of Delivery. Interest with respect to the 2019 Certificates will be computed on the basis of a 360-day year comprised of twelve 30-day months.

The 2019 Certificates evidence and represent fractional and undivided interests of the Owners thereof in the Lease Payments to be made by the District. To the extent Lease Payments are abated or not made under the Lease, all 2019 Certificate Owners will receive a proportionate reduction in their payments. See “RISK FACTORS – Abatement” herein. If the Lease is prepaid in part, for any reason, the 2019 Certificate Owner will be entitled only to the remaining Lease Payments.

Principal and premium, if any, with respect to the 2019 Certificates will be payable upon surrender by the Owners thereof at the principal office of the Trustee. Interest with respect to the 2019 Certificates will be payable by wire transfer to a bank account within the United States that is on record with the Trustee as of the Record Date.

Prepayment

Extraordinary Prepayment. The 2019 Certificates are subject to prepayment prior to their respective maturity dates on any day, in whole or in part, from the proceeds of any insurance, performance bonds or taking by eminent domain or condemnation paid with respect to the Property remaining after payment therefrom of any expenses (including attorneys’ fees) incurred in the collection thereof (collectively, “Net Proceeds”), which the Trustee shall deposit in the Prepayment Fund or other moneys deposited with the Trustee as provided in the Lease at least 45 days prior to the date set for such extraordinary prepayment and credited towards the prepayment made by the District pursuant to the Lease, at a prepayment price equal to the principal amount thereof, together with accrued interest to the date fixed for prepayment, without premium.

Prepayments from Net Proceeds and the resulting redemption of 2019 Certificates that were purchased at a price greater than the applicable redemption price could reduce the otherwise expected yield on such 2019 Certificates. See “RISK FACTORS – Extraordinary Prepayment from Net Proceeds” herein.

Optional Prepayment. The 2019 Certificates evidencing principal maturing on or after October 1, 2030 are subject to optional prepayment prior to their stated maturities, in whole or in part, on any day on or after October 1, 2029, from any lawfully available source of funds in the event the District exercises its option under the Lease to prepay the principal component of the Lease Payments (in integral multiples of \$5,000), at the principal amount thereof, plus accrued interest to the date fixed for prepayment, without premium.

Mandatory Sinking Fund Prepayment. The 2019 Certificates evidencing principal maturing on October 1, 2039, are subject to prepayment prior to maturity from mandatory sinking fund prepayments of the principal component of Lease Payments, on October 1 of each year on and after October 1, 2037, at a prepayment price equal to the principal amount thereof, plus accrued interest to the date fixed for prepayment, without premium. The principal component of such Lease Payments to be so prepaid and the dates therefor and the final payment date is as indicated in the following table:

Year Ending <u>October 1</u>	Principal Component <u>To Be Prepaid</u>
2037	\$970,000
2038	1,145,000
2039 ⁽¹⁾	2,245,000

⁽¹⁾ Maturity.

The 2019 Certificates evidencing principal maturing on October 1, 2043, are subject to prepayment prior to maturity from mandatory sinking fund prepayments of the principal component of Lease Payments, on October 1 of each year on and after October 1, 2040, at a prepayment price equal to the principal amount thereof, plus accrued interest to the date fixed for prepayment, without premium. The principal component of such Lease Payments to be so prepaid and the dates therefor and the final payment date is as indicated in the following table:

Year Ending October 1	Principal Component To Be Prepaid
2040	\$2,355,000
2041	2,455,000
2042	2,545,000
2043 ⁽¹⁾	2,645,000

⁽¹⁾ Maturity.

The 2019 Certificates evidencing principal maturing on October 1, 2048, are subject to prepayment prior to maturity from mandatory sinking fund prepayments of the principal component of Lease Payments, on October 1 of each year on and after October 1, 2044, at a prepayment price equal to the principal amount thereof, plus accrued interest to the date fixed for prepayment, without premium. The principal component of such Lease Payments to be so prepaid and the dates therefor and the final payment date is as indicated in the following table:

Year Ending October 1	Principal Component To Be Prepaid
2044	\$2,660,000
2045	2,775,000
2046	2,700,000
2047	2,485,000
2048 ⁽¹⁾	2,380,000

⁽¹⁾ Maturity.

The 2019 Certificates evidencing principal maturing on October 1, 2050, are subject to prepayment prior to maturity from mandatory sinking fund prepayments of the principal component of Lease Payments, on October 1 of each year on and after October 1, 2049, at a prepayment price equal to the principal amount thereof, plus accrued interest to the date fixed for prepayment, without premium. The principal component of such Lease Payments to be so prepaid and the dates therefor and the final payment date is as indicated in the following table:

Year Ending October 1	Principal Component To Be Prepaid
2049	\$2,440,000
2050 ⁽¹⁾	2,440,000

⁽¹⁾ Final maturity.

Selection of 2019 Certificates for Prepayment. Whenever less than all the Outstanding 2019 Certificates are called for prepayment, the Trustee shall select 2019 Certificates for prepayment, from the Outstanding 2019 Certificates not previously called for prepayment, as directed by the District or, if the District does not so direct, pro rata among maturities and within each maturity by lot.

Prepayment Procedures

Notice of Prepayment. When prepayment is authorized or required pursuant to the Trust Agreement, the Trustee shall give notice of the prepayment of the 2019 Certificates. Such notice shall specify: (a) the prepayment date, (b) the prepayment price, (c) if less than all of the Outstanding 2019 Certificates are to be prepaid, the Certificate numbers (and in the case of partial prepayment, the respective principal amounts), (d) the CUSIP numbers of the 2019 Certificates to be prepaid, (e) the place or places where the prepayment will be made, (f) the original date of execution and delivery of the 2019 Certificates, (g) the rate of interest payable with respect to each 2019 Certificate being prepaid, and (h) any other descriptive information regarding the 2019 Certificates needed to identify accurately the 2019 Certificates being prepaid. Such notice shall further state that on the specified date there shall become due and payable upon each 2019 Certificate to be prepaid, the portion of the principal amount evidenced by such 2019 Certificate to be prepaid, together with interest accrued to said date, and that from and after such date, provided that moneys therefor have been deposited with the Trustee, interest with respect thereto shall cease to accrue and be payable.

Notice of such prepayment shall be sent (i) by registered or certified mail, postage prepaid, to the Corporation and the respective Owners of any 2019 Certificates designated for prepayment at their addresses appearing on the Certificate registration books, at least twenty (20) days, but not more than forty-five (45) days, prior to the prepayment date, (ii) by registered or certified mail, postage prepaid, telephonically confirmed facsimile transmission, or overnight delivery service, to the Depository on the date of mailing of notice to the Owners, and (iii) by registered or certified mail, postage prepaid, or overnight delivery service to the national Information Services that disseminate securities redemption notices, on the date notice is mailed to the Owners. Notice of prepayment shall also be sent as required by the Continuing Disclosure Certificate.

Neither failure to receive such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the prepayment of such 2019 Certificates.

“Depository” shall mean The Depository Trust Company, 55 Water Street, New York, New York 10041.

“Information Services” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system.

Notice having been given to the Owners of the 2019 Certificates as aforesaid, and the moneys for the prepayment (including the interest to the applicable date of prepayment), having been set aside in the Prepayment Fund or as otherwise permitted by the Trust Agreement, the 2019 Certificates shall become due and payable on said date of prepayment, and upon presentation and surrender thereof at the Principal Office of the Trustee, said 2019 Certificates shall be paid at the prepayment price with respect thereto, plus interest accrued and unpaid to said date of prepayment.

Effect of Notice of Prepayment. If, on said date of prepayment, moneys for the prepayment of all the 2019 Certificates to be prepaid, together with interest to said date of prepayment, shall be held by the Trustee (or such other escrow agent as shall be selected by the District) so as to be available therefor on such date of prepayment, and, if notice of prepayment thereof shall have been given as aforesaid, then, from and after said date of prepayment, interest with respect to the 2019 Certificates to be prepaid shall cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the prepayment of 2019 Certificates shall be held in trust for the account of the Owners of the 2019 Certificates so to be prepaid, without liability for interest thereon.

Rescission of Notice of Prepayment. With respect to any notice of prepayment of 2019 Certificates, unless upon the giving of such notice such 2019 Certificates shall be deemed to have been defeased pursuant to the Trust Agreement, such notice shall state that such prepayment shall be conditional upon the receipt by the Trustee (or an independent escrow agent selected by the District) on or prior to the date fixed for such prepayment of the moneys necessary and sufficient to pay the principal, premium, if any, and interest with respect to such 2019 Certificates to be prepaid, and that if such moneys shall not have been so received said notice shall be of no force and effect, the 2019 Certificates shall not be subject to prepayment on such date and the 2019 Certificates shall not be required to be prepaid on such date. In the event that such notice of prepayment contains such a condition and such moneys are not so received, the prepayment shall not be made and the Trustee shall within a reasonable time thereafter give notice, to the persons to whom and in the manner in which the notice of prepayment was given, that such moneys were not so received.

Additional Certificates

Under the terms of the Trust Agreement the District is authorized to sell one or more Series of Additional Certificates secured by Lease Payments for use and occupancy of the Property. Such Additional Certificates of a Series would be payable from legally available moneys of the District and be subject to appropriation. See “SECURITY AND SOURCES OF PAYMENT OF THE 2019 CERTIFICATES – Additional Certificates” herein.

SEMI-ANNUAL CERTIFICATE PAYMENT SCHEDULES

Lease Payments are required to be made by the District under the Lease on or before March 15 and September 15 of each year (each, a “Lease Payment Date”) for the use and possession of the Property for the period commencing as of the Date of Delivery and terminating on October 1, 20__, or extended as provided in the Lease. The Lease requires that Lease Payments be deposited in the Lease Payment Fund maintained by the Trustee under the Trust Agreement (the “Lease Payment Fund”). On each Certificate Payment Date, the Trustee will withdraw from the Lease Payment Fund the aggregate amount of such Lease Payments and will apply such amounts to make principal and interest payments represented by the 2019 Certificates when due.

The following table summarizes the semi-annual 2019 Certificate payment requirements of the District, assuming no optional or extraordinary prepayments of the 2019 Certificates.

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Semi-Annual Payments</u>	<u>Annual Payments</u>
October 1, 2019	\$965,000	\$626,957.92	\$1,591,957.92	\$1,591,957.92
April 1, 2020		860,350.00	860,350.00	
October 1, 2020	100,000	860,350.00	960,350.00	1,820,700.00
April 1, 2021		858,850.00	858,850.00	
October 1, 2021	145,000	858,850.00	1,003,850.00	1,862,700.00
April 1, 2022		855,950.00	855,950.00	
October 1, 2022	185,000	855,950.00	1,040,950.00	1,896,900.00
April 1, 2023		852,250.00	852,250.00	
October 1, 2023	230,000	852,250.00	1,082,250.00	1,934,500.00
April 1, 2024		847,650.00	847,650.00	
October 1, 2024	275,000	847,650.00	1,122,650.00	1,970,300.00
April 1, 2025		842,150.00	842,150.00	
October 1, 2025	330,000	842,150.00	1,172,150.00	2,014,300.00
April 1, 2026		833,900.00	833,900.00	
October 1, 2026	380,000	833,900.00	1,213,900.00	2,047,800.00

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Semi-Annual Payments</u>	<u>Annual Payments</u>
April 1, 2027		824,400.00	824,400.00	
October 1, 2027	445,000	824,400.00	1,269,400.00	2,093,800.00
April 1, 2028		813,275.00	813,275.00	
October 1, 2028	505,000	813,275.00	1,318,275.00	2,131,550.00
April 1, 2029		800,650.00	800,650.00	
October 1, 2029	575,000	800,650.00	1,375,650.00	2,176,300.00
April 1, 2030		786,275.00	786,275.00	
October 1, 2030	645,000	786,275.00	1,431,275.00	2,217,550.00
April 1, 2031		770,150.00	770,150.00	
October 1, 2031	555,000	770,150.00	1,325,150.00	2,095,300.00
April 1, 2032		756,275.00	756,275.00	
October 1, 2032	610,000	756,275.00	1,366,275.00	2,122,550.00
April 1, 2033		741,025.00	741,025.00	
October 1, 2033	680,000	741,025.00	1,421,025.00	2,162,050.00
April 1, 2034		724,025.00	724,025.00	
October 1, 2034	685,000	724,025.00	1,409,025.00	2,133,050.00
April 1, 2035		706,900.00	706,900.00	
October 1, 2035	780,000	706,900.00	1,486,900.00	2,193,800.00
April 1, 2036		687,400.00	687,400.00	
October 1, 2036	830,000	687,400.00	1,517,400.00	2,204,800.00
April 1, 2037		666,650.00	666,650.00	
October 1, 2037	970,000	666,650.00	1,636,650.00	2,303,300.00
April 1, 2038		652,100.00	652,100.00	
October 1, 2038	1,145,000	652,100.00	1,797,100.00	2,449,200.00
April 1, 2039		634,925.00	634,925.00	
October 1, 2039	2,245,000	634,925.00	2,879,925.00	3,514,850.00
April 1, 2040		601,250.00	601,250.00	
October 1, 2040	2,355,000	601,250.00	2,956,250.00	3,557,500.00
April 1, 2041		554,150.00	554,150.00	
October 1, 2041	2,455,000	554,150.00	3,009,150.00	3,563,300.00
April 1, 2042		505,050.00	505,050.00	
October 1, 2042	2,545,000	505,050.00	3,050,050.00	3,555,100.00
April 1, 2043		454,150.00	454,150.00	
October 1, 2043	2,645,000	454,150.00	3,099,150.00	3,553,300.00
April 1, 2044		401,250.00	401,250.00	
October 1, 2044	2,660,000	401,250.00	3,061,250.00	3,462,500.00
April 1, 2045		334,750.00	334,750.00	
October 1, 2045	2,775,000	334,750.00	3,109,750.00	3,444,500.00
April 1, 2046		265,375.00	265,375.00	
October 1, 2046	2,700,000	265,375.00	2,965,375.00	3,230,750.00
April 1, 2047		197,875.00	197,875.00	
October 1, 2047	2,485,000	197,875.00	2,682,875.00	2,880,750.00
April 1, 2048		135,750.00	135,750.00	
October 1, 2048	2,380,000	135,750.00	2,515,750.00	2,651,500.00
April 1, 2049		76,250.00	76,250.00	
October 1, 2049	2,440,000	76,250.00	2,516,250.00	2,592,500.00
April 1, 2050		38,125.00	38,125.00	
October 1, 2050	<u>2,440,000</u>	<u>38,125.00</u>	<u>2,478,125.00</u>	<u>2,516,250.00</u>
Totals	\$41,160,000	\$38,785,207.92	\$79,945,207.92	\$79,945,204.92

SECURITY AND SOURCES OF PAYMENT OF THE 2019 CERTIFICATES

Neither the 2019 Certificates nor the obligation of the District to make Lease Payments constitutes an obligation of the District for which the District is obligated to levy or pledge, or for which the District has levied or pledged, any form of taxation. Neither the 2019 Certificates nor the obligation of the District to make Lease Payments constitutes a debt of the District, the State or any

of its political subdivisions within the meaning of any constitutional limitation or violates any statutory debt limitation.

General

Each 2019 Certificate represents a fractional interest in the Lease Payments and prepayments to be made by the District to the Trustee under the Lease. The District is obligated to pay Lease Payments from any source of legally available funds, and covenants in the Lease to include all Lease Payments coming due in its annual budgets and to make the necessary annual appropriations therefor. The Corporation, pursuant to the Assignment Agreement, has assigned all of its rights under the Lease (excepting certain rights as specified therein), including the right to receive Lease Payments and prepayments, to the Trustee for the benefit of the Owners. By the fifteenth day of each March and September (if such day is not a Business Day, the next succeeding Business Day), the District must pay to the Trustee a Lease Payment (to the extent required under the Lease) which is equal to the amount necessary to pay the principal, if any, and interest due with respect to the 2019 Certificates on the next succeeding Certificate Payment Date.

Under the Lease, the District agrees to pay certain taxes, assessments, utility charges, and insurance premiums charged with respect to the Property and the 2019 Certificates and fees and expenses of the Trustee. The District is responsible for repair and maintenance of the Property during the term of the Lease. The District may at its own expense in good faith contest such taxes, assessments and utility and other charges if certain requirements set forth in the Lease are satisfied, including obtaining an opinion of counsel that the Property will not be subjected to loss or forfeiture.

The District's obligation to make Lease Payments will be abated in the event of, and to the extent of, substantial interference with use and possession of the Property arising from damage, destruction, or taking by eminent domain or condemnation of the Property. Abatement would not constitute a default under the Lease and the Trustee would not be entitled in such event to pursue remedies against the District. See "RISK FACTORS – Abatement" herein.

Should the District default under the Lease, the Trustee, as assignee of the Corporation, may terminate the Lease and re-lease the Property or may retain the Lease and hold the District liable for all Lease Payments thereunder on an annual basis. See also "RISK FACTORS – Limited Recourse on Default" herein. Under no circumstances will the Trustee have the right to accelerate Lease Payments. See "RISK FACTORS – No Acceleration Upon Default" herein.

Lease Payments

Subject to the provisions of the Lease regarding abatement in the event of loss of use and possession of any portion of the Property (see "RISK FACTORS – Abatement" herein) and prepayment of Lease Payments (see the provisions relating to prepayment under the caption "THE 2019 CERTIFICATES" above), the District agrees to pay to the Corporation, its successors and assigns, as annual rental for the use and possession of the Property, the Lease Payments to be due and payable on each Lease Payment Date.

Any monies deposited in the Lease Payment Fund during the month preceding a Lease Payment Date (other than amounts resulting from the prepayment of the Lease Payments in part but not in whole pursuant to the Lease and other amounts required for payment of past due principal or interest with respect to any 2019 Certificates not presented for payment) shall be credited to the payment of Lease Payments due and payable on such Lease Payment Date.

The Trust Agreement requires that Lease Payments be deposited in the Lease Payment Fund maintained by the Trustee. Pursuant to the Trust Agreement, on April 1 and October 1 of each year, commencing October 1, 2019, the Trustee will apply such amounts in the Lease Payment Fund as are necessary to make interest and principal payments, respectively, with respect to the 2019 Certificates as the same shall become due and payable, in the amounts specified in the Lease.

Bond Insurance

Bond Insurance Policy. Concurrently with the execution and delivery of the 2019 Certificates, BAM will issue its Municipal Bond Insurance Policy for the 2019 Certificates (the “Policy”). The Policy guarantees the scheduled payment of principal and interest with respect to the 2019 Certificates when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

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

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

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

BAM’s financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P’s current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the 2019 Certificates, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the 2019 Certificates. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the 2019 Certificates on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the 2019 Certificates, nor does it guarantee that the rating on the 2019 Certificates will not be revised or withdrawn.

Capitalization of BAM

BAM’s total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2019 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$513.9 million, \$105 million and \$408.9 million, respectively.

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

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

BAM makes no representation regarding the 2019 Certificates or the advisability of investing in the 2019 Certificates. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "SECURITY AND SOURCES OF PAYMENT OF THE 2019 CERTIFICATES – Bond Insurance" herein.

Additional Information Available from BAM

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

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

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer or the underwriter for the 2019 Certificates, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the 2019 Certificates. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the 2019 Certificates, whether at the initial offering or otherwise.

Reserve Fund

A debt service reserve fund (the "Reserve Fund") is established by the Trust Agreement. Within such Reserve Fund, the Trustee will establish an account for the 2019 Certificates referred to herein as the

“2019 Certificates Reserve Account” and, upon the issuance of any Series of Additional Certificates, will establish a separate account for such Series within the Reserve Fund (each such account, including the 2019 Certificates Reserve Account, a “Series Account of the Reserve Fund.” The District shall maintain in each Series Account of the Reserve Fund for a Series of Certificates, an amount equal to the Reserve Requirement for such Series.

The term “Reserve Requirement” means, with respect to any Series of Certificates, as of any date of calculation, the least of (i) maximum aggregate annual Lease Payments then payable under the Lease in respect of such Series in any Certificate Year, (ii) 125% of the average annual aggregate Lease Payments then payable under the Lease in respect of such Series (calculated based on Certificate Years), (iii) 10% of the original face amount of the Certificates of such Series (less original issue discount if in excess of two percent (2%) of the stated prepayment amount at maturity), and, in the case of the 2019 Certificates, (iv) \$3,186,760.88, the initial Reserve Requirement. Notwithstanding the foregoing, in the event of a redemption or partial defeasance of the 2019 Certificates, the Reserve Requirement for the 2019 Certificates shall thereafter be determined by the District and communicated to the Trustee in writing and any funds in excess of such redetermined Reserve Requirement shall be utilized as set forth in the Trust Agreement. In the event of a partial prepayment or defeasance of the 2019 Certificates, a proportionate amount in the Reserve Fund (determined on the basis of the principal evidenced by 2019 Certificates to be prepaid or redeemed and the original aggregate principal evidenced by the 2019 Certificates, but not in excess of the amount of funds available as a result of the re-determination of the Reserve Requirement) may be applied to the prepayment or defeasance of the 2019 Certificates as provided in the Trust Agreement.

Upon the delivery of the 2019 Certificates, the District expects to deposit into the Series 2019 Reserve Account a municipal bond debt service reserve insurance policy (the “Reserve Policy”) to be issued by BAM, in a face amount equal to the initial Reserve Requirement for the 2019 Certificates. The full amount available in the 2019 Certificates Reserve Account may be used by the Trustee in the event of abatement or failure by the District to make Lease Payments with respect to the 2019 Certificates. Subject to the requirements and restrictions contained in the Trust Agreement, the District may substitute for the Reserve Policy, or any cash or other Reserve Facilities then on deposit in the 2019 Certificates Reserve Account, another Reserve Facility or cash, or combination thereof, which in the aggregate makes funds available in the 2019 Certificates Reserve Account in an amount equal to the Reserve Fund Requirement for the 2019 Certificates, as provided in the Trust Agreement.

The District is obligated to replenish the each Series Account of the Reserve Fund up to the Reserve Requirement for a Series of Certificates by paying reserve replenishment rent under the Lease (“Reserve Replenishment Rent”) to the extent that amounts have been withdrawn from the applicable Series Account of the Reserve Fund or a draw has been made on the Reserve Policy or any other Reserve Facility, thereby reducing the amounts available thereunder to pay principal or interest with respect to the Certificates of such Series, or there shall be a valuation deficiency in the Series Account of the Reserve Fund (together with all amounts available under the Reserve Policy or any other Reserve Facility) resulting from a decrease of 10% or more of the market value of the Permitted Investments therein. Reserve Replenishment Rent will be paid, however, only if (i) Lease Payments are not in abatement (see “RISK FACTORS – Abatement” herein), (ii) the amount of such Lease Payments is less than the fair rental value of the Property and (iii) the amount on deposit in the applicable Series Account of the Reserve Fund is less than the Reserve Requirement for such Series, or the amount on deposit in the Lease Payment Fund is less than the amount required to be on deposit therein corresponding to the cumulative gross Lease Payments. See “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Lease – Agreement to Lease; Term of Lease; Lease Payments – Lease Payments – Reserve Replenishment Rent” attached hereto.

To the extent that the conditions to payment of Reserve Replenishment Rent are satisfied under the Lease, the District will be obligated to pay Reserve Replenishment Rent to the Trustee regardless of whether or not the District is in default under the Lease. Interest or income received by the Trustee on investment of moneys in a Series Account of the Reserve Fund will be retained in such Series Account of the Reserve Fund so long as amounts on deposit in such Series Account of the Reserve Fund are less than the Reserve Requirement for the applicable Series. In the event that amounts on deposit in a Series Account of the Reserve Fund exceed the Reserve Requirement for the applicable Series, subject to the requirement of transfers to the Rebate Fund, such excess may, on or before March 15 and September 15 of each year, be transferred to the Lease Payment Fund to be applied to the Lease Payments next coming due from the District.

Reserve Policy

The Reserve Requirement for the 2019 Certificates will initially be satisfied by the Reserve Policy (described below). The premium on the Reserve Policy will be fully paid at time of the execution and delivery of the 2019 Certificates.

BAM has made a commitment to issue a Reserve Policy for the reserve fund with respect to the 2019 Certificates, effective as of the date of execution and delivery of such 2019 Certificates. Under the terms of the Reserve Policy, BAM will, subject to the Policy Limits described below, unconditionally and irrevocably guarantee to pay that portion of the scheduled principal and interest with respect to the 2019 Certificates that becomes due for payment but shall be unpaid by reason of nonpayment by the District (the “Insured Payments”).

No payment will be made under the Reserve Policy in excess of the Reserve Requirement. Pursuant to the terms of the Reserve Policy, the amount available at any particular time to be paid to the Trustee shall automatically be reduced to the extent of any payment made by BAM under the Reserve Policy, provided that, to the extent of the reimbursement of such payment by the District to BAM, the amount available under the Reserve Policy shall be reinstated in full or in part, in an amount not to exceed the limit available under the Policy, as described above.

The Reserve Policy does not insure against nonpayment caused by the insolvency or negligence of the Trustee.

Additional Payments

In addition to the Lease Payments, the District shall also pay such Additional Payments as shall be required for the payment of all administrative costs of the Corporation relating to the Property or the 2019 Certificates, including without limitation, all expenses, compensation and indemnification of the Trustee payable by the District under the Trust Agreement, fees and payments due to BAM in connection with the Policy or Reserve Policy, fees and payments to the provider of any other Reserve Facility, taxes of any sort whatsoever payable by the Corporation as a result of its interest in the Property or undertaking of the transactions contemplated in the Lease or the Trust Agreement, fees of auditors, accountants, attorneys or engineers, and all other necessary administrative costs of the Corporation or charges required to be paid by it in order to maintain its existence or to comply with the terms of the 2019 Certificates or of the Trust Agreement including premiums or insurance maintained pursuant to the Lease to indemnify the Corporation and its employees, officers and directors, and the Trustee and its agents, successors and assigns. The District’s obligation to make Additional Payments will be abated in the event of, and to the extent of, substantial interference with use and possession of the Property arising from damage, destruction, or taking by eminent domain or condemnation of the Property. See “RISK FACTORS – Abatement.”

Insurance

Pursuant to the Lease, the District will obtain a CLTA leasehold title insurance policy on the Property in an amount equal to the aggregate principal component of Certificates Outstanding. The Lease also requires that the District maintain rental interruption insurance to insure against loss of Lease Payments from the Property in an amount not less than the maximum remaining scheduled Lease Payments in any future twenty-four-month period. The District is obligated to obtain a standard comprehensive general public liability and property damage insurance policy or policies and workers' compensation insurance. The District is also obligated to procure and maintain casualty insurance providing coverage against loss or damage to the Property. The District is not required to maintain flood or earthquake insurance. See "RISK FACTORS – Natural Disasters; Absence of Earthquake and Flood Insurance" herein and "APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Lease" attached hereto.

The proceeds of any rental interruption insurance will be paid to the Trustee and deposited in the Lease Payment Fund to be credited towards the payment of the Lease Payments in the order in which such Lease Payments become due and payable. The Lease requires the District to apply the Net Proceeds of any insurance award received by it either to replace or repair the Property or to prepay Certificates if certain certifications with respect to the adequacy of the Net Proceeds to make repairs, and the timing thereof, cannot be made. The amount of Lease Payments will be abated and Lease Payments due under the Lease may be reduced during any period in which material damage or destruction to all or part of the Property substantially interferes with the District's use and possession thereof. See "RISK FACTORS – Extraordinary Prepayment from Net Proceeds" and "—Abatement" herein.

Additional Certificates

One or more Series of Additional Certificates may be issued pursuant to the Trust Agreement at the request of the District and the Corporation, with the prior written consent of the Insurer, provided that the following conditions must be met:

(a) The parties to the Trust Agreement will have executed a Supplemental Trust Agreement setting forth the terms and provisions of such Additional Certificates, including the establishment of such funds and accounts, separate and apart from the funds and accounts established for the 2019 Certificates executed and delivered on the Closing Date, as will be necessary or appropriate, which Supplemental Trust Agreement will require that prior to the delivery of such Additional Certificates the Reserve Requirement with respect to such Series of Additional Certificates will be on deposit in the applicable Series Account of the Reserve Fund established under the Trust Agreement, including amounts available under any Reserve Facilities;

(b) The principal and interest payable with respect to such Additional Certificates and any premium payable upon prepayment of such Additional Certificates will be payable only on Certificate Payment Dates applicable to the 2019 Certificates;

(c) The Lease will have been amended by the parties thereto if necessary to (i) increase or adjust the Lease Payments due and payable on each Lease Payment Date to an amount sufficient to pay the principal, premium (if any) and interest payable with respect to all Outstanding Certificates, including all Additional Certificates as and when the same mature or become due and payable (except to the extent such principal, premium and interest may be payable out of moneys then in the applicable Series Account of the Reserve Fund or otherwise on deposit with the Trustee in accordance with the Trust Agreement), and to indicate the portions of such payments of principal, premium (if any) and interest is attributable to each Series, (ii) if

appropriate, amend the definition of “Property” to include as part of the Property all or any portion of additions, betterments, extensions, improvements or replacements, or such other real or personal property (whether or not located upon the Property as such Property is constituted as of the date of the Trust Agreement), to be financed, acquired or constructed by the preparation, execution and delivery of such Additional Certificates, and (iii) make such other revisions to the Lease as are necessitated by the execution and delivery of such Additional Certificates (provided, however, that such other revisions shall not prejudice the rights of the Owners of Outstanding Certificates as granted them under the terms of the Trust Agreement);

(d) There shall have been delivered to the Trustee a counterpart of the amendments described in (c) above;

(e) The Trustee will have received a certificate of the Corporation Representative that there exists on the part of the Corporation no Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default);

(f) The Trustee will have received a certificate of the District Representative that (i) there exists on the part of the District no Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) and (ii) the Lease Payments as increased or adjusted do not exceed in any year the fair rental value of the Property (as such term is defined in the amended Lease);

(g) The Trustee shall have received an opinion of Special Counsel substantially to the effect that (i) said Supplemental Trust Agreement and said amendments to the Lease comply in all respects with the requirements of Additional Certificates under the Trust Agreement, (ii) said Supplemental Trust Agreement and said amendments to the Lease have been duly authorized, executed and delivered by each of the respective parties thereto (provided that said opinion of Special Counsel, in rendering the opinions set forth in this paragraph, will be entitled to rely upon one or more other opinions of counsel, including counsel to any of the respective parties to said Supplemental Trust Agreement or said amendments to the Lease), (iii) assuming that no Event of Default has occurred and is continuing, the Trust Agreement, as amended by said Supplemental Trust Agreement, and the Lease, as amended by the respective amendments thereto, constitute the legal, valid and binding obligations of the respective parties thereto, enforceable against said parties in accordance with their respective terms (except to the extent that enforcement thereof may be limited by bankruptcy, insolvency, moratorium, debt adjustment or other laws affecting creditors’ rights generally, and except to the extent that enforcement thereof may be limited by general principles of equity, regardless of whether enforcement is sought in a legal or equitable proceeding) and (iv) the execution of such Supplemental Trust Agreement and said amendments to the Lease, and performance by the parties thereunder, will not, in and of itself, result in the inclusion of the interest portion of any Lease Payments payable with respect to the Certificates, including Additional Certificates, theretofore prepared, executed and delivered, in the gross income of the Owners of the Certificates for purposes of federal income taxation;

(h) The District will have provided each Rating Agency written notice of the proposed execution and delivery of such Additional Certificates.

(i) There will have been delivered to the Trustee an endorsement to or reissuance of the CLTA leasehold title insurance policy delivered pursuant to the Lease providing that the insured amount is at least equal to the aggregate principal amount of all of the Certificates and

Additional Certificates outstanding upon the execution and delivery of such Additional Certificates;

(j) Upon the execution and delivery of such Additional Certificates, the amount on deposit in the applicable Series Account of the Reserve Fund, together with any amounts available under Reserve Facilities on deposit therein, will be equal to the Reserve Requirement, taking into account the execution of the Additional Certificates; and

(k) Such other conditions shall have been satisfied, and such other instruments shall have been duly executed and delivered to the Trustee (with a copy to the Rating Agencies), as the District or the Corporation shall have reasonably requested.

Upon delivery to the Trustee of the foregoing instruments, the Trustee will cause to be executed and delivered Additional Certificates representing the aggregate principal amount specified in such Supplemental Trust Agreement, and, except as set forth in the Trust Agreement (with respect to the separate Series Accounts of the Reserve Fund) such Additional Certificates will be equally and ratably secured with all Certificates, including any Additional Certificates, theretofore prepared, executed and delivered, all without preference, priority or distinction (other than with respect to maturity, payment, prepayment or sinking fund payment (if any)) of any one Certificate, including Additional Certificates, over any other; provided, however, that no provision of the Trust Agreement will require the District to consent to or otherwise permit the preparation, execution and delivery of Additional Certificates, it being understood and agreed that any such consent or other action of the District to permit the preparation, execution and delivery of Additional Certificates, or lack thereof, will be in the sole discretion of the District.

ESTIMATED SOURCES AND USES OF PROCEEDS

The estimated uses of total proceeds, reflecting proceeds to be received from the sale of the 2019 Certificates, are as follows:

Sources

Principal Amount	\$41,160,000.00
Plus Original Issue Premium	4,605,324.70
Less Underwriter's Discount	<u>(267,540.00)</u>
Total	\$45,497,784.70

Uses

Project Fund ⁽¹⁾	\$39,906,926.74
Prepayment of 2007 COPs	5,109,419.75
Delivery Costs ⁽²⁾	<u>481,438.21</u>
Total	\$45,497,784.70

⁽¹⁾ Reflects the deposit to the Project Fund for Project Costs. An additional deposit shall be made to the Project Fund for the payment of the Delivery Costs associated with the 2019 Certificates (less Policy and Reserve Policy premiums, which shall be wired directly to the Insurer by the Underwriter).

⁽²⁾ Reflects all initial costs of executing and delivering the 2019 Certificates, including but not limited to legal and financial advisory fees, printing fees, the fees of the Trustee, Policy and Reserve Policy premiums, and other miscellaneous costs of issuance.

RISK FACTORS

The following factors, together with all other information provided in this Official Statement, should be considered by potential investors in evaluating the purchase of the 2019 Certificates. The discussion below does not purport to be, nor should it be construed to be, complete nor a summary of all factors which may affect the financial condition of the District, the District's ability to make Lease Payments in the future, the effectiveness of any remedies that the Trustee may have or the circumstances under which Lease Payments may be abated. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

No representation is made as to the future financial condition of the District. Payment of the Lease Payments is a general fund obligation of the District and the ability of the District to make Lease Payments may be adversely affected by its financial condition as of any particular time.

General Considerations - Security for the 2019 Certificates

The obligation of the District to make the Lease Payments does not constitute a debt of the District or of the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the District or the State is obligated to levy or pledge any form of taxation or for which the District or the State has levied or pledged any form of taxation.

Although the Lease does not create a pledge, lien or encumbrance upon the funds of the District, the District is obligated under the Lease to pay the Lease Payments and Additional Payments from any source of legally available funds and the District covenants in the Lease that it will take such action as may be necessary to include all Lease Payments and Additional Payments due under the Lease in its annual budgets and to make necessary annual appropriations for all such rental payments. The District is currently liable and may become liable on other obligations payable from general revenues, some of which may have a priority over the Lease Payments.

The District has the capacity to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the District, the funds available to make Lease Payments may be decreased. In the event the District's revenue sources are less than its total obligations, the District could choose to fund other activities before making Lease Payments and other payments due under the Lease.

Extraordinary Prepayment from Net Proceeds

Prepayment of the 2019 Certificates from Net Proceeds could be made as provided in the Trust Agreement, and the resulting prepayment of 2019 Certificates that were purchased at a price greater than the applicable prepayment price could reduce the otherwise expected yield on such 2019 Certificates.

Constitutional and Statutory Provisions Affecting District Revenues and Appropriations

Article XIII B of the State Constitution places certain limits on the appropriations the District is permitted to make. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" herein.

Abatement

The obligation of the District under the Lease to pay Lease Payments is in consideration for the use and possession of the Property. The obligation of the District to make Lease Payments (as well as Additional Payments and Reserve Replenishment Rent) may be abated in whole or in part if the District does not have full use and possession of the Property.

The amount of Lease Payments (as well as Additional Payments and Reserve Replenishment Rent) due under the Lease will be adjusted or abated during any period in which by reason of damage, destruction or taking by eminent domain or condemnation, there is substantial interference with the use and possession of any portion of the Property. During abatement, available moneys on deposit in the Lease Payment Fund and the Reserve Fund, and other special sources of money, including without limitation proceeds of rental interruption insurance, shall be applied to pay the Lease Payments and Additional Payments, as applicable.

If damage or destruction to the Property results in abatement or adjustment of Lease Payments and the resulting Lease Payments or other special sources of money, including without limitation proceeds of rental interruption insurance, are insufficient to make all payments of principal and interest due with respect to the 2019 Certificates during the period that the Property is being replaced, repaired or reconstructed, then such payments of principal and interest may not be made, and the only remedy available to the Trustee or Owners will be the proceeds from rental interruption insurance. Such insurance is required to provide coverage of Lease Payments for up to two years during this period.

Notwithstanding the foregoing provisions of the Lease and the Trust Agreement specifying the extent of abatement in the event of the District's failure to have use and possession of the Property, such provisions may be superseded by operation of law and, in such event, the resulting Lease Payments of the District may not be sufficient to pay all of that portion of the remaining principal and interest with respect to the 2019 Certificates Outstanding.

Natural Disasters; Absence of Earthquake and Flood Insurance

The District, like all California communities, may be subject to unpredictable seismic activity, fires, floods, droughts and other natural disasters. Southern California is a seismically active area, which presents a potential risk for damage to buildings, roads and property within the District, including the Property. While the Property is not located within an Alquist Priolo Earthquake Study Zone, there are known fault splays in the communities encompassing the District. In addition, the Property is not located within a 100-year flood plain.

The District is not obligated under the Lease to procure and maintain, or cause to be procured and maintained, earthquake or flood insurance on the Property being leased, and does not anticipate doing so. Thus, if seismic activity, flooding or other natural disasters caused significant damage to the Property, the value of such property could be adversely affected. The District is not able to predict whether or to what extent such damage might occur.

Public school construction in the State, including the school facilities constructed on the Property, are entitled and approved through the California Division of State Architect ("DSA"), which reviews building plans and calculations based on three sets of criteria: Seismic and Engineering; Fire, Life, Safety; and Access. DSA applies the State building code standards and requires that certain buildings are compliant with the Field Act for Public Schools set forth in Sections 17280 & 81130 *et seq* of the California Education Code (the "Field Act"). The Field Act sets forth structural design standards to

enable school buildings meet a higher threshold of seismic safety, ensuring safety for students and building occupants in the event of an earthquake.

Other Limitations on Liability

Although the District covenants to budget and appropriate annually to provide for Lease Payments, the District has not pledged its full faith and credit to such payment. In the event that the District's revenue sources are less than its total obligations in any year, the District could choose to fund other District services before paying one or all of the annual Lease Payments.

Except as expressly provided in the Trust Agreement, the Corporation shall not have any obligation or liability to the Owners with respect to the payment when due of the Lease Payments by the District, or with respect to the performance by the District of other agreements and covenants required to be performed by it contained in the Lease or the Trust Agreement, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

The enforceability of the rights and remedies of the Owners of the 2019 Certificates, and the obligations incurred by the District, may become subject to the following: the Federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

No Acceleration Upon Default

In the event of a default by the District, the remedy of acceleration of the remaining Lease Payments is not available. The District will only be liable for Lease Payments on an annual basis, and the Trustee would in the event of default be required to seek a separate judgment each year for that year's defaulted Lease Payments. Any such suit for money damages would be subject to limitations on legal remedies against public agencies in the State.

Limited Recourse on Default

The Lease and the Trust Agreement provide that the Trustee may take possession of the Property and re-lease it if there is a default by the District and that, in the event such re-leasing occurs, the District would be liable for any resulting deficiency in the Lease Payments. The Lease provides that the Trustee may have such rights of access to the Property as may be necessary to exercise any remedies. Portions of the Property may not be easily recoverable, because they may be affixed to property not owned by the District and, even if recovered, may be of little or no value to others. Furthermore, due to the essential nature of the Property in relation to the District, it is not certain whether a court would permit the exercise of the remedies of repossession and leasing with respect thereto. The Trustee is not empowered to sell the Property for the benefit of the Owners. In the event of a default, there is no available remedy of acceleration of the total Lease Payments due over the term of the Lease. The District will be liable for Lease Payments only on an annual basis, and the Trustee would be required to seek a separate judgment in each fiscal year for that fiscal year's Lease Payments.

Alternatively, the Trustee may terminate the Lease with respect to the Property and proceed against the District to recover damages pursuant to the Lease. Any suit for money damages would be subject to limitations on legal remedies against school districts in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

Substitution of Property

The Lease provides that, upon the satisfaction of certain conditions specified therein, the District may substitute other public facilities or real property for all or any portion of the Property. See “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Lease – Covenants with Respect to the Property –Substitution or Release of the Property” attached hereto. The Lease requires that any property which will comprise the Property after such a substitution must have a useful life and fair rental value at least equal to the useful life and fair rental value of the Property at the time of substitution. Such a replacement could have an adverse impact on the security for the 2019 Certificates, particularly if an event requiring abatement of Lease Payments, Additional Payments and Reserve Replenishment Rent were to occur subsequent to such substitution.

Risks Relating to Bond Insurance

In the event that the District defaults in the payment of principal or interest with respect to the 2019 Certificates when due, the Owners will have a claim under the Policy obtained in connection with the 2019 Certificates. In the event that BAM becomes obligated to make payments with respect to the 2019 Certificates, no assurance can be given that such event will not adversely affect the market for the 2019 Certificates. In the event that BAM is unable to make payments of principal or interest with respect to the 2019 Certificates when due under the Policy, the 2019 Certificates will be payable solely as described herein. See “SECURITY AND SOURCES OF PAYMENT OF THE 2019 CERTIFICATES” herein.

Neither the District nor the Underwriter will make an independent investigation of the claims paying ability of BAM, and no assurance or representation regarding the financial strength or projected financial strength thereof is being made by the District or the Underwriter in this Official Statement. Therefore, when making an investment decision with respect to the 2019 Certificates, potential investors should carefully consider the ability of the District to pay principal and interest with respect to the 2019 Certificates, assuming that the Policy is not available, and the claims-paying ability of BAM through final maturity of the 2019 Certificates.

Property Values

The District has estimated the value of the real property constituting the Property. (See “THE PROPERTY” herein). The estimate makes certain assumptions which could affect the estimate of property value. If any of these assumptions are proven incorrect, there could be a negative impact on value. The estimates as to values are merely the opinions of the District as of the date the Property was last insured.

The fee estate will not be assigned to the Trustee but, rather, the rights of the Corporation under the Lease, which is for a limited term, will be assigned to the Trustee. See “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” attached hereto. Thus, the value of the real property constituting the Property and the buildings and improvements thereon are not necessarily an accurate measure of the value of the interest in the Lease assigned to the Trustee.

Cybersecurity Risk

The District, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other electronic sensitive information, the District is potentially subject to multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the District's systems for the purposes of misappropriating assets or information or causing operational disruption or damage. The District has never had a major cyber breach that resulted in a financial loss.

No assurance can be given that the District's efforts to manage cyber threats and attacks will, in all cases, be successful or that any such attack will not materially impact the operations or finances of the District. The District is also reliant on other entities and service providers, such as the County Treasurer, for the levy and collection of CFD No. 92-1 Special Taxes and *ad valorem* property taxes, and various trustees, fiscal agents and dissemination agents. No assurance can be given that the District may not be affected by cyber threats and attacks against other entities or service providers in a manner which may affect the 2019 Certificate Owners, e.g., systems related to the timeliness of payments to 2019 Certificate Owners or compliance with disclosure filings pursuant to the Continuing Disclosure Certificate.

Priority of Availability of Surplus CFD No. 92-1 Special Taxes

Although the District covenants to budget and appropriate Lease Payments in each fiscal year in consideration of the use and occupancy of the Property from any source of legally available funds, and to take such action as may be necessary to include all Lease Payments in its annual budgets and to make the necessary annual appropriations therefor, the District expects to make Lease Payments due under the Lease from Surplus CFD No. 92-1 Special Taxes (as defined herein). The District has used surplus special taxes of CFD No. 92-1, consisting of CFD No. 92-1 Special Taxes collected in any year that exceed the amounts necessary to pay debt service on the CFD No. 92-1 Local Obligations and certain administrative expenses related to CFD No. 92-1 ("Surplus CFD No. 92-1 Special Taxes"), to make lease payments on the 2007 COPs and the District's Certificates of Participation (2000 School Facilities Project) which have since been prepaid with proceeds of the 2007 COPs, as the facilities financed or refinanced by proceeds of those issues benefit CFD No. 92-1.

Following payment of debt service on the CFD No. 92-1 Local Obligations and certain administrative expenses related to CFD No. 92-1, there can be no assurance that sufficient Surplus CFD No. 92-1 Special Taxes will be available to make Lease Payments due under the Lease. See "DISTRICT FINANCIAL MATTERS – Other Revenue Sources – Special Taxes" herein.

THE CORPORATION

The Perris Valley Schools Capital Facilities Corporation, a nonprofit public benefit corporation, was incorporated on February 25, 1986 pursuant to the Nonprofit Public Benefit Corporation Law of the State of California (Title 1, Division 2, Part 2 of the California Corporations Code). The Corporation was organized for the primary purpose of benefitting the District by participating with the District in projects to maintain, improve and assist the educational activities of the District by purchasing, selling, leasing or otherwise transferring real and personal property in connection with such projects, as well as assisting the District in financing, acquiring and constructing such projects. The Corporation's principal place of business is located at 155 East Fourth Street, Perris, California 92570.

DISTRICT FINANCIAL MATTERS

The District covenants to budget and appropriate Lease Payments in each fiscal year in consideration of the use and occupancy of the Property from any source of legally available funds, including its General Fund, and to take such action as may be necessary to include all Lease Payments in its annual budgets and to make the necessary annual appropriations therefor. Notwithstanding the foregoing, the District expects to make Lease Payments due under the Lease from special tax revenue collected in connection with CFD No. 92-1. The information in this section is provided in order to describe generally the sources of revenue available to the District, including its General Fund and CFD No. 92-1 special tax revenue, and to describe other debt obligations of the District.

State Funding of Education

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

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

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

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

The Base Grants per unit of ADA for each grade span are as follows: (i) \$6,845 for grades K-3; (ii) \$6,947 for grades 4-6; (iii) \$7,154 for grades 7-8; and (iv) \$8,289 for grades 9-12. Beginning in fiscal year 2013-14, and in each subsequent year, the Base Grants have been adjusted for COLAs by applying the implicit price deflator for government goods and services. Following full implementation of the LCFF, the provision of COLAs will be subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade

levels. See also “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – State Budget” herein.

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

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

The following table shows a breakdown of the District’s ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment, for fiscal years 2012-13 through 2018-19.

ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Fiscal Years 2012-13 through 2018-19
Perris Union High School District

Fiscal Year	Average Daily Attendance⁽¹⁾			Enrollment⁽²⁾	
	7-8	9-12	Total ADA	Total Enrollment	% of EL/LI Enrollment
2012-13	1,105	7,730	8,835	9,518	71.70%
2013-14	1,084	7,661	8,745	9,366	71.81
2014-15	1,116	7,760	8,876	9,541	72.60
2015-16	1,112	7,950	9,062	9,703	74.26
2016-17	1,103	7,967	9,069	9,755	73.87
2017-18	1,090	8,025	9,115	9,827	74.62
2018-19 ⁽³⁾	1,106	8,067	9,173	9,844	71.44

⁽¹⁾ Reflects ADA as of the second principal reporting period (“P-2 ADA”), ending on or before the last attendance month prior to April 15 of each school year. An attendance month is equal to each four-week period of instruction beginning with the first day of school for a particular school district. Reflects projected ADA for fiscal year 2018-19. Figures may not sum to totals due to rounding.

⁽²⁾ For fiscal year 2012-13, reflects enrollment as of the October report submitted to the California Basic Educational Data System (“CBEDS”) in such school year. For fiscal years 2013-14 and later, reflects certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System (“CALPADS”) in each school year and is used to calculate each school district’s unduplicated EL/LI student enrollment. CALPADS figures exclude preschool and adult transitional students. Adjustments may be made to the certified EL/LI counts by the California Department of Education. For purposes of calculating Supplemental and Concentration Grants, a school district’s fiscal year 2013-14 percentage of unduplicated EL/LI students was expressed solely as a percentage of its total fiscal year 2013-14 enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment was based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district’s percentage of unduplicated EL/LI students is based on a rolling average of such district’s EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years.

⁽³⁾ Projected.

Source: *The District.*

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

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

Certain school districts, known as “basic aid” districts, have allocable local property tax collections that equal or exceed such districts’ total LCFF allocation, and result in the receipt of no State apportionment aid. Basic aid school districts receive only special categorical funding, which is deemed to satisfy the “basic aid” requirement of \$120 per student per year guaranteed by Article IX, Section 6 of the

State Constitution. The implication for basic aid districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The District does not currently qualify as a basic aid district.

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

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

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

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

The State Superintendent of Public Instruction (the “State Superintendent”) is further authorized, with the approval of the State Board of Education, to intervene in the management of persistently underperforming school districts. The State Superintendent may intervene directly or assign an academic trustee to act on his or her behalf. In so doing, the State Superintendent is authorized to (i) modify a district’s LCAP, (ii) impose budget revisions designed to improve student outcomes, and (iii) stay or rescind actions of the local governing board that would prevent such district from improving student

outcomes; provided, however, that the State Superintendent is not authorized to rescind an action required by a local collective bargaining agreement.

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

Other Revenue Sources

Federal and Local Sources. The federal government provides funding for several of the District's programs, including special education programs, programs under the Every Student Succeeds Act, and specialized programs such as Drug Free Schools, Innovative Strategies, and Vocational & Applied Technology. In addition, school districts may receive additional local revenues beyond local property tax collections, such as from leases and rentals, interest earnings, interagency services, developer fees, redevelopment pass-through payments and other local sources.

Special Taxes. The District has established two Mello-Roos community facilities districts pursuant to the Mello-Roos Community Facilities District Act of 1982, as amended (the "Act"). The District's Community Facilities District No. 91-1 ("CFD No. 91-1") was established in March 1991 and the District's Community Facilities District No. 92-1 ("CFD No. 92-1") was established in July 1992. Special taxes levied within these community facilities districts are pledged to the payment of bonds (the "Special Tax Bonds") issued by the applicable community facilities district and to pay for authorized school facilities that benefit the applicable community facilities district. The outstanding Special Tax Bonds issued by each of these community facilities districts were acquired by the Perris Union High School District Financing Authority (the "District Financing Authority") and provide revenues to pay debt service on the District Financing Authority's 2015 Revenue Bonds (the "2015 Financing Authority Bonds"). In the case of CFD No. 92-1, the Special Tax Bonds consist of the 2015 Special Tax Refunding Bonds of Community Facilities District No. 92-1 of the Perris Union High School District (the "CFD No. 92-1 Local Obligations"). The District has used surplus special taxes of CFD No. 92-1, consisting of CFD No. 92-1 Special Taxes collected in any year that exceed the amounts necessary to pay debt service on the CFD No. 92-1 Local Obligations and certain administrative expenses related to CFD No. 92-1 ("Surplus CFD No. 92-1 Special Taxes"), to make lease payments on the 2007 COPs and the District's Certificates of Participation (2000 School Facilities Project) which have since been prepaid with proceeds of the 2007 COPs, as the facilities financed or refinanced by proceeds of those issues benefit CFD No. 92-1. The District expects to use such Surplus CFD No. 92-1 Special Taxes as the source of revenue for making Lease Payments under the Lease. See "DISTRICT FINANCIAL MATTERS – CFD No. 92-1 Special Taxes" below.

CFD No. 92-1 Special Taxes are held by U.S. Bank National Association, in its role as trustee relating to the 2015 Financing Authority Bonds. Any Surplus CFD No. 92-1 Special Taxes are transferred by U.S. Bank National Association to the District semiannually following the payment of debt service on the 2015 Financing Authority Bonds.

CFD No. 92-1 Special Taxes

Although the District covenants to budget and appropriate Lease Payments in each fiscal year in consideration of the use and occupancy of the Property from any source of legally available funds, and to take such action as may be necessary to include all Lease Payments in its annual budgets and to make the

necessary annual appropriations therefor, the District expects to make Lease Payments due under the Lease from Surplus CFD No. 92-1 Special Taxes. Following is a description of CFD No. 92-1 and the Surplus CFD No. 92-1 Special Taxes.

General Description of CFD No. 92-1. CFD No. 92-1 consists of approximately 32,181 gross acres located within the boundary of the District and including a large part of the City of Menifee, portions of the cities of Murrieta and Lake Elsinore, and unincorporated areas of the County including such areas as Sun City, Quail Valley, Winchester, Romoland and Homeland. CFD No. 92-1 contains 6,412 single family units and 408 multifamily units developed prior to November 1992, as well as 14,447 single family units and 775 multifamily units developed after November 1992. The property levied within CFD No. 92-1 has a fiscal year 2018-19 local secured assessed value of \$6,263,195,846. Such total secured assessed value excludes the assessed value of 504 Annual Senior Citizen Exemptions in fiscal year 2018-19. See Table 1 herein regarding the Annual Senior Citizen Exemptions.

Summary of Community Facilities District Procedures. Pursuant to the Act, the Board of Trustees of the District adopted its Resolution No. 66:91-92, Resolution No. 67:91-92, and Resolution No. 68:91-92 (collectively, the “CFD No. 92-1 Resolution of Intention”) on May 27, 1992, stating its intent to establish CFD No. 92-1, and to authorize the levy of Special Taxes in CFD No. 92-1 to pay principal of and interest on bonded indebtedness, and to incur bonded indebtedness in CFD No. 92-1 in an aggregate principal amount not to exceed \$40,000,000.

On July 8, 1992, the Board of Trustees of the District adopted Resolution No. 1:92-93 which ordered certain changes and modifications to the CFD No. 92-1 Resolution of Intention. Subsequent to a noticed public hearing on July 8, 1992, the Board of Trustees of the District adopted Resolution No. 2:92-93 and Resolution No. 3:92-93 (collectively, the “CFD No. 92-1 Resolution of Formation”) which established CFD No. 92-1, authorized the levy of a special tax within CFD No. 92-1 subject to voter approval, determined the necessity to incur bonded indebtedness in an amount not to exceed \$40,000,000 within CFD No. 92-1, established an appropriations limit, and called an election within CFD No. 92-1 on the propositions of incurring bonded indebtedness, and levying a special tax within CFD No. 92-1.

On November 17, 1992, an election was held within CFD No. 92-1 in which the registered voters within CFD No. 92-1 approved the proposition authorizing the issuance of bonds in an amount not to exceed \$40,000,000 in CFD No. 92-1 to finance the acquisition, construction, expansion, relocation, rehabilitation, leasing or purchasing of school facilities and the required sites therefore and appurtenances thereto (collectively, the “CFD No. 92-1 Facilities”), and the levy of the special tax described in the CFD No. 92-1 Resolution of Formation.

Pursuant to a resolution adopted on March 24, 1993, the Board of Trustees of the District, acting as the Review/Appeal Board of CFD No. 92-1 and as the legislative body of CFD No. 92-1, authorized and directed the recording of a Notice of Cancellation of Special Tax Lien with respect to certain parcels (the “Senior Citizen Parcels”) subject to covenants, conditions and restrictions that limit the age of occupants to 55 years and above. See “DISTRICT FINANCIAL MATTERS – CFD No. 92-1 Special Taxes – Exemptions from CFD No. 92-1 Special Tax” below.

Pursuant to a resolution adopted on January 21, 2015, the Board of Trustees of the District, acting as the legislative body of CFD No. 92-1, authorized the issuance and delivery of the 2015 Special Tax Bonds of Community Facilities District No. 92-1 of the Perris Union High School District (the “CFD No. 92-1 Local Obligations”)

Description of the Authorized Facilities. The public facilities and fees authorized to be funded with the proceeds of the CFD No. 92-1 Local Obligations include costs of acquisition, construction,

expansion, relocation, rehabilitation, leasing or purchasing of school facilities and the required sites therefor and appurtenances thereto, including, but not by way of limitation, the planning and design work related thereto, as well as property, easements and rights of way, the cost of leasing or purchasing completed facilities as further identified in the Community Facilities District Report regarding CFD No. 92-1 filed with the Clerk of the Board of Trustees of the District, construction, expansion or rehabilitation of facilities, and the costs of financing all such facilities and fees therefore.

Rate and Method of Apportionment for CFD No. 92-1. Pursuant to the Rate and Method of Apportionment of the Special Tax of CFD No. 92-1, taxable parcels within CFD No. 92-1 are taxed at 100% of the Maximum Monthly Special Tax Rate. As of November 17, 1992, all property in CFD No. 92-1 was classified in one of two land use categories: (i) Existing Home (consisting of residential property); or (ii) Undeveloped Property (consisting of all non-residential property). Such rates for Existing Homes are not subject to escalation. The Maximum Monthly Special Tax Rates for the parcels in the Existing Home category equate to the following annual rates:

CFD No. 92-1 Existing Homes (development prior to November 1992)

<u>Special Tax Class</u>	<u>Property Classification</u>	<u>Maximum Annual Special Tax Rate</u>
A	Single Family Detached	\$24.00 per Unit
B	Single Family Attached and Mobile Home	13.00 per Unit
C	Multifamily	12.00 per Unit

There are no Special Taxes levied on undeveloped property, commercial property, senior citizen housing or property owned by the State of California, federal or local governments. A residential property is considered developed upon the issuance of a residential building permit. Parcels for which a residential building permit was or is issued after November 17, 1992 (“Developing Property”), are subject to the levy of (i) a one-time special tax based on the area and proposed usage of the parcel and (ii) a Maximum Monthly Special Tax based on the usage of the property, subject to annual increases at the rate of 2%. The fiscal year 2018-19 Maximum Monthly Special Tax Rates for Developing Property in CFD No. 92-1 equate to the following annual rates:

CFD No. 92-1 Developing Property (development after November 1992)

<u>Special Tax Class</u>	<u>Property Classification</u>	<u>Maximum Annual Special Tax Rate</u>
D	Single Family Detached	\$298.58 per Unit
E	Single Family Attached and Mobile Home	162.42 per Unit
F	Multifamily	149.30 per Unit

Such special taxes in CFD No. 92-1 are authorized to be collected for a period of 40 years for any parcel, commencing in the fiscal year following the issuance of a building permit for such parcel. See Table 2 below.

Exemptions from CFD No. 92-1 Special Tax. Pursuant to the Rate and Method of Apportionment of Special Tax for CFD No. 92-1, a senior citizen exemption is available, which will reduce the Annual Special Tax by 100% for a particular residential unit (the “Annual Senior Citizen Exemption”). An application for the Annual Senior Citizen Exemption must be filed by June 15 preceding the start of the fiscal year for which the Annual Senior Citizen Exemption is to be effective. The Annual Senior Citizen Exemption must be renewed on an annual basis unless the renewal requirement is waived by the Board of Trustees of the District, acting as the legislative body of CFD No. 92-1. The following table presents a five-year history of Annual Senior Citizen Exemptions within CFD No. 92-1.

TABLE 1
COMMUNITY FACILITIES DISTRICT NO. 92-1
OF THE PERRIS UNION HIGH SCHOOL DISTRICT
ANNUAL SENIOR CITIZEN EXEMPTIONS
Fiscal Years 2014-15 through 2018-19

<u>Fiscal Year</u>	<u>Number of Parcels Granted Senior Citizen Exemption</u>	<u>Total Number of Parcels Levied</u>	<u>Percentage of Parcels Levied</u>	<u>Annual Special Tax Amount Exempted</u>	<u>Total Levy Amount</u>	<u>Percentage of Levy Amount</u>
2014-15	522	18,316	2.85%	\$102,084	\$3,449,852	2.96%
2015-16	530	18,853	2.81	109,866	3,654,343	3.01
2016-17	472	19,680	2.40	96,824	3,962,870	2.44
2017-18	507	20,203	2.51	110,618	4,189,762	2.64
2018-19	504	20,868	2.42	113,524	4,465,001	2.54

Source: Koppel & Gruber Public Finance.

In addition, pursuant to a resolution adopted on March 24, 1993, the Board of Trustees of the District, acting as the Review/Appeal Board of CFD No. 92-1, and as the legislative body of CFD No. 92-1, authorized and directed the recording of a Notice of Cancellation of Special Tax Lien with respect to certain parcels (the “Senior Citizen Parcels”) subject to covenants, conditions and restrictions that limit the age of occupants to 55 years and above. The permanent exemption of these Senior Citizen Parcels is not reflected in the table entitled Annual Senior Citizen Exemptions above.

Current Year Levies. The following table sets forth the current year number of parcels, units and aggregate levy amount for each classification of property within CFD No. 92-1.

TABLE 2
COMMUNITY FACILITIES DISTRICT NO. 92-1
OF THE PERRIS UNION HIGH SCHOOL DISTRICT
FISCAL YEAR 2018-19 PARCELS, UNITS, AND AGGREGATE SPECIAL TAX LEVIES

<u>Classification⁽¹⁾</u>	<u>Total Levied Parcels⁽¹⁾</u>	<u>Total Levied Units⁽¹⁾</u>	<u>Fiscal Year 2018-19 Special Tax Rates⁽¹⁾</u>	<u>Fiscal Year 2018-19 Levy Amount⁽²⁾</u>	<u>% of Total Levy Amount</u>
Existing - Single Family Detached	5,361	5,361	\$24.00	\$128,664.00	2.88%
Existing - Single Family Attached and Mobile Home	1,051	1,051	13.00	13,663.00	0.31
Existing - Multifamily	5	408	12.00	4,896.00	0.11
Developing - Single Family Detached	13,628	13,628	298.58	4,069,048.24	91.13
Developing - Single Family Attached and Mobile Home	819	819	162.42	133,021.98	2.98
Developing - Multifamily	4	775	149.30	115,707.50	2.59
Total for CFD No. 92-1	20,868	22,042	NA	\$4,465,000.72	100.00%

⁽¹⁾ See above for descriptions of the classifications and Special Tax rates.

⁽²⁾ As of August 10, 2018 submittal.

Source: Koppel & Gruber Public Finance.

Sufficiency of Projected Special Taxes. Lease Payments for the 2019 Certificates are expected to be paid from excess CFD No. 92-1 Special Taxes. Table 3 below illustrates the projected sufficiency of Surplus CFD No. 92-1 Special Taxes to make Lease Payments related to the 2019 Certificates by (i) comparing the estimated maximum Special Tax generating ability in CFD No. 92-1, assuming no further development of properties in CFD No. 92-1 subsequent to the fiscal year 2018-19 land use status, to the annual debt service on the CFD No. 92-1 Local Obligations, to determine the estimated Surplus

CFD No. 92-1 Special Taxes available in each year shown and (ii) comparing such estimated surplus special taxes to the estimated annual Lease Payments for the 2019 Certificates.

**TABLE 3
COMMUNITY FACILITIES DISTRICT NO. 92-1
OF THE PERRIS UNION HIGH SCHOOL DISTRICT
ESTIMATED AVAILABLE SPECIAL TAX REVENUES AND ANNUAL LEASE PAYMENTS**

<i>Year Ending Sept. 1st</i>	<i>Estimated Taxable Units⁽¹⁾</i>	<i>Estimated Net Special Tax Revenues for CFD No. 92-1⁽²⁾</i>	<i>2015 Revenue Bonds CFD No. 92-1 Local Obligations</i>	<i>Estimated Residual Special Taxes Available for Lease</i>	<i>Annual Lease Payments</i>	<i>Estimated Net Residual Special Taxes After Lease Payments</i>
2019	22,546	\$4,426,644	\$2,320,700	\$2,105,944	\$1,591,958	\$513,986
2020	23,285	4,608,554	2,365,100	2,243,454	1,820,700	422,754
2021	23,285	4,697,863	2,406,700	2,291,163	1,862,700	428,463
2022	23,285	4,788,936	2,455,500	2,333,436	1,896,900	436,536
2023	23,285	4,881,912	2,502,500	2,379,412	1,934,500	444,912
2024	23,285	4,976,651	2,550,000	2,426,651	1,970,300	456,351
2025	23,285	5,073,299	2,597,750	2,475,549	2,014,300	461,249
2026	23,285	5,171,989	2,650,500	2,521,489	2,047,800	473,689
2027	23,285	5,272,588	2,697,750	2,574,838	2,093,800	481,038
2028	23,285	5,375,243	2,754,500	2,620,743	2,131,550	489,193
2029	23,285	5,479,947	2,805,000	2,674,947	2,176,300	498,647
2030	23,285	5,586,706	2,859,250	2,727,456	2,217,550	509,906
2031	23,285	5,695,661	3,081,750	2,613,911	2,095,300	518,611
2032	23,285	5,806,678	3,153,750	2,652,928	2,122,550	530,378
2033	23,285	5,920,030	3,217,000	2,703,030	2,162,050	540,980
2034	16,140	5,827,920	3,161,500	2,666,420	2,133,050	533,370
2035	16,046	5,908,974	3,177,750	2,731,224	2,193,800	537,424
2036	15,878	5,960,449	3,212,000	2,748,449	2,204,800	543,649
2037	15,794	6,046,334	3,193,000	2,853,334	2,303,300	550,034
2038	15,674	6,118,060	3,108,000	3,010,060	2,449,200	560,860
2039	15,549	6,189,459	--	6,189,459	3,514,850	2,674,609
2040	15,410	6,255,986	--	6,255,986	3,557,500	2,698,486
2041	15,279	6,325,039	--	6,325,039	3,563,300	2,761,739
2042	14,958	6,319,142	--	6,319,142	3,555,100	2,764,042
2043	14,005	6,015,952	--	6,015,952	3,553,300	2,462,652
2044	12,667	5,517,248	--	5,517,248	3,462,500	2,054,748
2045	11,541	5,112,594	--	5,112,594	3,444,500	1,668,094
2046	9,027	4,134,815	--	4,134,815	3,230,750	904,065
2047	7,520	3,487,192	--	3,487,192	2,880,750	606,442
2048	6,406	3,003,591	--	3,003,591	2,651,500	352,091
2049	6,148	2,931,354	--	2,931,354	2,592,500	338,854
2050	5,538	<u>2,776,147</u>	--	<u>2,776,147</u>	<u>2,516,250</u>	<u>259,897</u>
Totals		\$165,692,956	\$56,270,000	\$109,422,956	\$79,945,208	\$29,477,748

⁽¹⁾ Based on property classified as Existing Homes on Developing Property for fiscal year 2018-19, plus property with building permits issued through December 31, 2018.

⁽²⁾ Maximum Special Taxes net of Administrative Expenses of \$38,356 in fiscal year 2018-19 increasing at 2% thereafter, and net of Annual Senior Citizen Exemptions at an assumed constant rate of 5% per annum. See Table 1 - "Annual Senior Citizen Exemptions" herein.

Source: Estimated Special Tax Revenues provided by Koppel & Gruber Public Finance.

Delinquency History. The following table presents a summary of special tax levies and delinquencies for CFD No. 92-1 over the past five years.

**TABLE 4
COMMUNITY FACILITIES DISTRICT NO. 92-1
OF THE PERRIS UNION HIGH SCHOOL DISTRICT
SPECIAL TAX LEVIES, DELINQUENCIES, AND DELINQUENCY RATES
FISCAL YEARS 2013-14 THROUGH 2017-18**

Fiscal Year	Number of Parcels Levied	Levy Amount	Annual Delinquencies ⁽¹⁾			Remaining Delinquent at December 18, 2018		
			Number of Parcels Delinquent	Amount Delinquent	Delinquent as Percentage of Levy	Number of Parcels Delinquent	Amount Delinquent	Delinquent as Percentage of Levy
2013-14	17,688	\$3,220,754	390	\$38,844	1.21%	22	\$1,760	0.05%
2014-15	18,316	3,449,852	359	37,274	1.08	39	2,539	0.07
2015-16	18,853	3,654,343	387	38,000	1.04	89	7,856	0.21
2016-17	19,680	3,962,870	321	32,543	0.82	151	14,293	0.36
2017-18	20,203	4,189,762	300	30,277	0.72	250	26,502	0.63

⁽¹⁾ Annual delinquencies as of August 2, 2014, July 29, 2015, August 1, 2016, August 1, 2017, and August 2, 2018.
Source: Riverside County Auditor-Controller's Office.

History of Assessed Values. The following table presents a summary of the historical assessed valuation of land and improvements within CFD No. 92-1 over the past five years.

**TABLE 5
COMMUNITY FACILITIES DISTRICT NO. 92-1
OF THE PERRIS UNION HIGH SCHOOL DISTRICT
HISTORICAL ASSESSED VALUES
FISCAL YEARS 2014-15 THROUGH 2018-19**

Fiscal Year	Number of Taxable Parcels ⁽¹⁾	Assessed Value of Land	Assessed Value of Improvements	Assessed Value (Other)	Total	Annual Senior Citizens Exemptions	Net Assessed Value
2014-15	18,838	\$1,263,374,586	\$3,123,052,021	\$583	\$4,386,427,190	\$120,275,501	\$4,266,151,689
2015-16	19,383	1,363,139,528	3,470,298,750	583	4,833,438,861	130,638,551	4,702,800,310
2016-17	20,152	1,483,393,645	3,816,816,919	583	5,300,211,147	121,656,024	5,178,555,123
2017-18	20,710	1,612,374,785	4,228,509,744	583	5,840,885,112	138,739,252	5,702,145,860
2018-19	21,372	1,774,704,116	4,631,513,516	12,287	6,406,229,919	143,034,073	6,263,195,846

⁽¹⁾ Represents the assessed value of parcels taxed and properties receiving Senior Citizen Exemptions for the respective fiscal year. Does not include undeveloped properties.
Source: Riverside County Auditor-Controller's Office.

Top Taxpayers. The following table presents a summary of the top taxpayers in CFD No. 92-1 measured by the percentage of fiscal year 2018-19 Special Tax Levy.

**TABLE 6
COMMUNITY FACILITIES DISTRICT NO. 92-1
OF THE PERRIS UNION HIGH SCHOOL DISTRICT
LARGEST TAXPAYERS
FISCAL YEAR 2018-19**

Ranking	Property Owner ⁽¹⁾	Number of Parcels ⁽²⁾	Special Tax Levy ⁽²⁾	Percent of Special Tax Levy
1	CANTABRIA DEVELOPMENT	1	\$34,339	0.77%
2	MAPLETON COMMONS	1	28,815	0.65
3	ENCANTO APARTMENT HOMES	1	26,575	0.60
4	FAIRFIELD WINCHESTER 1800	1	25,978	0.58
5	WESTERN PACIFIC HOUSING INC	60	17,915	0.40
6	RICHMOND AMERICAN HOMES OF MARYLAND INC	51	15,228	0.34
7	KB HOME COASTAL INC	50	14,929	0.33
8	LENNAR HOME OF CALIF INC	50	14,929	0.33
9	MEF HOMES	48	14,332	0.32
10	RSI COMMUNITIES ALDERWOOD LLC	41	12,242	0.27
11	WOODSIDE 05S	37	11,047	0.25
12	PARDEE HOMES	35	10,450	0.23
13	BROOKFIELD JUNIPER	23	6,867	0.15
14	BEAZER HOMES HOLDING CORP	19	5,673	0.13
15	NORTH MURRIETA COMMUNITY	18	5,374	0.12
16	CAH 2015 1 BORROWER	21	4,623	0.10
17	2017 1 IH BORROWER	17	3,978	0.09
18	CAH 2014 1 BORROWER	15	2,557	0.06
19	CAH 2014 2 BORROWER	12	2,485	0.06
20	THR CALIF	10	2,437	0.05
	Sub Total	511	\$260,772	5.84%
	Other Properties	20,357	\$4,204,229	94.16%
	Grand Total	20,868	\$4,465,001	100.00%

⁽¹⁾ Property ownership as listed on the County of Riverside secured tax roll for fiscal year 2018-19.

⁽²⁾ As of August 10, 2018 special tax submittal.

Source: Koppel & Gruber Public Finance.

Investment of District Funds

Most District funds are deposited with the Treasurer-Tax Collector of the County (the “Treasurer”) to the credit of the proper fund of the District. The Treasurer is responsible for the investment of the funds of the County, and certain classes of involuntary depositors such as school districts (including District funds which will be used to make the Lease Payments), community college districts and certain special districts in the County, are required under state law to be deposited into the County treasury. In addition, certain agencies invest certain of their funds in the County treasury on a voluntary basis. Deposits made by the County and the various local agencies are commingled in a pooled investment fund (the “Investment Pool”). For more information regarding the Investment Pool, see “APPENDIX G – RIVERSIDE COUNTY POOLED INVESTMENT FUND” attached hereto.

Accounting Practices

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

Financial Statements

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 school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements of the District for the fiscal year ended June 30, 2018, and prior fiscal years are on file with the District and available for public inspection at the Office of the Deputy Superintendent, Business Services of the Perris Union High School District, 155 East Fourth Street, Perris, California 92570-2124, telephone: (951) 943-6369. The audited financial statements of the District for the year ended June 30, 2018, are included in Appendix C hereto.

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Comparative Financial Statements

The following table reflects the District's general fund revenues, expenditures and fund balances from fiscal year 2013-14 to fiscal year 2017-18.

AUDITED FINANCIAL STATEMENTS
Statement of Revenues, Expenditures and Changes in Fund
Balances – General Fund – Fiscal Years 2013-14 through 2017-18⁽¹⁾
Perris Union High School District

	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
REVENUES					
Local Control Funding Formula	\$65,329,728	\$75,288,332	\$87,993,269	\$94,325,125	\$97,744,720
Federal revenue	7,217,338	6,756,109	7,471,831	8,043,640	7,983,360
Other State sources	6,767,710	5,470,662	13,616,785	10,187,948	11,234,793
Other Local sources	<u>5,196,840</u>	<u>5,316,204</u>	<u>4,094,660</u>	<u>7,273,674</u>	<u>3,097,319</u>
Total Revenues	84,511,616	92,831,307	113,176,545	119,830,387	120,060,192
EXPENDITURES					
Current					
Instruction	49,935,256	52,789,970	62,328,799	68,435,377	70,067,748
Instruction-related activities:					
Supervision of instruction	2,011,348	2,113,954	2,969,819	2,801,937	2,492,971
Instructional library, media and technology	647,569	619,383	1,416,005	847,166	887,854
School site administration	6,081,955	6,925,247	6,621,298	6,320,248	7,259,752
Pupil Services:					
Home-to-school transportation	2,701,397	2,866,928	3,404,125	4,005,169	3,807,248
Food services	551	123	--	276	23,698
All other pupil services	4,854,361	5,551,858	7,354,683	8,263,758	9,363,944
Administration:					
Data processing	1,636,864	2,045,070	1,533,929	2,045,935	2,453,127
All other administration	4,535,022	4,561,599	5,509,116	5,401,464	4,892,358
Plant services	9,639,660	10,445,884	11,492,885	10,944,367	12,559,600
Facility acquisition and construction	1,151,499	2,309,860	3,944,413	3,995,546	4,724,134
Ancillary services	1,632,384	1,709,374	2,053,733	2,215,816	2,386,335
Community services	844	1,460	3,798	9,151	18,163
Other outgo	608,811	624,215	647,120	719,071	1,021,479
Debt service:					
Principal	310,559	1,242,237	621,118	1,338,253	165,753
Interest and other	<u>310,559</u>	<u>--</u>	<u>--</u>	<u>21,250</u>	<u>17,207</u>
Total Expenditures	86,058,639	93,807,162	109,900,841	117,364,784	122,141,371
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,547,023)	(975,855)	3,275,704	2,465,603	(2,081,179)
Other Financing Sources (Uses):					
Transfers in	--	--	--	--	--
Transfers out	<u>(13,619)</u>	<u>--</u>	<u>(62,904)</u>	<u>--</u>	<u>(38,541)</u>
Net Financing Sources (Uses)	(13,619)	--	(62,904)	--	(38,541)
NET CHANGE IN FUND BALANCES	(1,560,642)	(975,855)	3,212,800	2,465,603	(2,119,720)
Fund Balance – Beginning	<u>11,337,608</u>	<u>9,776,966</u>	<u>8,801,111</u>	<u>12,013,911</u>	<u>14,479,514</u>
Fund Balances – Ending	<u>\$9,776,966</u>	<u>\$8,801,111</u>	<u>\$12,013,911</u>	<u>\$14,479,514</u>	<u>\$12,359,794</u>

⁽¹⁾ For projected general fund revenues, expenditures and changes in fund balance for fiscal year 2018-19, see “ – General Fund Budgets” below.
Source: The District.

Budget Process

State Budgeting Requirements. The District is required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 (“AB 1200”), which became State law on October 14, 1991. Portions of AB 1200 are summarized below. Additional amendments to the budget process were made by Assembly Bill 2585, effective as of September 9, 2014, including the elimination of the dual budget cycle option for school districts. All school districts must now be on a single budget cycle.

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

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

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

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

The District has never had an adopted budget disapproved by the county superintendent of schools, and has never received a “negative” certification of an Interim Report pursuant to AB 1200. The District received “qualified” certifications of its interim reports from its fiscal year 2010-11 Second Interim Report through its fiscal year 2012-13 Second Interim Report. The District received “positive” certifications of each of its interim reports since such time.

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General Fund Budgets

The District's general fund budgets for the fiscal years ending June 30, 2016, through June 30, 2019, actual results for the fiscal years ending June 30, 2016, through June 30, 2018, and projected ending results for the fiscal year ending June 30, 2019, are set forth in the following table.

GENERAL FUND BUDGET AND ACTUAL RESULTS FISCAL YEARS ENDING JUNE 30, 2016 THROUGH JUNE 30, 2019 Perris Union High School District

	2015-16 Budget ⁽¹⁾	2015-16 Actual ⁽¹⁾	2016-17 Budget ⁽¹⁾	2016-17 Actual ⁽¹⁾	2017-18 Budget ⁽¹⁾	2017-18 Actual ⁽¹⁾	2018-19 Budget ⁽³⁾	2018-19 Projected ⁽³⁾
REVENUES								
Local Control Funding Formula	\$74,669,271	\$87,993,269	\$95,354,027	\$94,325,125	\$97,868,301	\$97,744,720	\$105,369,529	\$104,814,084
Federal revenue	6,613,218	7,471,831	6,824,995	8,043,640	6,908,896	7,983,360	6,797,413	8,348,188
Other State sources	4,226,791	13,616,785	6,827,117	10,187,948	8,928,960	11,234,793	10,314,079	10,062,340
Other Local sources	<u>4,723,907</u>	<u>4,094,660</u>	<u>2,877,376</u>	<u>7,273,674</u>	<u>2,111,716</u>	<u>3,097,319</u>	<u>5,264,063</u>	<u>5,349,298</u>
Total Revenues⁽²⁾	90,233,187	113,176,545	111,883,515	119,830,387	115,817,873	120,060,192	127,745,084	128,573,910
EXPENDITURES								
Current								
Certificated salaries	51,400,826	44,593,426	46,194,927	46,255,940	47,489,751	48,538,921	49,528,257	51,921,934
Classified salaries	10,158,372	16,340,113	17,019,449	17,690,365	18,846,430	18,102,508	18,807,667	19,742,499
Employee benefits	8,239,015	21,209,875	19,634,165	23,253,220	25,833,974	25,391,684	28,764,649	29,586,430
Books and supplies	1,590,159	7,093,958	8,354,681	5,992,508	7,606,356	6,394,841	6,911,621	8,382,074
Services and operating expenditures	7,174,362	15,320,975	15,950,397	17,472,226	16,000,361	18,232,183	17,980,692	19,118,653
Capital Outlay	13,049,300	4,074,255	4,284,083	4,621,951	5,708,236	5,017,135	4,932,725	3,712,282
Other Outgo	1,278,785	647,120	639,747	719,071	(1,025,350)	281,139	1,175,091	747,741
Transfers of Indirect Costs	--	--	--	--	--	--	(623,822)	(618,552)
Debt Service								
Principal	621,119	621,119	1,338,253	1,338,253	782,829	165,753	--	--
Interest	--	--	<u>21,250</u>	<u>21,250</u>	<u>21,250</u>	<u>17,207</u>	--	--
Total Expenditures⁽²⁾	93,511,938	109,900,841	113,436,952	117,364,784	121,263,837	122,141,371	127,476,880	132,593,061
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,278,751)	3,275,704	(1,553,437)	2,465,603	(5,445,964)	(2,081,179)	268,204	(4,019,151)
Other Financing Sources (Uses):								
Transfers in	--	--	--	--	--	--	--	--
Transfers out	--	(62,904)	--	--	(37,564)	(38,541)	--	(41,670)
Net Financing Sources (Uses)	--	(62,904)	--	--	(37,564)	(38,541)	--	(41,670)
NET CHANGE IN FUND BALANCES	(3,278,751)	3,212,800	(1,553,437)	2,465,603	(5,483,528)	(2,119,720)	268,204	(4,060,821)
Fund Balance – Beginning	<u>8,801,111</u>	<u>8,801,111</u>	<u>12,013,911</u>	<u>12,013,911</u>	<u>14,479,514</u>	<u>14,479,514</u>	<u>10,821,728</u>	<u>12,359,794</u>
Fund Balances – Ending	<u>\$5,522,360</u>	<u>\$12,013,911</u>	<u>\$10,460,474</u>	<u>\$14,479,514</u>	<u>\$8,995,986</u>	<u>\$12,359,794</u>	<u>\$11,089,932</u>	<u>\$8,298,973</u>

⁽¹⁾ Sourced from the District's audited financial statements for each fiscal year. Budget figures reflect the District's original operating budget, which is developed the District and approved by the Board prior to close of the accounting cycle for the prior fiscal year.

⁽²⁾ On behalf payments of \$2,847,449, \$3,609,264 and \$4,143,895 were included in the actual revenues and expenditures, but were not included in the budgeted amounts for fiscal years 2015-16, 2016-17 and 2017-18, respectively.

⁽³⁾ From the District's Second Interim Financial Report for fiscal year 2018-19, approved March 20, 2019.

Source: The District.

District Debt Structure

Schedule of Long-Term Debt. A schedule of changes in District’s long-term debt for the year ended June 30, 2018, is shown below:

	Balance <u>July 1, 2017</u> ⁽¹⁾	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2018</u>
General obligation bonds	\$124,201,907	\$1,627,576	\$4,245,000	\$121,584,483
Premium on bonds	4,967,777	--	439,723	4,528,054
Certificates of participation	6,420,000	--	345,000	6,075,000
Qualified school construction bonds	1,457,084	--	120,430	1,336,654
Qualified zone academy bonds ⁽²⁾	5,000,000	--	--	5,000,000
Capital leases	688,290	--	165,753	522,537
Compensated absences	400,214	191,863	--	592,077
Supplemental employee retirement plan	172,715	--	172,715	--
Net OPEB liability ⁽³⁾	803,440	--	101,989	701,451
Choice 2000 settlement agreement ⁽⁴⁾	<u>587,500</u>	<u>--</u>	<u>117,500</u>	<u>470,000</u>
Totals ⁽⁵⁾	<u>\$144,698,927</u>	<u>\$1,819,439</u>	<u>\$5,708,110</u>	<u>\$140,810,256</u>

⁽¹⁾ Long-term obligations for 2017 have been restated due to implementation of GASB Statement No. 75.

⁽²⁾ Subsequent to June 30, 2018, the District’s qualified zone academy bonds have fully matured and are no longer outstanding.

⁽³⁾ See “PERRIS UNION HIGH SCHOOL DISTRICT – Post-Employment Benefits” herein.

⁽⁴⁾ See “— Choice 2000 Settlement” below.

⁽⁵⁾ Does not include the Special Tax Bonds of community facilities districts of the District. Debt service on such Special Tax Bonds is paid from the proceeds of special taxes levied against taxable real property within the respective community facilities districts.

Source: *The District*.

General Obligation Bonds. The District received authorization at an election held on November 2, 1999, by eligible voters within the District, to issue not to exceed \$16,000,000 of general obligation bonds (the “1999 Authorization”). On May 25, 2000, the District issued an aggregate principal amount of \$8,313,075.35 of its General Obligation Bonds, 1999 Election, Series A (the “1999 Election, Series A Bonds”) pursuant to the 1999 Authorization. On November 19, 2002, the District issued an aggregate principal amount of \$7,686,806.70 of its General Obligation Bonds, 1999 Election, Series B (the “1999 Election, Series B Bonds”) pursuant to the 1999 Authorization. Approximately \$117.95 remains available under the 1999 Authorization.

The District received authorization at an election held on November 2, 2004, by eligible voters within the District, to issue not to exceed \$46,000,000 of general obligation bonds (the “2004 Authorization”). On March 29, 2005, the District issued (i) an aggregate principal amount of \$38,764,557.85 of its General Obligation Bonds, 2004 Election, Series A (the “2004 Election, Series A Bonds”) pursuant to the 2004 Authorization and (ii) an aggregate principal amount of \$7,805,000.00 of its 2005 General Obligation Refunding Bonds (the “2005 Refunding Bonds”) the proceeds of which were used to refund certain maturities of each of the 1999 Election, Series A Bonds and the 1999 Election, Series B Bonds. On April 27, 2006, the District issued an aggregate principal amount of \$7,232,820 of its General Obligation Bonds, 2004 Election, Series B (the “2004 Election, Series B Bonds”) pursuant to the 2004 Authorization. Approximately \$2,622.15 remains available under the 2004 Authorization.

The District received authorization at an election held on November 6, 2012, by more than 55% of the votes cast by eligible voters within the District to issue not to exceed \$153,420,000 of general obligation bonds (the “2012 Authorization”). On August 6, 2013, the District issued an aggregate principal amount of \$35,000,000 of its General Obligation Bonds, 2012 Election, Series A (the “2012 Election, Series A Bonds”) pursuant to the 2012 Authorization. On October 20, 2015, the District issued an aggregate principal amount of \$40,413,023.50 of its General Obligation Bonds, 2012 Election, Series

B(the “2012 Election Series B Bonds”) pursuant to the 2012 Authorization. Approximately \$78,006,976.50 remains available under the 2012 Authorization.

On December 4, 2014, the District issued an aggregate principal amount of \$26,510,000 of its 2014 General Obligation Refunding Bonds (the “2014 Refunding Bonds”) the proceeds of which were used to advance refund certain maturities of the 2004 Election, Series A Bonds.

The District received authorization at an election held on November 6, 2018, by more than 55% of the votes cast by eligible voters within the District to issue not to exceed \$148,000,000 of general obligation bonds (the “2018 Authorization”). On April 17, 2019, the Board of the District authorized the sale of the first series of bonds pursuant to the 2018 Authorization in an aggregate principal amount not to exceed \$148,000,000 (the “2018 Election Series A Bonds”). The District has applied to the California Department of Education (“CDE”) for a waiver of the District’s statutory debt limitation. The District expects CDE to approve the District’s waiver request in May, 2019. The 2018 Election Series A Bonds are expected to be delivered in June or July, 2019.

The table below presents the annual debt service requirements on all of the District’s outstanding general obligation bonded debt as of the date hereof.

Year Ending (September 1)	1999 Election Series A ⁽¹⁾	1999 Election Series B	2004 Election Series A ⁽²⁾	2004 Election Series B	2012 Election Series A	2014 Refunding	2012 Election Series B	Total Annual Debt Service ⁽³⁾
2019	\$910,000	\$685,000	--	\$797,400	\$1,611,669	\$2,757,200	\$2,541,100	\$9,302,369
2020	955,000	720,000	--	834,200	1,663,269	2,914,700	2,686,350	9,773,519
2021	1,005,000	750,000	--	868,400	1,717,669	3,079,950	2,841,600	10,262,619
2022	1,055,000	790,000	--	1,000,000	1,774,669	3,251,950	1,250,850	9,122,469
2023	1,105,000	830,000	--	--	1,829,069	3,440,600	1,335,850	8,540,519
2024	1,160,000	870,000	--	--	1,892,569	3,640,100	1,406,600	8,969,269
2025	1,000,000	1,130,000	--	--	1,952,069	3,852,600	1,483,600	9,418,269
2026	--	2,235,000	--	--	2,017,469	4,071,600	1,566,350	9,890,419
2027	--	2,345,000	\$4,835,000	--	2,083,750	--	1,654,350	10,918,100
2028	--	--	5,115,000	--	2,150,488	--	1,747,100	9,012,588
2029	--	--	5,410,000	--	2,217,488	--	1,844,100	9,471,588
2030	--	--	2,700,000	--	2,289,238	--	1,948,550	6,937,788
2031	--	--	--	--	2,365,238	--	2,054,250	4,419,488
2032	--	--	--	--	2,442,225	--	2,163,700	4,605,925
2033	--	--	--	--	2,522,125	--	2,283,700	4,805,825
2034	--	--	--	--	2,604,413	--	2,408,700	5,013,113
2035	--	--	--	--	2,688,563	--	2,538,700	5,227,263
2036	--	--	--	--	2,774,050	--	2,673,700	5,447,750
2037	--	--	--	--	2,865,350	--	2,818,700	5,684,050
2038	--	--	--	--	2,956,675	--	2,973,700	5,930,375
2039	--	--	--	--	3,057,500	--	3,129,063	6,186,563
2040	--	--	--	--	3,153,000	--	3,299,600	6,452,600
2041	--	--	--	--	3,257,500	--	3,475,000	6,732,500
2042	--	--	--	--	3,360,000	--	3,664,600	7,024,600
2043	--	--	--	--	--	--	5,312,400	5,312,400
2044	--	--	--	--	--	--	5,564,600	5,564,600
2045	--	--	--	--	--	--	5,829,200	5,829,200
Totals ⁽⁴⁾	\$7,190,000	\$10,355,000	\$18,060,000	\$3,500,000	\$57,246,055	\$27,008,700	\$72,496,013	\$195,855,763

(1) Final maturity is March 1, 2025.

(2) Final maturity is March 1, 2030.

(3) Does not include the 2018 Election Series A Bonds expected to be issued in June, 2019.

(4) Figures may not sum to totals due to rounding.

Certificates of Participation. On December 20, 2007, the District caused the execution and delivery of its 2007 Certificates of Participation (School Refinancing Project) (the “2007 COPs”) in the aggregate principal amount of \$9,100,000, the net proceeds of which were used to defease and prepay the

District’s then-outstanding Convertible Capital Appreciation Certificates of Participation (2000 School Facilities Project). The 2007 COPs are expected to be prepaid in full in connection with the execution and delivery of the 2019 Certificates. See “THE PROJECT” herein.

Qualified School Construction Bonds. On September 15, 2011, the District entered into a lease purchase agreement in the aggregate principal amount of \$2,100,000 (the “QSCB Lease Agreement”), which was designated as a “Qualified School Construction Bond” for purposes of the American Recovery and Reinvestment Act of 2009. The District expects to receive, on or about each lease payment date under the QSCB Lease Agreement, a cash subsidy payment (each a “Subsidy Payment”) from the United States Treasury (the “Treasury”) equal to the lesser of (a) the interest component of the lease payment due on such lease payment date or (b) an amount equal to the interest component that would have been payable on such lease payment date if such interest were determined at a federal tax credit rate applicable to the QSCB Lease Agreement (the “Tax Credit Rate”), which Tax Credit Rate is published by the Treasury and determined under Section 54A(b)(3) of the Code.

The Subsidy Payment does not constitute a full faith and credit guarantee of the United States Government, but is required to be paid by the Treasury. However, the Subsidy Payment is subject to reduction (the “Sequestration Reduction”) pursuant to the federal Balanced Budget and Emergency Deficit Control Act of 1985, as amended, which currently includes provisions reducing the Subsidy Payment by 6.2% through the end of the current federal fiscal year (September 30, 2019). In the absence of action by the U. S. Congress, the rate of the Sequestration Reduction is subject to change in the following federal fiscal year. The District cannot predict whether or how subsequent sequestration actions may affect Subsidy Payments currently scheduled for receipt in future federal fiscal years.

The District’s annual requirements to make lease payments with respect to the QSCB Lease Agreement are as follows:

<u>Year Ending (September 1)</u>	<u>Amount Attributable to Principal</u>	<u>Amount Attributable to Interest</u>	<u>Total Annual Lease Payments⁽¹⁾</u>
2019	\$122,172.04	\$69,376.37	\$191,548.41
2020	123,347.71	62,555.06	185,902.77
2021	124,534.69	55,668.10	180,202.79
2022	125,733.09	48,714.87	174,447.96
2023	126,943.02	41,694.73	168,637.75
2024	128,164.61	34,607.03	162,771.64
2025	129,397.94	27,451.13	156,849.07
2026	130,643.14	20,226.37	150,869.51
2027	131,900.33	12,932.08	144,832.41
2028	<u>133,169.62</u>	<u>5,567.60</u>	<u>138,737.22</u>
Total	\$1,276,006.19	\$378,793.34	\$1,654,799.53

⁽¹⁾ Does not reflect receipt of Subsidy Payments.

Capital Leases. The District has entered into agreements to lease equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District’s liability, as of June 30, 2018, on lease agreements with options to purchase is summarized below:

Year Ending <u>June 30</u>	Lease <u>Payment</u>
2019	\$182,960
2020	182,960
2021	<u>182,960</u>
Total	\$548,880
Less: Amount Representing Interest	<u>(26,343)</u>
Present Value of Minimum Lease Payments	\$522,537

Choice 2000 Settlement. In recent years, the District had an ongoing dispute with the State Board of Education and the State Department of Education regarding the calculation of ADA and resultant funding for the District’s on-line grades 9-12 charter school (“Choice 2000”). The District closed Choice 2000 at the end of the 2012-13 school year and the litigation regarding the funding of Choice 2000 was settled in April 2014. Pursuant to such settlements, the District will repay a total of \$940,000 to the State over a period of eight years. The District’s liability, as of June 30, 2018, with respect to such settlements is summarized below:

<u>Fiscal Year</u>	Settlement <u>Payment</u>
2018-19	\$117,500
2019-20	117,500
2020-21	117,500
2021-22	<u>117,500</u>
Total	\$470,000

Non-Obligatory Debt; Community Facilities Districts. The District has established two Mello-Roos community facilities districts pursuant to the Mello-Roos Community Facilities District Act of 1982, as amended. The District’s Community Facilities District No. 91-1 (“CFD No. 91-1”) was established in March 1991 and the District’s Community Facilities District No. 92-1 (“CFD No. 92-1”) was established in July 1992. The outstanding Special Tax Bonds issued by each of these community facilities districts were acquired by the Perris Union High School District Financing Authority (the “District Financing Authority”) and provide revenues to pay debt service on the District Financing Authority’s 2015 Revenue Bonds (the “2015 Financing Authority Bonds”). While the Lease Payments for the use and occupancy of the Property are payable from any source of legally available funds, the District expects to use excess special taxes from CFD No. 92-1 (after payment of debt service on the applicable Special Tax Bonds) as the source of revenue for making Lease Payments under the Lease. See “SECURITY AND SOURCES OF PAYMENT OF THE 2019 CERTIFICATES” and “DISTRICT FINANCIAL MATTERS – CFD No. 92-1 Special Taxes” herein.

State Budget Measures

The following information concerning the State’s budget has been obtained from publicly available information which the District believes to be reliable; however, the District does not guarantee the accuracy or completeness of this information and has not independently verified such information.

2018-19 Budget. On June 27, 2018, the Governor signed into law the State budget for fiscal year 2018-19 (the “2018-19 Budget”). The following information is drawn from the LAO’s review of the 2018-19 Budget.

To protect against potential future economic recessions, the 2018-19 Budget fully funds the BSA with a total deposit of over \$4.4 billion, including a \$2.6 billion optional deposit in addition to the Constitutionally-required deposit, and adds two additional reserves to State law: the Safety Net Reserve Fund, intended to save money specifically for future expenditures of the CalWORKs and Medi-Cal programs; and the Budget Deficit Savings Account (“BDSA”), which for 2018-19 will temporarily hold the \$2.6 billion optional BSA deposit until May 2019. In May 2019, the optional BSA deposit amount will be adjusted as necessary to reflect updated estimates of revenues, at which point it will be transferred to the BSA. The projected ending balance in the BSA at the end of the 2018-19 fiscal year is expected to equal the BSA’s current constitutional maximum of 10 percent of the estimated general fund revenues for fiscal year 2018-19.

For fiscal year 2017-18, the 2018-19 Budget projects total general fund revenues and transfers of \$129.8 billion and total expenditures of \$127.0 billion. The State is projected to end the 2017-18 fiscal year with total available general fund reserves of \$16.7 billion, including \$7.3 billion in the traditional general fund reserve and \$9.4 billion in the BSA. For fiscal year 2018-19, the 2018-19 Budget projects total general fund revenues of \$133.3 billion and authorizes expenditures of \$138.7 billion. The State is projected to end the 2018-19 fiscal year with total available general fund reserves of \$15.9 billion, including \$2.0 billion in the traditional general fund reserve, \$13.8 billion in the BSA and \$200 million in the Safety Net Reserve Fund. See also “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2” herein.

With respect to education funding, the 2018-19 Budget revises the Proposition 98 minimum funding guarantees for both fiscal years 2016-17 and 2017-18, as a result of higher general fund revenues. The 2018-19 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2016-17 at \$71.6 billion, an increase of \$252 million from the prior year. The 2018-19 Budget revises the minimum funding guarantee for fiscal year 2017-18 at \$75.6 billion, reflecting an increase of \$1.1 billion from the prior year. As part of the 2017-18 increase, the State is making an additional maintenance factor payment of \$789 million, on top of a previous \$536 million payment. After making the approximately \$1.3 billion total payment, the State will have eliminated all remaining maintenance factor for the first time since 2005-06. In both 2016-17 and 2017-18, the State is spending at the calculated minimum guarantee.

For fiscal year 2018-19, the 2018-19 Budget sets the minimum funding guarantee at \$78.4 billion, reflecting an increase of \$2.8 billion (or 3.7%) from the revised prior-year level. Fiscal year 2018-19 is projected to be a “Test 2” year, with the increase in the minimum funding guarantee attributable to a 3.67% increase in per capita personal income. With respect to K-12 education, the 2018-19 Budget sets Proposition 98 funding at \$67.9 billion, including \$47.5 billion from the State general fund, reflecting an increase of \$1.3 billion (or 2.7%) from the prior year. Per-pupil spending increases by \$579 (or 5.2%) from the prior year, up to \$11,640.

Other significant features with respect to K-12 education funding include the following:

- *Local Control Funding Formula* – An increase of \$3.7 billion in Proposition 98 funding to fully implement the LCFF, reaching the target funding targets and funding the statutory 2.71% COLA to the adjusted Base Grants for the prior year. Additionally, the 2018-19 Budget provides nearly an extra 1 percentage point increase in the LCFF rates. The adjusted Base Grants for fiscal year 2018-19 are as follows: \$8,235 for grades K-3, \$7,571 for grades 4-6, \$7,796 for grades 7-8 and \$9,269 for grades 9-12.

- *Low-Performing Students Block Grant* – \$300 million in one-time Proposition 98 funding to provide resources to local education agencies to help certain low-performing students, with funding allocated to local education agencies based on the count of students who did not meet statewide standards in spring 2018 on assessments of reading and math and who are not foster youth, low-income students, English learners, or students with disabilities.
- *State System of Support* – An increase of \$54 million in Proposition 98 funding for county offices of education to provide technical assistance to low-performing local educational agencies.
- *California Collaborative for Educational Excellence* – \$12 million in ongoing Proposition 98 funding for the California Collaborative for Educational Excellence (the “Collaborative”) to assist county offices of education and regional lead agencies. Additionally, the 2018-19 Budget re-appropriates \$5.6 million from prior-year one-time Proposition 98 appropriations for use by the Collaborative for additional statewide trainings and technical assistance.
- *Special Education Local Plan Area (SELPA) Technical Assistance* – \$10 million in Proposition 98 funding for up to ten SELPAs to assist county offices of education in providing technical assistance to school districts identified for differentiated assistance within the Statewide system of support.
- *Career Technical Education (CTE)* – \$164 million in ongoing Proposition 98 funding to create a new K-12 CTE program funded through the Strong Workforce Program, which is administrated by California Community College Chancellor’s Office, in consultation with the State Department of Education, as well as \$150 million in ongoing Proposition 98 funding to make permanent the State’s Career Technical Education Incentive Grant Program.
- *One-Time Discretionary Funding* – An increase of \$1.1 billion in one-time Proposition 98 funding for school districts, charter schools and county offices of education to use at local discretion. Similar to features included in prior State budgets, these funds would offset any applicable mandate reimbursement claims for these entities.
- *Special Education, Bilingual, and STEM Teachers* – \$75 million in one-time Proposition 98 funding to start new or expand existing teacher residency programs with \$50 million earmarked for special education teachers and \$25 million earmarked for bilingual and STEM teachers; and \$50 million in one-time Proposition 98 funding to provide one-time competitive grants to local educational agencies to fund new or existing local efforts to recruit and retain special education teachers.
- *Classified School Employee Summer Assistance Program* – \$50 million one-time Proposition 98 funding to provide state matching funds to classified school employees that elect to have a portion of their monthly paychecks withheld during the 2019-20 school year, supplemented by State funding, and paid during the summer recess period.
- *Classified School Employee Professional Development Block Grant Program* – \$50 million one-time Proposition 98 funding for professional development opportunities for classified staff, with a priority on professional development for the implementation of school safety plans.
- *Federal Funds for Academic Enrichment* – \$165 million one-time federal ESSA Title IV funding for academic enrichment, with \$121 million of such funds distributed to local

education agencies based on their share of existing Title I funding, and the remainder distributed competitively.

- *Charter School Facility Grant Program* – \$21 million one-time and \$25 million ongoing Proposition 98 funding to reflect increases in programmatic costs.
- *Kids Code After School Program* – \$15 million one-time Proposition 98 funding to fund the inclusion of computer coding in after-school curriculum.
- *Fiscal Crisis and Management Assistance Team (FCMAT)* – \$972,000 Proposition 98 funding to allow FCMAT provide additional assistance for fiscally distressed school districts and provide additional training for county offices of education regarding fiscal oversight of school districts.
- *Kindergarten Facilities* – \$100 million one-time non-Proposition 98 funding to help school districts cover facility costs associated with converting their part-day kindergarten programs into full-day programs.
- *Proposition 51* – a total allocation of \$594 million in Proposition 51 bond funds for K-12 school facility projects.

For additional information regarding the 2018-19 Budget, see the State Department of Finance website at www.dof.ca.gov and the LAO's website at www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

Proposed 2019-20 Budget. On January 10, 2019, the Governor released his proposed State budget for fiscal year 2019-20 (the “Proposed 2019-20 Budget”). The following information is drawn from the State Department of Finance’s summary, and the LAO’s review of, the Proposed 2019-20 Budget.

For fiscal year 2018-19, the Proposed 2019-20 Budget projects total general fund revenues and transfers of \$136.9 billion and total expenditures of \$144.1 billion. The State is projected to end the 2018-19 fiscal year with total available general fund reserves of \$18.3 billion, including \$3.9 billion in the traditional general fund reserve, \$13.5 billion in the BSA and \$900 million in the Safety Net Reserve Fund. For fiscal year 2019-20, the Proposed 2019-20 Budget projects total general fund revenues and transfers of \$142.6 billion and authorizes expenditures of \$144.2 billion. The State is projected to end the 2019-20 fiscal year with total available general fund reserves of \$18.5 billion, including \$2.3 billion in the traditional general fund reserve, \$15.3 billion in the BSA and \$900 million in the Safety Net Reserve Fund. The Governor notes that additional deposits to the BSA are premised on a recent opinion by the California Office of Legislative Counsel which concluded that supplemental payments to the BSA made in prior fiscal years do not count towards calculating its constitutional maximum of 10%. Under the Governor’s new estimates, mandatory deposits to the BSA represent only 8.1% of State general fund taxes. See also “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2” herein.

With respect to education funding, the Proposed 2019-20 Budget revises the Proposition 98 minimum funding guarantees for both fiscal years 2017-18 and 2018-19, as a result of lower-than-anticipated ADA and a year-to-year decline in State general fund revenue growth. The Proposed 2019-20 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2017-18 at \$75.5 billion, a decrease of \$120.1 million from the prior year. The Proposed 2019-20 Budget revises the minimum funding guarantee for fiscal year 2018-19 at \$77.9 billion, reflecting a decrease of \$525.7 million from

the prior year. Notwithstanding these decreases, the Proposed 2019-20 Budget maintains level funding for K-14 education in these years by maintaining a \$44 million overappropriation to the fiscal year 2017-18 minimum guarantee and using settle-up payments to offset otherwise unfunded obligations in fiscal year 2018-19.

For fiscal year 2019-20, the Proposed 2019-20 Budget sets the minimum funding guarantee at \$80.7 billion, reflecting an increase of \$2.8 billion from the revised prior-year level. Fiscal year 2019-20 is projected to be a “Test 3” year. With respect to K-12 education, ongoing per-pupil spending is set at \$12,003, reflecting an increase of \$435 from the prior year.

Other significant features with respect to K-12 education funding include the following:

- *Local Control Funding Formula* – An increase of \$2 billion in Proposition 98 funding for the LCFF, reflecting a 3.46% COLA, and bringing total LCFF funding to \$63 billion.
- *Categorical Programs* – An increase of \$187 million in Proposition 98 funding to support a 3.46% COLA for categorical programs that remain outside the LCFF.
- *Pension Costs* – A \$3 billion, one-time payment from non-Proposition 98 funds to CalSTRS, to reduce long-term liabilities for K-14 school districts. Of this amount, \$700 million would be provided to buy down employer contribution rates in fiscal years 2019-20 and 2020-21. The remaining \$2.3 billion would be paid towards employers’ long-term unfunded liability.
- *State System of Support* – An increase of \$20.2 million in Proposition 98 funding for county offices of education to provide technical assistance to low-performing local educational agencies.
- *Special Education* – \$577 million in Proposition 98 funding (of which \$186 million is one-time) to school districts based on their unduplicated counts of low-income, English learner and disabled students. These funds may be used for either (i) special education services for students with disabilities, or (ii) early intervention programs for students are not yet receiving special education services.
- *Preschool* – \$125 million in non-Proposition 98, ongoing funding to provide 10,000 full-day preschool slots for children from low income families. The Proposed 2019-20 Budget also provides for an increase of \$26.8 million in Proposition 98 funding to reflect the full-year cost of full-day preschool slots implemented during the prior fiscal year.
- *Early Education* – An increase of \$750 million in one-time non-Proposition 98 funding to create more full-day Kindergarten programs. The funds are primarily intended for constructing new or retrofitting existing school facilities needed to operate longer-day programs. The Proposed 2019-20 Budget also includes \$500 million for improvements to early education (including \$245 million for facilities, \$245 million for the child care workforce, and \$10 million to improve access and quality).
- *County Offices of Education* – An increase of \$9 million in Proposition 98 funding for county offices of education, reflecting a 3.46% COLA and ADA changes applicable to the LCFF.
- *Proposition 51* – a total allocation of \$1.5 billion in Proposition 51 bond funds for K-12 school facility projects.

For additional information regarding the Proposed 2019-20 Budget, see the State Department of Finance website at www.dof.ca.gov and the LAO's website at www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

The Governor is expected to release the May Revision to the Proposed 2019-20 Budget on or before May 14, 2019.

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

Ad Valorem Property Taxation

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

Taxes are levied for each fiscal year on taxable real and personal property which is located in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll." A supplemental roll is developed when property changes hands or new construction is completed. Each county levies and collects all property taxes for property falling within that county's taxing boundaries.

The valuation of secured property is established as of January 1 and is subsequently equalized in August. Property taxes are payable in two installments, due November 1 and February 1 respectively and become delinquent on December 10 and April 10 respectively. A 10% penalty attaches to any delinquent installment, plus a minimum \$10 cost on the second installment, plus any additional amount determined by the county treasurer-tax collector. Property on the secured roll with delinquent taxes is declared tax-defaulted on or about June 30 of the calendar year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a \$15 redemption fee and a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the tax-collecting authority of the relevant county.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent if they are not paid by August 31. In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1 of the fiscal year, and a lien may be recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the assessee; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on specific property of the assessee; (3) filing a certificate of delinquency for record in the county recorder's office in order to obtain a lien on specified property of the assessee; and

(4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. See also “—Secured Tax Charges and Delinquencies” herein.

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

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

Future assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of “situs” among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies, including school districts, will share the growth of “base” revenues from the tax rate area. Each year’s growth allocation becomes part of each agency’s allocation in the following year.

Assessed Valuations

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 cash value” of the property, as defined in Article XIII A of the California Constitution (“Article XIII A”). For a discussion of how properties currently are assessed, see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS” herein. 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.

Property within the District has a total assessed valuation for fiscal year 2018-19 of \$16,848,960,832. Shown in the following table are the assessed valuations for the District since 1993-94. The District’s assessed valuation increased by approximately 373.6% between fiscal year 1993-94 and fiscal year 2018-19, representing an approximate annual compound growth rate of 6.4%.

ASSESSED VALUATION
Fiscal Years 1993-94 to 2018-19
Perris Union High School District

Fiscal Year	Secured	Utility ⁽¹⁾	Unsecured	Total Assessed Valuation	Annual % Change
1993-94	\$3,492,180,699	\$8,861,011	\$56,817,546	\$3,557,859,256	--
1994-95	3,478,209,532	630,961	60,313,656	3,539,154,149	-0.5%
1995-96	3,419,854,828	764,531	61,054,904	3,481,674,263	-1.6
1996-97	3,308,034,180	1,276,028	63,998,733	3,373,308,941	-3.1
1997-98	3,360,322,456	1,530,996	63,169,190	3,425,022,642	1.5
1998-99	3,310,227,382	1,627,152	64,356,862	3,376,211,396	-1.4
1999-00	3,392,375,501	2,571,131	61,862,429	3,456,809,061	2.4
2000-01	3,619,651,596	--	86,285,142	3,705,936,738	7.2
2001-02	3,944,827,039	--	134,308,141	4,079,135,180	10.1
2002-03	4,434,300,958	1,480,594	125,716,356	4,561,497,908	11.8
2003-04	5,088,665,652	1,228,881	103,270,476	5,193,165,009	13.8
2004-05	6,391,976,004	1,180,223	142,184,055	6,535,340,282	25.8
2005-06	8,243,542,907	1,160,065	156,426,241	8,401,129,213	28.5
2006-07	11,334,521,793	6,996,408	177,300,623	11,518,818,824	37.1
2007-08	13,524,748,395	246,949,439	189,562,117	13,961,259,951	21.2
2008-09	13,196,556,421	459,549,439	195,229,974	13,851,335,834	-0.8
2009-10	10,837,274,526	748,949,439	196,670,450	11,782,894,415	-14.9
2010-11	10,241,293,027	709,649,439	219,720,201	11,170,662,667	-5.2
2011-12	10,427,675,352	811,649,439	205,796,373	11,445,121,164	2.5
2012-13	10,201,916,776	577,544,771	247,425,679	11,026,887,226	-3.7
2013-14	10,829,455,653	440,244,771	294,904,763	11,564,605,187	4.9
2014-15	12,119,600,667	346,644,771	266,446,636	12,732,692,074	10.1
2015-16	13,165,252,706	295,044,771	244,154,999	13,704,452,476	7.6
2016-17	13,929,135,813	253,844,771	254,879,298	14,437,859,882	5.4
2017-18	15,051,726,350	105,844,771	300,051,253	15,457,622,374	7.1
2018-19	16,342,992,937	118,541,962	387,425,933	16,848,960,832	9.0

⁽¹⁾ Excludes assessed valuation from unitary utility roll.
Source: California Municipal Statistics, Inc.

Economic and other factors beyond the District’s control, such as a general market decline in real property values, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, drought, fire, flood or toxic contamination, could cause a reduction in the assessed value of taxable property within the District.

Appeals and Adjustments of Assessed Valuations

Under State law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization (the “SBE”), with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed.

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

In addition to the above-described taxpayer appeals, county assessors may independently reduce assessed valuations based on changes in the market value of property, or for other factors such as the complete or partial destruction of taxable property caused by natural or man-made disasters such as earthquakes, floods, fire, drought or toxic contamination pursuant to relevant provisions of the State Constitution.

Whether resulting from taxpayer appeals or county assessor reductions, adjustments to assessed value are subject to yearly reappraisals by the county assessor and may be adjusted back to their original values when real estate market conditions improve. Once property has regained its prior assessed value, adjusted for inflation, it once again is subject to the annual inflationary growth rate factor allowed under Article XIII A. See also “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution” herein.

The District does not have information regarding pending appeals of assessed valuation of property within the District. No assurance can be given that property tax appeals currently pending or in the future, or actions by the county assessor, will not significantly reduce the assessed valuation of property within the District.

Assembly Bill 102. On June 27, 2017, the Governor signed into law Assembly Bill 102 (“AB 102”). AB 102 restructured the functions of the SBE and created two new separate agencies: (i) the California Department of Tax and Fee Administration, and (ii) the Office of Tax Appeals. Under AB 102, the California Department of Tax and Fee Administration took over programs previously in the SBE Property Tax Department, such as the Tax Area Services Section, which is responsible for maintaining all property tax-rate area maps and for maintaining special revenue district boundaries. Under AB 102, the SBE continues to perform the duties assigned by the State Constitution related to property taxes, however, effective January 1, 2018, the SBE will only hear appeals related to the programs that it constitutionally administers and the Office of Tax Appeals will hear appeals on all other taxes and fee matters, such as sales and use tax and other special taxes and fees. AB 102 obligates the Office of Tax Appeals to adopt regulations as necessary to carry out its duties, powers, and responsibilities. No assurances can be given as to the effect of such regulations on the appeals process or on the assessed valuation of property within the District.

Alternative Method of Tax Apportionment

With respect to collection of property taxes, the County has adopted the Teeter Plan, which is an alternate method of tax apportionment authorized in Chapter 3, Part 8, Division 1 of the Revenue and Taxation Code of the State of California (comprising Sections 4701 through 4717, inclusive) (the “Law”) for distribution of certain property tax and assessment levies on the secured roll. Pursuant to the Law, the County adopted the Teeter Plan. The Teeter Plan provides for a tax distribution procedure in which secured roll taxes and assessments are distributed to participating County taxing agencies on the basis of the tax levy, rather than on the basis of actual tax collections. The County then receives all future delinquent tax payments, penalties and interest, and a complex tax redemption distribution system for all taxing agencies is avoided. In connection with its adoption of the Teeter Plan, the County advanced to the participating taxing agencies an amount equal to 95% of the total prior years delinquent secured property

taxes and assessments (not including penalties and interest) and 100% of the current year’s delinquent secured property taxes and assessments outstanding. Supplemental taxes are currently excluded from the Teeter Plan.

Pursuant to the Law, the County is required to establish a tax losses reserve fund to cover losses which may occur as a result of sale of tax-defaulted property. Once the tax losses reserve fund reaches a level of 3% of the total of all taxes and assessments levied on the secured roll for that year, 1% of the total of all taxes and assessments levied on the secured roll for that year, and any additional penalties and interest normally credited to the tax losses reserve fund may be credited to the County General Fund. Upon adoption of a resolution by the Board of Supervisors of the County by August 1 of any fiscal year, the 10% tax losses reserve fund threshold may be reduced to 25% of the total delinquent taxes and assessments for the previous year. The County did not elect to fund the tax losses reserve fund at a required threshold initially, thereby requiring penalties and interest to be credited first to the tax losses reserve fund to meet its required threshold before allowing any additional penalties and interest to be credited to the County General Fund. The tax loss reserve fund is now fully funded and amounts in excess of the required minimum may be transferred to the County General Fund in the future.

Once adopted by the County, the Teeter Plan remains in effect unless the County orders its discontinuance or prior to the commencement of any subsequent fiscal years the County receives a petition for its discontinuance adopted by resolution of two-thirds of the participating revenue districts in the County. Further, the County may by resolution adopted not later than July 15 of any subsequent fiscal year after a public hearing, discontinue the Teeter Plan as to any levying or assessment levying agency if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls for the agency.

Secured Tax Charges and Delinquencies

The following table shows the secured tax charges and delinquencies for taxes collected in the District by the County from fiscal year 2012-13 through fiscal year 2017-18 with respect to the tax levy within the District for general obligation bonds.

**SECURED TAX CHARGES AND DELINQUENCY RATES
Fiscal Years 2012-13 through 2017-18
Perris Union High School District**

General Obligation Bond Debt Service Levy

<u>Fiscal Year</u>	<u>Secured Tax Charge⁽¹⁾</u>	<u>Amount Delinquent June 30</u>	<u>Percent Delinquent June 30</u>
2012-13	\$3,620,756.49	\$90,035.78	2.49%
2013-14	7,702,401.52	174,272.00	2.26
2014-15	7,734,501.66	140,824.28	1.82
2015-16	8,144,922.95	170,103.32	2.09
2016-17	8,529,850.47	179,619.56	2.11
2017-18	8,487,020.59	135,882.66	1.60

⁽¹⁾ District’s general obligation bond debt service levy.
Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report (the “Debt Report”) prepared by California Municipal Statistics, Inc., effective as of March 1, 2019. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

The table shows the percentage of each overlapping entity’s assessed value located within the boundaries of the District. The table also shows the corresponding portion of the overlapping entity’s existing debt payable from property taxes levied within the District. The total amount of debt for each overlapping entity is not given in the table.

The first column in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. The second column shows the percentage of each overlapping agency’s assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency’s outstanding debt to taxable property in the District.

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**STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
Perris Union High School District**

2018-19 Assessed Valuation: \$16,848,960,832

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 3/1/19</u>
Riverside County Flood Control District Zone No. 4 Benefit Assessment Districts	29.992%	\$4,405,825
Metropolitan Water District	0.573	275,327
Eastern Municipal Water District Improvement Districts	0.040-100.000	19,526,784
Mt. San Jacinto Community College District	18.482	31,909,173
Perris Union High School District	100.000	103,008,693⁽¹⁾
Menifee Union School District	100.000	98,644,720
Menifee Union School District Community Facilities Districts	100.000	153,840,000
Nuview School District	100.000	9,626,235
Perris School District	100.000	28,546,242
Perris School District Community Facilities District No. 2002-1	100.000	1,350,000
Perris Union High School District Community Facilities District Nos. 91-1 and 92-1	100.000	43,555,000
Romoland School District Community Facilities Districts	100.000	152,355,000
City of Lake Elsinore Community Facilities Districts	31.839-100.000	49,120,859
City of Murrieta Community Facilities Districts	100.000	38,543,037
City of Perris Community Facilities Districts	19.735-100.000	53,124,978
Riverside County Community Facilities Districts	4.890-100.000	28,890,636
Other Special District Community Facilities Districts	Various	55,442,262
City and Special District 1915 Act Bonds (Estimated)	Various	<u>9,029,948</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$881,194,719

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	6.010%	\$46,719,758
Riverside County Pension Obligation Bonds	6.010	14,655,385
Perris Union High School District Certificates of Participation	100.000	6,930,065⁽²⁾
Menifee Union School District Certificates of Participation	100.000	47,547,926
Perris School District Certificates of Participation	100.000	6,670,000
City of Lake Elsinore General Fund Obligations	8.271	1,735,669
City of Murrieta General Fund Obligations	7.195	405,438
City of San Jacinto Pension Obligation Bonds	0.136	936
Western Municipal Water District General Fund Obligations	0.123	<u>11,823</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$124,677,000
Less: Riverside County supported obligations		<u>(153,857)</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$124,523,143

OVERLAPPING TAX INCREMENT DEBT (Successor Agencies): \$63,566,836

GROSS COMBINED TOTAL DEBT \$1,069,438,555⁽³⁾
NET COMBINED TOTAL DEBT \$1,069,284,698

Ratios to 2018-19 Assessed Valuation:

Direct Debt (\$103,008,693)	0.61%
Total Overlapping Tax and Assessment Debt	5.23%
Combined Direct Debt (\$109,938,758)	0.65%
Gross Combined Total Debt	6.35%
Net Combined Total Debt	6.35%

Ratios to Redevelopment Incremental Valuation (\$1,703,259,648):
Total Overlapping Tax Increment Debt.....3.73%

⁽¹⁾ Excludes the 2018 Election Series A Bonds.

⁽²⁾ Excludes the 2019 Certificates.

⁽³⁾ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

PERRIS UNION HIGH SCHOOL DISTRICT

Introduction

The District was incorporated on August 23, 1897, and covers approximately 182 square miles in the northwestern part of the County just south of the City of Riverside. A majority of the City of Perris, all of the City of Menifee, and all of the unincorporated communities of Sun City, Lakeview, Nuevo, Romoland and Homeland are situated within the District's boundaries, as well as a portion of the cities of Lake Elsinore, Murrieta, San Jacinto and Wildomar. The City of Perris is located 18 miles south of the City of Riverside, 75 miles northeast of the City of San Diego and 70 miles east of the City of Los Angeles.

The District currently operates one middle school, three comprehensive high schools, one continuation high school and one online independent study school. The District provides education for grades 7-12 for students generated by the Perris Elementary School District and grades 9-12 for students generated by the Menifee Union School District, the Nuview Union School District and the Romoland School District. The District additionally operates an adult education program, a functional skills special education school for students aged 18-22, and a military-based dependent charter school for grades 5-12.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of the most recent and subsequent audited financial reports of the District may be obtained by contacting: Perris Union High School District, 155 East Fourth Street, Perris, California 92570-2124, Attention: Deputy Superintendent, Business Services. The District may impose a charge for copying, mailing and handling.

Administration

The governing board of the District (the "Board") consists of five elected members. Members are elected to serve staggered four-year terms. Elections for positions to the Board are held every two years, alternating between two and three available positions. A president is elected by members of the Board each year. The day-to-day affairs of the District are the responsibility of the Superintendent. Current members of the Board, together with their offices and the dates their current terms expire, are listed below.

BOARD OF TRUSTEES Perris Union High School District

<u>Name</u>	<u>Office</u>	<u>Current Term Expires</u>
Edward D. Garcia, Jr.	President	December, 2020
Anthony T. Stafford, Sr.	Vice President	December, 2020
Dr. Randall Freeman	Clerk	December, 2022
Dr. Jose Luis Araux	Member	December, 2022
David G. Nelissen	Member	December, 2020

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Brief biographies of the Superintendent and the Deputy Superintendent, Business Services of the District are listed below:

Grant Bennett, Superintendent. Mr. Bennett has been with the District for 26 years, serving as Superintendent for almost 3 years. He began his career as a Math teacher and later moved into school site administration as an Assistant Principal and Principal. In 2009 Mr. Bennett moved to the district office, where he first served as the Director of Pupil Services before moving over to Curriculum and Instruction.

He then spent one year as the Assistant Superintendent of Educational Services, before becoming District Superintendent. Mr. Bennett received his Bachelor’s degree in Mathematics from California State University, Long Beach and a Master’s degree in Educational Administration from National University.

Candace Reines, Deputy Superintendent, Business Services. Ms. Reines has served the District since 2006. Prior to her current position, she served for two years as the Director of Fiscal Services for the District. She has worked in the field of school business for 18 years. Ms. Reines holds a Bachelor of Science in Organizational Leadership and a Master of Arts in Leadership and Organizational Studies, both from Azusa Pacific University. Ms. Reines is licensed through the California Association of School Business Officials and is a Certified Chief Business Official.

Charter Schools

The State Legislature enacted the Charter Schools Act of 1992 (California Education Code Sections 47600-47616.5) to permit teachers, parents, students, and community members to establish schools that would be free from most state and district regulations. Revised in 1998, the State’s charter school law states that local boards are the primary charter approving agency and that county panels can appeal a denied charter. State education standards apply, and charter schools are required to use the same student assessment instruments. The charter school is exempt from state and local education rules and regulations, except as specified in the legislation.

The District has certain fiscal oversight and other responsibilities with respect to both independent and affiliated charter schools established within its boundaries. However, independent charter schools receive funding directly from the State, and such funding would not be reported in the District’s audited financial statements. Affiliated charter schools receive their funding from the District, and would be reflected in the District’s audited financial statements.

There is currently one affiliated charter school operated by the District. The District can make no representations regarding how many District students will transfer to charter schools in the future or back to the District from the charter schools and the corresponding financial impact on the District.

Labor Relations

As of March 2019, the District employed approximately 490.5 full-time equivalent (“FTE”) certificated employees and approximately 393.7 FTE classified employees. These employees, except management, confidential and other non-represented employees are represented by two bargaining units as noted below:

**LABOR BARGAINING UNITS
Perris Union High School District**

<u>Labor Organization</u>	<u>Number of Employees In Organization</u>	<u>Contract Expiration Date</u>
Perris Secondary Educators Association	445	June 30, 2021
California School Employees Association	409	June 30, 2019

Source: The District.

State Retirement Systems

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

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

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

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

MEMBER CONTRIBUTION RATES STRS (Defined Benefit Program)

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

Source: AB 1469.

Pursuant to the Reform Act (defined below), the contribution rates for members hired after the Implementation Date (defined below) will be adjusted if the normal cost increases by more than 1% since the last time the member contribution was set. The contribution rate for employees hired after the Implementation Date (defined below) increased from 9.205% of creditable compensation for fiscal year commencing July 1, 2017 to 10.205% of creditable compensation effective July 1, 2018.

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

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

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

Source: AB 1469.

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

The District's contributions to STRS were \$3,714,998 in fiscal year 2014-15, \$5,124,739 in fiscal year 2015-16, \$6,213,465 in fiscal year 2016-17 and \$7,418,500 for fiscal year 2017-18. The District has currently projects \$8,766,864 for its contribution to STRS for fiscal year 2018-19.

The State also contributes to STRS, currently in an amount equal to 7.328% for fiscal year 2018-19. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990.

In addition, the State is currently required to make an annual general fund contribution up to 2.5% of the fiscal year covered STRS member payroll to the Supplemental Benefit Protection Account (the "SBPA"), which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2017

included 1,624 public agencies and 1,366 K-14 school districts and charter schools. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for “classified employees,” which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the “Schools Pool”).

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The District is currently required to contribute to PERS at an actuarially determined rate, which is 18.062% of eligible salary expenditures or fiscal year 2018-19. Participants enrolled in PERS prior to January 1, 2013 contribute at a rate established by statute, which is 7% of their respective salaries in fiscal year 2017-18 and fiscal year 2018-19, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 7% in fiscal year 2018-19 and will be 7% in fiscal year 2019-20. See “ – California Public Employees’ Pension Reform Act of 2013” below.

The District’s contributions to PERS were \$1,898,113 in fiscal year 2014-15, \$2,065,548 in fiscal year 2015-16, \$2,595,788 in fiscal year 2016-17, and \$3,029,876 for fiscal year 2017-18. The District has currently projects \$4,081,782 for its contribution to PERS for fiscal year 2018-19.

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

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

FUNDED STATUS
STRS (Defined Benefit Program) and PERS (Schools Pool)
(Dollar Amounts in Millions)⁽¹⁾
Fiscal Years 2010-11 through 2017-18

<u>STRS</u>					
<u>Fiscal Year</u>	<u>Accrued Liability</u>	<u>Value of Trust Assets (MVA)⁽²⁾</u>	<u>Unfunded Liability (MVA)⁽²⁾</u>	<u>Value of Trust Assets (AVA)⁽³⁾</u>	<u>Unfunded Liability (AVA)⁽³⁾</u>
2010-11	\$208,405	\$147,140	\$68,365	\$143,930	\$64,475
2011-12	215,189	143,118	80,354	144,232	70,957
2012-13	222,281	157,176	74,374	148,614	73,667
2013-14	231,213	179,749	61,807	158,495	72,718
2014-15	241,753	180,633	72,626	165,553	76,200
2015-16	266,704	177,914	101,586	169,976	96,728
2016-17	286,950	197,718	103,468	179,689	107,261

<u>PERS</u>					
<u>Fiscal Year</u>	<u>Accrued Liability</u>	<u>Value of Trust Assets (MVA)</u>	<u>Unfunded Liability (MVA)</u>	<u>Value of Trust Assets (AVA)⁽³⁾</u>	<u>Unfunded Liability (AVA)⁽³⁾</u>
2010-11	\$58,358	\$45,901	\$12,457	\$51,547	\$6,811
2011-12	59,439	44,854	14,585	53,791	5,648
2012-13	61,487	49,482	12,005	56,250	5,237
2013-14	65,600	56,838	8,761	-- ⁽⁴⁾	-- ⁽⁴⁾
2014-15	73,325	56,814	16,511	-- ⁽⁴⁾	-- ⁽⁴⁾
2015-16	77,544	55,785	21,759	-- ⁽⁴⁾	-- ⁽⁴⁾
2016-17	84,416	60,865	23,551	-- ⁽⁴⁾	-- ⁽⁴⁾
2017-18 ⁽⁵⁾	92,071	64,846	27,225	-- ⁽⁴⁾	-- ⁽⁴⁾

⁽¹⁾ Amounts may not add due to rounding.

⁽²⁾ Reflects market value of assets, including the assets allocated to the SBPA reserve. Since the benefits provided through the SBPA are not a part of the projected benefits included in the actuarial valuations summarized above, the SBPA reserve is subtracted from the STRS Defined Benefit Program assets to arrive at the value of assets available to support benefits included in the respective actuarial valuations.

⁽³⁾ Reflects actuarial value of assets.

⁽⁴⁾ Effective for the June 30, 2014 actuarial valuation, PERS no longer uses an actuarial value of assets.

⁽⁵⁾ On April 16, 2019, the PERS Board (defined below) approved the K-14 school district contribution rate for fiscal year 2019-20 and released certain actuarial information to be incorporated into the June 30, 2018 actuarial valuation to be released in summer 2019.

Source: PERS Schools Pool Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.

The STRS Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the STRS Defined Benefit Program. Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2010, through June 30, 2015), on February 1, 2017, the STRS Board adopted a new set of actuarial assumptions that reflect member's increasing life expectancies and current economic trends. These new assumptions were first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2016 (the "2016 STRS Actuarial Valuation"). The new actuarial assumptions include, but are not limited to: (i) adopting a generational mortality methodology to reflect past improvements in life expectancies and provide a more dynamic assessment of future life spans, (ii) decreasing the investment rate of return (net of investment and administrative expenses) to 7.25% for the 2016 STRS Actuarial Valuation and 7.00% for the June 30, 2017 actuarial evaluation (the "2017 STRS Actuarial Valuation"), and (iii) decreasing the projected wage growth to 3.50% and the projected inflation rate to 2.75%. The 2017 STRS Actuarial Valuation continues using the Entry Age Normal Actuarial Cost Method.

Based on the change in actuarial assumptions adopted by the STRS Board, including the adoption of a 7% investment rate of return, recent investment experience and the insufficiency of the contributions received in fiscal year 2016-17 to cover interest on the unfunded actuarial obligation, the 2017 STRS Actuarial Valuation reports that the unfunded actuarial obligation increased by \$10.6 billion since the June 30, 2016 actuarial valuation and the funded ratio decreased by 1.1% to 62.6% over such time period. As a result, it is currently projected that there will be a need for higher contributions from the State, employers and members in the future to reach full funding by 2046.

According to the 2017 STRS Actuarial Valuation, the future revenues from contributions and appropriations for the STRS Defined Benefit Program are projected to be approximately sufficient to finance its obligations with a projected ending funded ratio in fiscal year ending June 30, 2046 of 99.6%, except for a small portion of the unfunded actuarial obligation related to service accrued on or after July 1, 2014 for member benefits adopted after 1990, for which AB 1469 provides no authority to the STRS Board to adjust rates to pay down that portion of the unfunded actuarial obligation. This finding reflects the scheduled contribution rate increases directed by statute, assumes additional increases in the scheduled contribution rates allowed under the current law will be made, and is based on the valuation assumptions and valuation policy adopted by the STRS Board, including a 7.00% investment rate of return assumption.

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

On March 14, 2012, the PERS Board voted to lower the PERS’ rate of expected price inflation and its investment rate of return (net of administrative expenses) (the “PERS Discount Rate”) from 7.75% to 7.5%. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points. On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over a three year phase-in period in accordance with the following schedule: 7.375% for the June 30, 2017 actuarial valuation, 7.25% for the June 30, 2018 actuarial valuation and 7.00% for the June 30, 2019 actuarial valuation. The new discount rate went into effect July 1, 2017 for the State and July 1, 2018 for K-14 school districts and other public agencies. Lowering the PERS Discount Rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Reform Act (defined below) will also see their contribution rates rise.

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

Also, on February 20, 2014, the PERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the PERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The new actuarial assumptions were first reflected in the Schools Pool in the June 30, 2015 actuarial valuation. The increase in liability due to the new assumptions will be

amortized over 20 years with increases phased in over five years, beginning with the contribution requirement for fiscal year 2016-17. The new demographic assumptions affect the State, K-14 school districts and all other public agencies.

The PERS Board is required to undertake an experience study every four years under its Actuarial Assumptions Policy and State law. As a result of the most recent experience study, on December 20, 2017, the PERS Board approved new actuarial assumptions, including (i) lowering the inflation rate to 2.625% for the June 30, 2018 actuarial valuation and to 2.50% for the June 30, 2019 actuarial valuation, (ii) lowering the payroll growth rate to 2.875% for the June 30, 2018 actuarial valuation and 2.75% for the June 30, 2019 actuarial valuation, and (iii) certain changes to demographic assumptions relating to the salary scale for most constituent groups, and modifications to the morality, retirement, and disability retirement rates.

On February 14, 2018, the PERS Board approved a new actuarial amortization policy with an effective date for actuarial valuations beginning on or after June 30, 2019, which includes (i) shortening the period over which actuarial gains and losses are amortized from 30 years to 20 years, (ii) requiring that amortization payments for all unfunded accrued liability bases established after the effective date be computed to remain a level dollar amount throughout the amortization period, (iii) removing the 5-year ramp-up and ramp-down on unfunded accrued liability bases attributable to assumptions changes and non-investment gains/losses established on or after the effective date and (iv) removing the 5-year ramp-down on investment gains/losses established after the effective date. While PERS expects that reducing the amortization period for certain sources of unfunded liability will increase future average funding ratios, provide faster recovery of funded status following market downturns, decrease expected cumulative contributions, and mitigate concerns over intergenerational equity, such changes may result in increases in future employer contribution rates.

On April 16, 2019, the PERS Board established the employer contribution rates for 2019-20 and released certain information from the Schools Pool Actuarial Valuation as of June 30, 2018, ahead of its summer of 2019 release date. Based on the changes in the discount rate, inflation rate, payroll growth rate and demographic assumptions, along with the expected reductions in normal cost due to the continuing transition of active members from those employees hired prior to the Implementation Date (defined below), to those hired after such date, the projected contribution rate for 2020-21 is projected to be 23.6%, with annual increases thereafter, resulting in a projected 26.5% employer contribution rate for fiscal year 2025-26.

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

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 (the "Reform Act"), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the "Implementation Date"). For STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and

STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (previously 12 months for STRS members who retire with 25 years of service), and (iii) caps “pensionable compensation” for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers) and benefit base for members participating in Social Security or 120% for members not participating in social security (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers), while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

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

For the fiscal year ended June 30, 2018, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

<u>Pension Plan</u>	<u>Collective Net Pension Liability</u>	<u>Collective Deferred Outflows of Resources</u>	<u>Collective Deferred Inflows of Resources</u>	<u>Collective Pension Expense</u>
CalSTRS	\$85,169,359	\$28,647,035	\$6,656,528	\$9,225,667
CalPERS	<u>35,010,378</u>	<u>11,719,020</u>	<u>412,204</u>	<u>7,491,322</u>
Total	\$120,179,737	\$40,366,055	\$7,068,732	\$16,716,989

See also “APPENDIX C – 2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 13” attached hereto.

Post-Employment Benefits

The Medicare Premium (“MPP Program”) is administered by STRS. The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan established pursuant to Chapter 1032,

Statutes 2000 (SB 1435). STRS administers the MPP Program through the Teachers' Health Benefits Fund.

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the STRP DB Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis. The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California Education Code Section 25930, benefit payments that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

At June 30, 2018, the District reported a liability of \$701,451 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts, actuarially determined.

The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.1667 percent and 0.1717 percent, resulting in a net decrease in proportionate share of 0.0050 percent. For the year ended June 30, 2018, the District recognized OPEB expense of \$(101,989). The District currently projects a contribution of \$663,747 to the MPP Program for fiscal year 2018-19.

See Note 9 to the fiscal year 2017-18 audited financial statements of the District included in Appendix C hereto.

Joint Powers Authorities

The District is exposed to various risks of loss related to torts, theft, damage, and destruction of assets; errors and omissions, injuries to employees, life, and health of employees and natural disasters. The District purchases coverage for property damage with limits up to a maximum of \$250,000,000, subject to various policy sublimits generally ranging from \$500 to \$10,000,000 and deductibles ranging from \$500 to \$25,000. The District also purchases coverage for general and auto liability claims with limits up to \$50,000,000 per occurrence various aggregates throughout the structure, all subject to various deductibles up to \$5,000 per occurrence. The District participates in a finite risk sharing pool for workers' compensation coverage up to \$150,000,000 per occurrence with no self-insured retention. Employee health benefits are provided through a local joint powers authority. The District provides health insurance benefits to District employees electing to participate in the plan by paying a monthly premium based on the number of District employees participating in the plan.

During fiscal year ending June 30, 2018, the District pooled for property and liability coverage as a member of Riverside Schools' Insurance Authority ("RSIA"), a Joint Powers Authority. Settlement claims have not exceeded the limits of this coverage in any of the past three years.

For fiscal year 2018, the District participated in the Riverside Schools' Risk Management Authority ("RSRMA"), a workers' compensation coverage purchasing pool. The intent of RSRMA is to

achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants. RSRMA, in turn, pools for workers' compensation coverage through their membership in the Protected Insurance Program for Schools and Community Colleges ("PIPS"), a finite risk sharing pool. Pooling in this manner allows the member districts and joint powers authorities to take advantage of increased purchasing power and greater spread of risk. As a member of PIPS, RSRMA is assigned a rate based on the JPA's overall payroll and loss experience compared to the other members within PIPS. Each participant in RSRMA pays its workers' compensation premium based on its individual rate which is weighted based on their payroll and loss experience within RSRMA. This arrangement insures that each participant shares equally in the overall performance of RSRMA. Participation in RSRMA is limited to districts that can meet the selection criteria.

The District is a member of the Riverside Employer/Employee Partnership ("REEP") to provide employee health benefits. REEP is a shared risk pool comprised of various school districts. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return moneys to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

The relationships between the District and each of the Joint Powers Authorities are such that they are not component units of the District for financial reporting purposes. These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in the District's financial statements; however, fund transactions between the entities and the District are included therein. Audited financial statements are generally available from the respective entities.

During the year ended June 30, 2018, the District made payments of \$1,496,269, \$8,937,827, and \$758,854 to RSRMA, REEP, and RSIA, respectively.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Article XIII A of the California Constitution

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

Article XIII A has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the base year value. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value.

Article XIII A requires a vote of two-thirds or more of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem*, sales or transaction tax on real property. Article XIII A exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b), as the result of an amendment approved by State voters on June 3, 1986, on any bonded indebtedness approved by two-thirds or more of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) on bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition.

Legislation Implementing Article XIII A

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

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

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

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

Unitary Property

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

Article XIII B of the California Constitution

Article XIII B (“Article XIII B”) of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living

and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. As amended, Article XIII B defines

- (a) “change in the cost of living” with respect to school districts to mean the percentage change in the State per capita income from the preceding year, and
- (b) “change in population” with respect to a school district to mean the percentage change in the average daily attendance of the school district from the preceding fiscal year.

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

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

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

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

Article XIII B also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See “Propositions 98 and 111” below.

Article XIII C and Article XIII D of the California Constitution

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

According to the “Title and Summary” of Proposition 218 prepared by the California Attorney General, Proposition 218 limits “the authority of local governments to impose taxes and property-related assessments, fees and charges.” Among other things, Article XIII C establishes that every tax is either a “general tax” (imposed for general governmental purposes) or a “special tax” (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its

maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4. Article XIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIC or XIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

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

Proposition 26

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

Propositions 98 and 111

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

the general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period.

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

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

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

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

- a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in State per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.
- b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.
- c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes,

and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

- d. Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.
- e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (the “Test 1”) or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment (the “Test 2”). Under Proposition 111, school districts will receive the greater of (1) Test 1, (2) Test 2, or (3) a third test (“Test 3”), which will replace Test 2 in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in State per capita personal income. Under Test 3, school districts will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 will become a “credit” to schools (also referred to as a “maintenance factor”) which will be paid in future years when State general fund revenue growth exceeds personal income growth.

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.

Proposition 1A and Proposition 22

On November 2, 2004, State voters approved Proposition 1A, which amends the State Constitution to significantly reduce the State’s authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or

community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. The State may shift from schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies and eliminates the State's authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State's authority to use State fuel tax revenues to pay debt service on state transportation bonds, to borrow or change the distribution of state fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the LAO on July 15, 2010, the reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 was expected to be approximately \$1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1% 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.

Proposition 55

The California Children's Education and Health Care Protection Act of 2016 (also known as "Proposition 55") is a constitutional amendment approved by the voters of the State on November 8, 2016. Proposition 55 extends, through 2030, the increases to personal income tax rates for high-income taxpayers that were approved as part of Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"). Proposition 30 increased the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,001 for single filers (over \$500,000 but less than \$600,001 for joint filers and over \$340,000 but less than \$408,001 for head-of-household filers), (ii) 2% for taxable income over \$300,000 but less than \$500,001 for single filers (over \$600,000 but less than \$1,000,001 for joint filers and over \$408,000 but less than \$680,001 for head-of-household filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$1,000,000 for joint filers and over \$680,000 for head-of-household filers).

The revenues generated from the personal income tax increases will be included in the calculation of the Proposition 98 Minimum Funding Guarantee (defined herein) for school districts and community college districts. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Propositions 98 and 111" herein. From an accounting perspective, the revenues generated from the personal income tax increases are being deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the "EPA"). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89%

of such funds provided to school districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than \$200 per unit of ADA and no community college district will receive less than \$100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing board is prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Proposition 2

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

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

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

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

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

Proposition 51

The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (also known as Proposition 51) is a voter initiative that was approved by voters on November 8, 2016. Proposition 51 authorizes the sale and issuance of \$9 billion in State general obligation bonds for the new construction and modernization of K-14 facilities.

K-12 School Facilities. Proposition 51 includes \$3 billion for the new construction of K-12 facilities and an additional \$3 billion for the modernization of existing K-12 facilities. K-12 school districts will be required to pay for 50% of the new construction costs and 40% of the modernization costs with local revenues. If a school district lacks sufficient local funding, it may apply for additional State grant funding, up to 100% of the project costs. In addition, a total of \$1 billion will be available for the modernization and new construction of charter school (\$500 million) and technical education (\$500 million) facilities. Generally, 50% of modernization and new construction project costs for charter school and technical education facilities must come from local revenues. However, schools that cannot cover their local share for these two types of projects may apply for State loans. State loans must be repaid over a maximum of 30 years for charter school facilities and 15 years for career technical education facilities. For career technical education facilities, State grants are capped at \$3 million for a new facility and \$1.5 million for a modernized facility. Charter schools must be deemed financially sound before project approval.

Community College Facilities. Proposition 51 includes \$2 billion for community college district facility projects, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment. In order to receive funding, community college districts must submit project proposals to the Chancellor of the community college system, who then decides which projects to submit to the Legislature and Governor based on a scoring system that factors in the amount of local funds contributed to the project. The Governor and Legislature will select among eligible projects as part of the annual State budget process.

The District makes no representation or guarantees that it will either pursue or qualify for Proposition 51 State facilities funding.

Future Initiatives

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

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Special Counsel, under existing statutes, regulations, rulings and judicial decisions, the portion of each Lease Payment constituting interest with respect to the 2019 Certificates is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Special Counsel, the portion of each Lease Payment constituting interest with respect to the 2019 Certificates is exempt from State of California personal income tax.

The excess of the stated redemption price at maturity over the issue price of a 2019 Certificate (the first price at which a substantial amount of a maturity is to be sold to the public) constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Beneficial Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Beneficial Owner will increase the Beneficial Owner's basis in the applicable 2019 Certificate. In the opinion of Special Counsel, the amount of original issue discount that accrues to the Beneficial Owner of the 2019 Certificate is excluded from the gross income of such Beneficial Owner for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In the opinion of Special Counsel, the amount of original issue discount that accrues to the Beneficial Owner of the 2019 Certificates is exempt from State of California personal income tax.

Special Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) with respect to the 2019 Certificates is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the 2019 Certificates to assure that interest (and original issue discount) with respect to the 2019 Certificates will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) with respect to the 2019 Certificates to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2019 Certificates. The District has covenanted to comply with all such requirements.

The amount by which a Beneficial Owner's original basis for determining loss on sale or exchange in the applicable 2019 Certificate (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Certificate premium, which must be amortized under Section 171 of the Code; such amortizable Certificate premium reduces the Beneficial Owner's basis in the applicable 2019 Certificate (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Certificate premium may result in a Beneficial Owner realizing a taxable gain when a 2019 Certificate is sold by the Beneficial Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2019 Certificate to the Beneficial Owner. Purchasers of the 2019 Certificates should

consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Certificate premium.

The Internal Revenue Service (the “IRS”) has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2019 Certificates will be selected for audit by the IRS. It is also possible that the market value of the 2019 Certificates might be affected as a result of such an audit of the 2019 Certificates (or by an audit of similar certificates). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the 2019 Certificates to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) with respect to the 2019 Certificates or their market value.

SUBSEQUENT TO THE DELIVERY OF THE 2019 CERTIFICATES THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE 2019 CERTIFICATES INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE 2019 CERTIFICATES. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE 2019 CERTIFICATES. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE DELIVERY OF THE 2019 CERTIFICATES STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE 2019 CERTIFICATES, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE 2019 CERTIFICATES.

Special Counsel’s opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Special Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Trust Agreement and the Tax Certificate relating to the 2019 Certificates permit certain actions to be taken or to be omitted if a favorable opinion of a bond counsel is provided with respect thereto. Special Counsel expresses no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest (or original issue discount) with respect to any 2019 Certificate if any such action is taken or omitted based upon the advice of counsel other than Special Counsel.

Although Special Counsel will render an opinion that interest (and original issue discount) with respect to the 2019 Certificates is excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the ownership of the 2019 Certificates and the accrual or receipt of interest (and original issue discount) with respect the 2019 Certificates may otherwise affect the tax liability of certain persons. Special Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the 2019 Certificates, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the 2019 Certificates.

A copy of the proposed form of opinion of Special Counsel is attached hereto as Appendix B.

CERTAIN LEGAL MATTERS

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California Special Counsel, will render an opinion with respect to the 2019 Certificates substantially in the form attached hereto as Appendix B. A copy of such approving opinion will be available at the time of delivery of the 2019 Certificates. The payment of fees of Special Counsel is contingent upon the closing of the 2019 Certificates transaction. Certain matters will be passed on for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel, for the Underwriter by James F. Anderson Law Firm, a Professional Corporation, Laguna Hills, California, and for the Trustee and the Corporation by their respective counsels.

ENHANCED REPORTING REQUIREMENTS

On May 17, 2006, the President signed the Tax Increase Prevention and Reconciliation Act of 2005 (“TIPRA”). Under Section 6049 of the Internal Revenue Code of 1986, as amended by TIPRA, interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. The effective date for this provision is for interest paid after December 31, 2005, regardless of when the tax-exempt obligations were issued. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments made after March 31, 2007 to any 2019 Certificate Owner who fails to file an accurate Form W-9 or who meets certain other criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes.

FINANCIAL STATEMENTS

The financial statements with supplemental information for the year ended June 30, 2018, the independent auditor’s report of the District, and the related statements of activities and of cash flows for the year then ended, and the report dated November 28, 2018, of Vavrinek, Trine, Day & Co., LLP (the “Auditor”), are included in this Official Statement as Appendix C. In connection with the inclusion of the financial statements and the report of the Auditor thereon in this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

CONTINUING DISCLOSURE

Current Undertaking. The District covenants for the benefit of holders and Beneficial Owners of the 2019 Certificates to provide certain financial information and operating data relating to the District (the “Annual Report”) by not later than nine months following the end of the District’s fiscal year (the District’s fiscal year ends on June 30), commencing with the report for the 2018-19 fiscal year (which is due not later than April 1, 2020), and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of events will be filed in accordance with the requirements of S.E.C. Rule 15c2-12(b)(5) (the “Rule”). The specific nature of the information to be made available and to be contained in the notices of enumerated events is described in the form of Continuing Disclosure Certificate attached hereto as Appendix D. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Previous Undertakings. Although the District has generally complied within the past five years with its prior obligations pursuant to the Rule to provide annual reports and notices of enumerated events, with respect to its obligation entered into in connection with the 2004 Election, Series A Bonds: (i) the District failed to timely file its annual continuing disclosure report for the fiscal year ended June 30, 2014; (ii) the District's adopted budget for the fiscal year ended June 30, 2016 was timely filed, but mislabeled as the adopted budget for "the year ended 06/30/2015;" and (iii) the District's adopted budget for the fiscal year ended June 30, 2015 was not timely filed as a separate document, but was included in a timely separate filing of the District's "Unaudited Financial Statements for the year ended 06/30/2014." Remedial filings for each of the items noted in the preceding sentence were made in April 2019.

In order to ensure compliance with its existing and future continuing disclosure obligations, the District has retained Koppel & Gruber Public Finance as its dissemination agent to assist it in preparing and filing future annual reports and notices of listed events required thereunder.

ABSENCE OF MATERIAL LITIGATION

At the time of delivery of and payment for the 2019 Certificates, the District and the Corporation will each certify that there is no action, suit, litigation, inquiry or investigation before or by any court, governmental agency, public board or body served, or to the best knowledge of the District or the Corporation threatened, against the District or the Corporation in any material respect affecting the existence of the District or the Corporation or the titles of their officers to their respective offices or seeking to prohibit, restrain or enjoin the sale, execution or delivery of the 2019 Certificates or the payment of Lease Payments or challenging, directly or indirectly, the validity or enforceability of the proceedings to lease the Property back from the Corporation, the Trust Agreement, the Lease, the Assignment Agreement or the Site Lease.

There is no action, suit, or proceeding known to be pending or threatened, to restrain or enjoin the execution or delivery of the 2019 Certificates, or in any way contesting or affecting the validity of the 2019 Certificates or any proceedings of the District taken with respect thereto. The District is not aware of any litigation, pending or threatened, questioning the political existence of the District.

There are certain lawsuits and claims pending against the District. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims, if determined adverse to the District, would not materially affect the finances of the District.

RATINGS

The 2019 Certificates are expected to be assigned a rating of "AA," with a stable outlook, by S&P based upon the issuance of the Policy by BAM on the delivery date of the 2019 Certificates. The 2019 Certificates have also been assigned an underlying rating of "A" from S&P. The ratings reflect only the views of such rating agency, and any explanation of the significance of such ratings should be obtained therefrom. There is no assurance that the ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by such rating agency if, in its judgment, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal.

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

The District covenants in a Continuing Disclosure Certificate to file on EMMA notices of any rating changes on the 2019 Certificates. See “APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE” attached hereto. Notwithstanding such covenant, information relating to rating changes on the 2019 Certificates may be publicly available from S&P prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change on EMMA. Purchasers of the 2019 Certificates are directed to S&P, its website and official media outlets for the most current rating changes with respect to the 2019 Certificates after the initial execution and delivery thereof.

FINANCIAL ADVISOR

The District has retained CSG Advisors Incorporated, San Francisco, California, as Financial Advisor for the sale of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

CSG Advisors Incorporated, is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

UNDERWRITING

Purchase of 2019 Certificates. The 2019 Certificates are being purchased by Stifel, Nicolaus & Company, Incorporated, as Underwriter. The Underwriter has agreed, pursuant to a purchase contract (the “Purchase Contract”) by and between the District and the Underwriter, to purchase the 2019 Certificates at the purchase price of \$45,497,784.70 (representing the aggregate principal amount of \$41,160,000.00, plus net original issue premium of \$4,605,324.70, less an underwriting discount of \$267,540.00). The Purchase Contract provides that the Underwriter will purchase all of the 2019 Certificates, if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in such Contract of Purchase, the approval of certain legal matters by counsel and certain other conditions.

The Underwriter may offer and sell the 2019 Certificates to certain dealers and others at prices lower than the offering prices stated on the cover page hereof. The offering prices may be changed from time to time by the Underwriter.

Underwriter Disclosure. The Underwriter has provided the following information for inclusion in this Official Statement:

While the Underwriter does not believe that the following represent a potential or actual material conflict of interest, it notes that:

In August 2012 and October 2012, the Underwriter contributed to the general obligation bond campaign Committee for Quality Schools. The Underwriter’s Fabric of Society program provided a scholarship to a graduating senior from the District in 2014 and 2015. The Underwriter sponsored a Perris Union Management Association Golf Tournament and a celebrity karaoke event.

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APPENDIX A

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of certain provisions of the legal documents related to the Certificates which are not described in the Official Statement to which this Appendix is attached. This summary is not intended to be definitive and is qualified in its entirety by reference to fully-executed Site Lease, Lease, Assignment Agreement and Trust Agreement for the complete terms thereof. Copies of the Site Lease, the Lease, the Assignment Agreement and the Trust Agreement are available upon request from the District.

DEFINITIONS

The following are summaries of definitions of certain terms used in this Summary of Principal Legal Documents. All capitalized terms not defined therein or elsewhere in the Official Statement have the meanings set forth in the Lease or the Trust Agreement.

“Additional Certificates” means certificates of participation authorized by a Supplemental Trust Agreement that are executed and delivered by the Trustee under and pursuant to the Trust Agreement.

“Additional Payments” means such amounts as shall be required for the payment of all administrative costs of the Lessor relating to the Property or the Certificates, including without limitation, amounts due by the District to the Insurer and the Reserve Insurer, including all amounts due pursuant to the Trust Agreement (and excepting for Reserve Replenishment Rent due pursuant to the Lease), all expenses, compensation and indemnification of the Trustee payable by the District under the Trust Agreement, all fees and expenses owed to the Lessor under the Lease, taxes of any sort whatsoever payable by the Lessor as a result of its interest in the Property or undertaking of the transactions contemplated in the Lease or in the Trust Agreement, fees of auditors, accountants, attorneys or engineers, and all other necessary administrative costs of the Lessor or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Certificates or of the Trust Agreement including premiums or insurance maintained pursuant to the Lease or to indemnify the Lessor and its employees, officers and directors, the Lessor and its agents, successors and assigns and the Trustee.

“Asbestos Containing Materials” means material in friable form containing more than one percent (1%) of the asbestiform varieties of (a) chrysotile (serpentine); (b) crocidolite (ricbeckite); (c) amosite (cummingtonite-grunerite); (d) anthophyllite; (e) tremolite; and (f) actinolite.

“Administrative Costs” means any and all reasonable charges, fees, costs, losses, liabilities and expenses that the Insurer may pay or incur, including, but not limited to, fees and expenses of the Insurer’s or Reserve Insurer’s agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of the Trust Agreement or the Certificates. For purposes of the foregoing, costs and expenses shall include a reasonable allocation of compensation and overhead attributable to the time of employees of the Insurer or Reserve Insurer spent in connection with the actions described in the preceding sentence.

“Assignment Agreement” means the Assignment Agreement related to the Certificates, dated as of the date thereof, by and between the Trustee and the Corporation, and any duly authorized and executed amendments thereto.

“Available Coverage” means the coverage then available for disbursement pursuant to the terms of any applicable Reserve Facility without regard to the legal or financial ability or willingness of the provider of such Reserve Facility to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

“BAM Policy Payment” means the total of all amounts paid by the Insurer under the Policy.

“BAM Reimbursement Amounts” a sum equal to (i) the BAM Policy Payment, and (ii) interest on such BAM Policy Payments from the date paid by the Insurer until payment thereof in full by the District, payable to the Insurer at the Late Payment Rate per annum, compounded semi-annually.

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

“Business Day” means any day other than (i) a Saturday or Sunday, or (ii) a day on which banking institutions in the State of New York or the State of California or the state in which the Principal Office of the Trustee is located are authorized or required by law or executive order to remain closed.

“Certificate” or “Certificates” means the 2019 Certificates, and any Additional Certificates executed and delivered by the Trustee pursuant to the Trust Agreement.

“Certificate of Completion” means a certificate of the District Representative stating that all components of the Project have been completed or concluded in conformity with the requirements of the Lease.

“Certificate Payment Date” means April 1 and October 1 of each year commencing October 1, 2019.

“Certificate Year” will have the meaning assigned to such term in the Tax Certificate.

“Closing Date” means the date on which the Certificates, duly executed by the Trustee, are delivered to the Original Purchaser thereof.

“Code” means the Internal Revenue Code of 1986, and the regulations issued thereunder, as the same may be amended from time to time, and any successor provisions of law. Reference to a particular section of the Code will be deemed to be a reference to any successor to any such section.

“Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate dated as of the Closing Date, executed by the District as it may be amended from time to time in accordance with the terms thereof.

“Contract of Purchase” means that certain contract for the purchase of the Certificates dated as of May __, 2019, by and between the District and the Original Purchaser, relating to the sale and delivery of the Certificates.

“Corporation” means the Perris Valley Schools Capital Facilities Corporation, a nonprofit public benefit corporation organized under the laws of the State, its successors and assigns.

“Corporation Representative” means the Chairman, Treasurer, Secretary or chief executive officer of the Corporation, or any other person authorized to act on behalf of the Corporation under or with respect to the Lease.

“Defeasance Securities” means (i) Government Obligations, and (ii) evidences of ownership of proportionate interests in future interest and principal payments on Government Obligations held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Government Obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

“Delivery Costs” means and further includes all items of expense directly or indirectly payable by or reimbursable to the District or the Corporation relating to the Project, including but not limited to costs provided in the Contract of Purchase with the Original Purchaser, the premium for any insurance policies purchased guaranteeing payment of the Certificates or to satisfy the Reserve Requirement, filing and recording costs, settlement costs, printing costs, word processing costs, reproduction and binding costs, initial fees and charges of the Trustee, including its first annual administration fee and the fees of its counsel, legal and financial advisory fees and charges, financing and other professional consultant fees, costs of rating agencies and costs of providing information

to such rating agencies, any computer and other expenses incurred in connection with the Certificates, fees for execution, transportation and safekeeping of the Certificates and charges and fees in connection with the foregoing.

“Delivery Costs Requisition” means a written requisition for the payment of Delivery Costs substantially in the form attached as an exhibit to the Trust Agreement.

“Depository” means DTC; or, such other securities depositories or to such depositories as the District may designate in writing to the Trustee, or any other securities depository acting as Depository pursuant to the Trust Agreement.

“District” means the Perris Union High School District, a school district organized and existing under the laws and Constitution of the State, and its successors and assigns.

“District Representative” means the Superintendent of the District, the Deputy Superintendent, Business Services of the District, or any other person authorized by the Superintendent or the Deputy Superintendent, Business Services of the District to act on behalf of the District with respect to the Lease or the Trust Agreement.

“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 initial Depository for the Certificates.

“Environmental Regulations” means all Laws and Regulations, now or hereafter in effect, with respect to Hazardous Materials, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act, as amended (42 U.S.C. Section 9601, et seq.) (together with the regulations promulgated thereunder, “CERCLA”), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Section 6901, et seq.) (together with the regulations promulgated thereunder, “RCRA”), the Emergency Planning and Community Right-to-Know Act, as amended (42 U.S.C. Section 11001, et seq.) (together with the regulations promulgated thereunder, “Title III”), the Clean Water Act, as amended (33 U.S.C. Section 1321, et seq.) (together with the regulations promulgated thereunder, “CWA”), the Clean Air Act, as amended (42 U.S.C. Section 7401, et seq.) (together with the regulations promulgated thereunder, “CAA”) and the Toxic Substances Control Act, as amended (15 U.S.C. Section 2601 et seq.) (together with the regulations promulgated thereunder, “TSCA”), and any state or local similar laws and regulations and any so-called local, state or federal “superfund” or “superlien” law.

“Event of Default” means an event of default under the Lease, as defined in the Lease.

“Fiscal Year” means the fiscal year of the District commencing July 1 and ending June 30 of the next year.

“Government Obligations” means non-callable (i) United States Treasury Obligations, (ii) obligations fully and unconditionally guaranteed as to payment of principal and interest by the United States of America, or (iii) obligations fully and unconditionally guaranteed as to payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America.

“Independent Counsel” means an attorney duly admitted to the practice of law before the highest court of the state in which such attorney maintains an office and who is not an employee of the Corporation, the Trustee or the District.

“Independent Insurance Consultant” means a nationally recognized independent actuary, insurance company or broker that has actuarial personnel experienced in the area of insurance for which the District is to be self-insured, as may from time to time be designated by the District.

“Information Services” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System.

“Insolvency Proceeding” means, for purposes of the Trust Agreement, any proceeding by or against the Corporation or the District commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law.

“Insurance Policy” or “Policy” means the municipal bond insurance policy issued by the Insurer that guarants the scheduled payment of principal and interest with respect to the Certificates when due.

“Insurer” means Build America Mutual Assurance Company, or any successor thereto.

“Insurer Default” means: (A) the Insurer has failed to make any payment under the Policy when due and owing in accordance with its terms; or (B) the Insurer shall voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, or (vi) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality shall order the suspension of payments on the Policy or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of the Insurer (including without limitation under the New York Insurance Law).

“Late Payment Rate” means the lesser of (a) the greater of (i) Prime Rate (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank, N.A.) plus 3%, and (ii) the then applicable highest rate of interest with respect to the Certificates and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. In the event JPMorgan Chase Bank, N.A., ceases to announce its Prime Rate, the Prime Rate shall be the prime or base lending rate of such other bank, banking association or trust company as the Insurer, in its sole and absolute discretion, shall designate. Interest at the Late Payment Rate on any amount owing to the Insurer shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

“Laws and Regulations” means any applicable law, regulation, code, order, rule, judgment or consent agreement, including, without limitation, those relating to zoning, building, use and occupancy, fire safety, health, sanitation, air pollution, ecological matters, environmental protection, hazardous or toxic materials, substances or wastes, conservation, parking, architectural barriers to the handicapped, or restrictive covenants or other agreements affecting title to the Property.

“Lease” means the Lease/Purchase Agreement related to the Certificates, dated as of May 1, 2019, by and between the District and the Corporation, and any duly authorized and executed amendments thereto.

“Lease Payment” means any payment required to be paid by the District to the Corporation pursuant to the Lease.

“Lease Payment Date” means the Lease Payment Date defined in the Lease.

“Lease Payment Fund” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“Lease Proceeds” means any proceeds of re-letting or any other disposition of the Property pursuant to the Lease.

“Lessor” means the Perris Valley Schools Capital Facilities Corporation, a nonprofit public benefit corporation organized under the laws of the State, its successors and assigns.

“Letter of Representations” means the letter of the District delivered to and accepted by the Depository on or prior to delivery of the Certificates as book-entry certificates making reference to the DTC Operational

Arrangements, as it may be amended from time to time setting forth the basis on which the Depository serves as depository for such book-entry certificates, as such letters were originally executed or as they may be supplemented or revised or replaced by letters from the District and the Trustee delivered to and accepted by the Depository.

“Moody’s” means Moody’s Investors Service, or any successors or assigns thereto.

“Net Proceeds” means any proceeds of any insurance, performance bonds or taking by eminent domain or condemnation paid with respect to the Property remaining after payment therefrom of any expenses (including attorneys’ fees) incurred in the collection thereof.

“Net Proceeds Fund” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Trust Agreement.

“Opinion of Counsel” means a legal opinion issued by Special Counsel addressed to the District, the Corporation and the Trustee.

“Original Purchaser” means Stifel, Nicolaus & Company, Incorporated, as original purchaser of the Certificates on the Closing Date.

“Outstanding” when used as of any particular time with respect to Certificates, means (subject to the provisions of the Lease) all Certificates theretofore executed and delivered by the Trustee under the Trust Agreement except:

- (1) Certificates theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (2) Certificates for the payment or prepayment of which funds or Defeasance Securities, together with interest earned thereon, in the necessary amount shall have theretofore been deposited with the Trustee (whether upon or prior to the maturity or prepayment date of such Certificates), provided that, if such Certificates are to be prepaid prior to maturity, notice of such prepayment shall have been given as provided in the Trust Agreement or provision satisfactory to the Trustee shall have been made for the giving of such notice; and
- (3) Certificates in lieu of or in exchange for which other Certificates shall have been executed and delivered by the Trustee pursuant to the Trust Agreement.

“Owner” or “Certificate Owner” or “Owner of a Certificate,” or any similar term, when used with respect to a Certificate means the person in whose name such Certificate is registered on the registration books maintained by the Trustee.

“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.

“Participating Underwriter” has the meaning ascribed thereto in the Continuing Disclosure Certificate.

“Permitted Encumbrances” means, as of any particular time: (i) liens for general ad valorem taxes and assessments, if any, which are not then delinquent, or which the District may, pursuant to provisions of the Lease, permit to remain unpaid; (ii) the Assignment Agreement; (iii) the Lease; (iv) the Site Lease; (v) any contested right or claim of any mechanic, laborer, materialman, supplier or vendor filed or perfected in the manner prescribed by law to the extent permitted under the Lease; (vi) easements, rights of way, mineral rights, cell tower leases, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the Closing Date and which the District certifies under the Lease will not materially impair the use of the Property by the District; and (vii) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the date of recordation of the Lease and to which the Lessor, the

District and the Insurer (so long as the Insurer is not in default of its payment obligations under the Insurance Policy) consent in writing.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State for money proposed to be invested therein:

- (a) For all purposes, including investments to accomplish a defeasance, Defeasance Securities.
- (b) For all purposes other than investments to accomplish a defeasance, any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:
 - (i) Federal Housing Administration debentures.
 - (ii) The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:
 - Federal Home Loan Mortgage Corporation (FHLMC)
Participation certificates (but not including stripped mortgage securities which are purchased at prices exceeding their principal amounts)
Senior Debt obligations
 - Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives)
Consolidated system-wide bonds and notes
 - Federal Home Loan Banks (FHL Banks)
Consolidated debt obligations
 - Federal National Mortgage Association (FNMA)
Senior debt obligations
Mortgage-backed securities (but not including stripped mortgage securities which are purchased at prices exceeding their principal amounts)
 - Financing Corporation (FICO)
Debt Obligations
 - Resolution Funding Corporation (REFCORP)
Debt Obligations
 - (iii) Unsecured certificates of deposit, time deposits, and bankers’ acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated “A-1+” or better by S&P or “Prime-1” by Moody’s, which may include the Trustee and its affiliates.
 - (iv) Deposits in banks which have capital and surplus of at least \$15 million.
 - (v) Commercial paper (having original maturities of not more than 30 days) rated at the time of purchase “A-1+” or better by S&P and “Prime-1” by Moody’s.
 - (vi) Money market funds rated at least as high as direct and general obligations of the United States of America by S&P and Moody’s, including funds for which the Trustee, its parent company, if any, or any affiliates or subsidiaries of the Trustee provide investment advising or other management services.
 - (vii) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated “A3” by Moody’s and “A” by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.
 - (viii) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (vii) above and rated “A-1+” by S&P and “MIG-1” by Moody’s.

(ix) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (vii) above and rated “AA” or better by S&P and “Aa” or better by Moody’s.

(x) Pre-refunded municipal obligations rated “AAA” by S&P and “Aaa” by Moody’s, meeting the following requirements:

1. such municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for such municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of such municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

2. such municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

3. the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on such municipal obligations (“Verification”);

4. the cash or United States Treasury Obligations serving as security for such municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

5. no substitution of a United States Treasury Obligation will be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

6. the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

(xi) Repurchase agreements entered into with (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least “AA” by S&P and Moody’s; or (2) any broker-dealer with “retail customers” or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least “AA” by S&P and Moody’s, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated at least “AA” by S&P or “Aa” and Moody’s and acceptable to the Insurer (each an “Eligible Provider”), provided that:

1. the market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody’s to maintain an “A” rating in an “A” rated structured financing (with a market value approach);

2. the Trustee or a third party acting solely as agent therefor or for the District (the “Custodian”) has possession of the collateral or the collateral has been transferred to the Custodian in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books) and the collateral is marked to market;

3. the collateral will be marked to market on a daily basis and the provider or Custodian will send monthly reports to the Trustee, the District and the Insurer setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;

4. the repurchase agreement (or guaranty, if applicable) may not be assigned or amended without the prior written consent of the Insurer;

5. the repurchase agreement will state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Custodian is in possession);

6. all other requirements of Moody's or S&P in respect of repurchase agreements are met; and

7. the repurchase agreement will provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, at the direction of the District or the Trustee (who will give such direction if so directed by the Insurer), within 10 days of receipt of such direction, repurchase all collateral and terminate the repurchase agreement, with no penalty or premium to the District or Trustee.

Notwithstanding the above, if the repurchase agreement has a term of 270 days or less (with no evergreen provisions), collateral levels need not be as specified in (1) above, so long as such collateral levels are 103% or better and the provider is rated at least "A" by S&P and Moody's, respectively.

(xii) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or in the case of a guaranteed corporation the long-term debt is rated at least "AA" (stable) by S&P and "Aa" (stable) by Moody's; or in the case of a monoline financial guaranty insurance company, claims paying ability of the guarantor is rated at least "AA" (stable) by S&P and "Aa" (stable) by Moody's, provided that, by the terms of the investment agreement:

1. interest payments are to be made to the Trustee at times and in amounts as necessary to pay Lease Payments (or, if the investment agreement is for the construction fund, construction draws) with respect to the Certificates;

2. the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven (7) days' prior notice; the District and the Trustee have agreed to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

3. the provider will send monthly reports to the Trustee, the Insurer and the District setting forth the balance the District or Trustee has invested with the provider and the amounts and dates of interest accrued and paid by the provider;

4. the investment agreement will state that is an unconditional and general obligation of the provider, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel will state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

5. the investment agreement (or guaranty, if applicable) may not be assigned or amended without the prior written consent of the Insurer;

6. the District, the Insurer and the Trustee will receive an opinion of domestic counsel (which will be addressed to the District and the Insurer), to the effect that such investment agreement is legal, valid, binding and enforceable against the provider in accordance with its terms;

7. the District, the Insurer and the Trustee will receive an opinion of foreign counsel to the provider (if applicable) (in a form and substance acceptable to, and addressed to the District, the Insurer and the Trustee), to the effect that (a) the investment agreement has been duly authorized, executed and delivered by the provider and constitutes the legal, valid and binding obligation of the provider, enforceable against the provider in accordance with its terms, (b) the choice of law of the state set forth in the investment agreement is

valid under that country's laws and a court in such country would uphold such choice of law, and (c) any judgment rendered by a court in the United States of America would be recognized and enforceable in such country;

8. the investment agreement will provide that if during its term:

(i) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3," respectively, the provider will, at its option, within ten (10) days of receipt of publication of such downgrade, either (a) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the District, the Trustee or a third party acting solely as an agent therefor (a "Custodian") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (b) repay the principal of and accrued but unpaid interest on the investment, and

(ii) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", the provider must, at the direction of the District or the Trustee (who will give such direction if so directed by the Insurer), within ten (10) days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the District or Trustee;

9. in the event the provider is required to collateralize, permitted collateral will include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations will be permitted for these providers) and collateral levels must be 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA's and 104% of the total principal when the collateral type is FNMA and FHLMC ("Eligible Collateral"). In addition, the collateral will be marked to market on a daily basis and the provider or Custodian will send monthly reports to the Trustee, the Insurer and the District setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;

10. the investment agreement will state and an opinion of counsel will be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Custodian in possession) and;

11. the investment agreement must provide that if during its term: (i) the provider will default in its payment obligations, the provider's obligations under the investment agreement will, at the direction of the District or the Trustee (who will give such direction if so directed by the Insurer), be accelerated and amounts invested and accrued but unpaid interest thereon will be repaid to the District or Trustee, as appropriate, and (ii) the provider will become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations will automatically be accelerated and amounts invested and accrued but unpaid interest thereon will be repaid to the District or Trustee, as appropriate; and

(xiii) Deposits in the Local Agency Investment Fund of the California State Treasurer, to the extent the Trustee is authorized to register such investments in its name.

"Policy Costs" means costs owed to the Reserve Insurer and representing the repayment of draws and Administrative Costs, and accrued interest thereon, at the Late Payment Rate.

"Prepayment" means any payment made by the District pursuant to the Lease as a prepayment of Lease Payments.

“Prepayment Fund” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“Prime Rate” means the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A., at its principal office in The City of New York, New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JP Morgan Chase Bank).

“Principal Office” means the principal corporate trust office of the Trustee in Los Angeles, California, or such other office as the Trustee may inform the District of, provided that for transfer, exchange, registration, surrender and payment of Certificates, such term means the office or agency of the Trustee in St. Paul, Minnesota, or such other address as the Trustee may inform the District, or the principal office of any successor trustee pursuant to the Trust Agreement.

“Project” means the project described in the Lease and any and all substitutions thereto, as provided in the Lease.

“Project Cost Requisition” means a written requisition for the payment of Project Costs substantially in the form attached as an exhibit to the Trust agreement.

“Project Costs” means, with respect to any item or portion of the Project, the contract price paid or to be paid therefor upon acquisition, construction, procurement or improvement thereof, in accordance with a purchase order or contract therefor. Project Costs include, but are not limited to, the administrative, engineering, legal, financial and other costs incurred by the District and the Corporation in connection with the acquisition, construction, procurement, remodeling or improvement of the Project, all applicable sales taxes and other charges resulting from such construction, procurement, remodeling or improvement of the Project and the costs associated with making rebate calculations required by the Code.

“Project Fund” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“Property” means the site or sites described in the Lease, and the school facilities located thereon.

“Rating Agency” means any nationally-recognized credit rating agency that maintains a current credit rating with respect to the Certificates.

“Record Date” means the close of business on the fifteenth day of the month preceding each Certificate Payment Date, whether or not such fifteenth day is a Business Day.

“Reserve Facility” means any line of credit, letter of credit, insurance policy, surety bond or other credit source, including the Reserve Policy, deposited with the Trustee pursuant to the Trust Agreement.

“Reserve Fund” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“Reserve Insurer” means Build America Mutual Assurance Company, or any successor thereto.

“Reserve Policy” means the municipal bond debt service reserve insurance policy issued by the Reserve Insurer to initially satisfy the Reserve Requirement with respect to the 2019 Certificates.

“Reserve Replenishment Rent” means Reserve Replenishment Rent payable pursuant to the Lease.

“Reserve Requirement” means, as of any calculation date, the lesser of (1) maximum aggregate annual Lease Payments then payable under the Lease in respect of such Series in any Certificate Year, (2) 125% of the average annual aggregate Lease Payments then payable under the Lease in respect of such Series (calculated based on Certificate Years), (3) 10% of the original face amount of the Certificates of such Series (less original issue

discount if in excess of two percent (2%) of the stated prepayment amount at maturity), and, in the case of the 2019 Certificates, (4) \$3,186,760.88, the initial Reserve Requirement.

“Responsible Officer” means, with respect to the Trustee, the president, every vice president, every assistant vice president, every trust officer and every officer and assistant officer of the Trustee, other than those specifically above mentioned, to whom any corporate trust matter relating to the Trust Agreement is referred because of his or her knowledge of and familiarity with, a particular subject.

“S&P” means S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, or any successors or assigns thereto.

“Security Document” means, for purposes of the Trust Agreement, each of the Trust Agreement, the Site Lease, the Lease, the Certificates, the Assignment Agreement, and any other transaction document or agreement defined as such in the Policy.

“Series” means (i) the 2019 Certificates and (ii) any series of Additional Certificates with such designation set forth in the Supplemental Trust Agreement pursuant to which such series of Additional Certificates are executed and delivered.

“Site Lease” means the Site Lease related to the Certificates, dated as of May 1, 2019, by and between the Corporation and the District.

“Special Counsel” means Stradling Yocca Carlson & Rauth, a Professional Corporation, or any other attorney or firm of attorneys of nationally recognized standing in matters pertaining to the tax-exempt status of interest on obligations issued by states and their political subdivisions and acceptable to the District.

“State” means the State of California.

“Supplemental Trust Agreement” means a supplemental agreement pursuant to which one or more Series of Additional Certificates are executed and delivered in accordance with the Trust Agreement.

“Tax Certificate” means the Tax Certificate of the District, dated as of the Closing Date, concerning matters pertaining to the use and investment of proceeds of the Certificates executed and delivered to the District on the date of execution and delivery of the Certificates, including any and all exhibits attached thereto.

“Term” means the time during which the Lease is in effect, as provided in the Lease.

“Trustee” means U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America, and any successor trustee.

“Trust Agreement” or “Agreement” means the Trust Agreement, together with any amendments thereof or supplements thereto permitted to be made thereunder.

“United States Treasury Obligations” means non-callable direct obligations of the United States of America (other than obligations subject to variation in principal repayment).

“2007 Certificates” means the District’s 2007 Certificates of Participation (School Refinancing Project) executed and delivered on December 20, 2007.

“2007 Certificates Lease” means the Lease/Purchase Agreement, dated as of December 1, 2007, by and between the District and the Corporation, relating to the 2007 Certificates.

“2007 Certificates Trust Agreement” means the Trust Agreement, dated as of December 1, 2007, by and among the District, the Corporation and the 2007 Certificates Trustee, relating to the 2007 Certificates.

“2007 Certificates Trustee” means the U.S. Bank National Association, as trustee with respect to the 2007 Certificates, pursuant to the 2007 Certificates Trust Agreement.

“2019 Certificates” means the Perris Union High School District, 2019 Certificates of Participation (School Financing Project) executed and delivered in the initial principal amount of \$41,160,000 on May 22, 2019, pursuant to the Trust Agreement.

“2019 Certificates Reserve Account” means the Series Account of the Reserve Fund established for the 2019 Certificates pursuant to the Trust Agreement.

THE LEASE AGREEMENT

ACQUISITION, CONSTRUCTION AND INSTALLATION OF THE PROJECT

Deposit of Certificate Proceeds. On the Closing Date, the Lessor has agreed to pay or cause to be paid to the District the proceeds of the sale of the Certificates, which moneys will be deposited with the Trustee as provided in the Trust Agreement.

Completion of the Project. The District will arrange for, supervise and provide for, or cause to be supervised and provided for, the construction and completion of the Project. The District will enter into one or more contracts or purchase orders providing for completion of the Project.

Payment of Project and Delivery Costs. Payment of the Project Costs and Delivery Costs will be made from the moneys deposited with the Trustee in the Project Fund as provided in the Trust Agreement, which will be disbursed in accordance and upon compliance with the Trust Agreement.

Completion Certification. Upon completion of all portions of the Project to be financed with the Certificates, satisfactory to the District, the District will deliver to the Trustee a Certificate of Completion with respect thereto. On the date of filing the Certificate of Completion, as indicated therein, all excess moneys remaining in the Project Fund will be transferred by the Trustee in accordance with the Trust Agreement.

Substitution of or Addition to the Project. The District will have the right to substitute alternate items for any portion of the Project listed in the Lease or provide for additional components of the Project by providing the Trustee with a written certificate in the form contained in the Lease as an exhibit and so long as the District is satisfied, as evidenced by the submission such written certificate to the Trustee, that such substitution or addition does not cause, in and of itself, the interest represented by the Certificates to be included in gross income for federal income tax purposes.

Compliance with Law.

Public Bidding. The District will comply with all applicable provisions for bids and contracts prescribed by law, including, without limitation, the Public Contract Code, the Education Code, and the Government Code of the State.

Wage Rates and Working Hours. The District will comply with all applicable provisions relating to prevailing wage rates and working hours, as applicable, required by the Education Code of the State.

Field Act Compliance. If applicable, the District will acquire, construct and install the Project in such manner as to comply with the Field Act.

Plans and Specifications. If applicable, the District will prepare and adopt plans and specifications for the acquisition, construction and installation of the Project or portions thereof pursuant to the Education Code of the State.

Further Assurances and Corrective Instruments. The Lessor and the District have agreed that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements to the Lease and such further instruments as may reasonably be required for correcting any

inadequate or incorrect description of the Property leased or intended so to be or for carrying out the expressed intention of the Lease.

AGREEMENT TO LEASE; TERM OF LEASE; LEASE PAYMENTS

Lease. The Lessor has leased the Property to the District, and the District has leased the Property from the Lessor, upon the terms and conditions set forth in the Lease. The Lease will not operate as a merger of the District's leasehold estate in the Property pursuant to the Lease and its fee estate in the Property and will not cause the extinguishment of the leasehold interest granted to the Lessor under the Site Lease.

Term. The Term of the Lease will commence on the date of execution thereof and will end on October 1, 20__, unless extended pursuant to the Lease, or unless terminated prior thereto upon the earliest of any of the following events:

(a) Default and Termination. A default by the District and the election of the Lessor (or its assignees) to terminate the Lease under the Lease;

(b) Payment of All Lease Payments. The payment by the District of all Lease Payments and Reserve Replenishment Rent required under the Lease and any Additional Payments required under the Lease; or

(c) Prepayment. The deposit of funds or Government Obligations with the Trustee in amounts sufficient to pay all Lease Payments as the same will become due, as provided by the Lease and as provided by the Trust Agreement; or

(d) Purchase. Upon the exercise by the District of its option to purchase all of the Lessor's interest in the Property as provided in the Lease; provided, however, that upon exercise by the District of its option to purchase the Lessor's interest in a portion of the Property, as provided in the Lease, the Lease will be terminated only with respect to that portion of the Property.

Extension of Lease Term. If (i) on October 1, 2050, the Certificates shall not be fully paid, or (ii) if the Lease Payments thereunder shall have been abated at any time and for any reason and not paid from the proceeds of rental interruption insurance or other sources, or (iii) any amounts shall be due to the Insurer or the Reserve Insurer with respect to the Policy or Reserve Policy, respectively, then the Term will be extended until all Certificates, Lease Payments or amounts due shall be fully paid, except that the Term will in no event be extended beyond October 1, 2060.

Lease Payments.

(a) Time and Amount. Subject to the provisions of the Lease regarding abatement in event of loss of use of any portion of the Property, regarding option to purchase and regarding prepayment of Lease Payments, the District has agreed to pay to the Lessor, its successors and assigns, as annual rental for the use and possession of the Property, the Lease Payments (denominated into components of principal and interest, the interest component being paid semiannually) in the amounts specified in the Lease, to be due and payable in arrears on the fifteenth (15th) day of the month (or if such day is not a Business Day, the next succeeding Business Day) immediately preceding the respective Certificate Payment Dates as specified in the Lease (the "Lease Payment Date") which are sufficient in both time and amount to pay when due the annual principal and semiannual interest represented by the Certificates.

In the event the District does not pay a Lease Payment due on the respective Lease Payment Date, the Trustee will provide prompt written notice to the District and the Insurer of such failure to pay; provided, however, that failure to give such notice will not excuse any event of default under the Lease.

(b) Credits. Any amount held in the Lease Payment Fund on any Lease Payment Date (other than accrued or capitalized interest, which will be credited as provided in the Trust Agreement, and other than amounts resulting from the prepayment of the Lease Payments in part but not in whole pursuant to the Lease and other amounts required for payment of principal with respect to any Certificates not presented for payment or interest) will

be credited towards the Lease Payment then due and payable. No Lease Payment need be made on any Lease Payment Date if the amounts then held in the Lease Payment Fund are at least equal to the Lease Payment then required to be paid.

(c) Rate on Overdue Payments. In the event the District should fail to make any of the Lease Payments required in the Lease, the Lease Payment in default will continue as an obligation of the District until the amount in default will have been fully paid, and the District has agreed to pay the same with interest thereon, to the extent permitted by law, from the date such amount was originally payable at the rate equal to the original interest rate payable with respect to each Certificate then Outstanding.

(d) Reserve Replenishment Rent. In the event that:

(i) funds have been withdrawn from a Series Account of the Reserve Fund or there has been a draw on a Reserve Facility held therein has been made in order to pay interest or principal represented by the applicable Series of Certificates or if there shall be a deficiency in such Series Account of the Reserve Fund resulting from a decrease of 10% or more in the market value of the Permitted Investments in such Series Account of the Reserve Fund determined as provided in the Trust Agreement, and

(ii) Lease Payments are not then in abatement pursuant to the Lease, and

(iii) the amount of such Lease Payments is less than the fair rental value of the Property, and

(iv) the amount on deposit in such Series Account of the Reserve Fund is less than the Reserve Requirement for the applicable Series of Certificates, or the amount on deposit in the Lease Payment Fund is less than the amount required to be on deposit therein corresponding to the cumulative gross Lease Payments,

then the District will pay from its first legally available moneys after payment of Lease Payments, to the Trustee, Reserve Replenishment Rent in the amount of the deficiency, or, in the case of a draw on the Reserve Policy, in an amount necessary to reimburse the Reserve Insurer for the repayment of the amount drawn on the Reserve Policy, including interest thereon at the Late Payment Rate, consistent in each case with such fair rental value

(A) (1) over a period of not more than four months, in four (4) substantially equal payments, in the event of a deficiency from a decrease in the market value of Permitted Investments on deposit in the applicable Series Account of the Reserve Fund or the Lease Payment Fund; or (2) over a period extending not more than twelve months, in substantially equal monthly payments in the event of either a deficiency from a withdrawal of amounts from the applicable Series Account of the Reserve Fund to pay principal and interest with respect to the Certificates of a Series, or to repay any required amounts drawn from a Reserve Facility; and

(B) from the first moneys legally available therefor provided that such payment is consistent with the fair market rental value of the Property, or

(C) if such payments summarized in clause (A) or (B) are inconsistent with fair market rental value, in such maximum amounts as shall be consistent with fair rental value on each Lease Payment Date until the amount of such Reserve Replenishment Rent paid equals the amount of funds withdrawn from the applicable Series Account of the Reserve Fund or drawn upon the Reserve Policy (including in such amount interest accrued in respect of such drawing at the Late Payment Rate) or upon any other Reserve Facility, to pay interest or principal represented by the Certificates of the applicable Series or the decrease in value of Permitted Investments in the applicable Series Account of the Reserve Fund or the Lease Payment Fund.

No Withholding. Notwithstanding any dispute between the Lessor and the District, including a dispute as to the failure of any portion of the Property in use by or possession of the District to perform the task for which it is leased, the District will make all Lease Payments, Reserve Replenishment Rent and Additional Payments when due and will not withhold any Lease Payments, Reserve Replenishment Rent or Additional Payments pending the final resolution of such dispute.

Fair Rental Value. The Lease Payments will be paid by the District in consideration of the right of possession of, and the continued quiet use and enjoyment of, the Property during each such period for which said Lease Payments are to be paid. The parties thereto have agreed and determined that such total rental represents the fair rental value of the Property. In making such determination, consideration has been given to the market value of the Property, other obligations of the parties under the Lease (including but not limited to costs of maintenance, taxes and insurance), the uses and purposes which may be served by the Property and the benefits therefrom which will accrue to the District and the general public, and the transfer of the Lessor's leasehold interest in the Property at the end of the Term. In the event that the District and the Trustee, as assignee of the Lessor, agree subsequent to the date thereof that Lease Payments thereunder are less than the fair rental value of the Property, the District and the Trustee may mutually agree that the District will increase the Lease Payments payable thereunder to reflect such fair rental value.

Budget and Appropriation. The District has covenanted to take such action as may be necessary to include in its annual budget and make all necessary annual appropriations for all Lease Payments, Reserve Replenishment Rent and Additional Payments (to the extent the amounts of such Reserve Replenishment Rent and Additional Payments are known to the District at the time its annual budget is proposed), and to maintain such items to the extent unpaid for that Fiscal Year in its budget throughout such Fiscal Year. To the extent the amount of such payments becomes known after the adoption of the annual budget, such amounts will be included and maintained in such budget as amended. During the Term of the Lease, the District will furnish annually, on or before June 30 of each year, to the Trustee a certificate of the District Representative stating that all Lease Payments, Reserve Replenishment Rent and Additional Payments due thereunder for the applicable Fiscal Year have been included in its annual budget and the amount so included. The covenants on the part of the District contained in the Trust Agreement will be deemed to be and will be construed to be duties imposed by law and it will be the ministerial duty of each and every public official of the District to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the District to carry out and perform the covenants and agreements in the Lease agreed to be carried out and performed by the District.

Assignment of Lease Payments. Certain of the Lessor's rights under the Lease, including the right to receive and enforce payment of the Lease Payments, Reserve Replenishment Rent, Additional Payments, and Prepayments, to be made by the District thereunder, have been assigned to the Trustee, subject to certain exceptions, pursuant to the Assignment Agreement, to which assignment the District consents. The Lessor directs the District, and the District has agreed, to pay to the Trustee at the Trustee's principal trust office in St. Paul, Minnesota, or to the Trustee at such other place as the Trustee will direct in writing, all Lease Payments, or Prepayments thereof payable by the District thereunder. The Lessor will not assign or pledge the Lease Payments or other amounts derived from the Property and from its other rights under the Lease except as provided under the terms of the Lease, the Assignment Agreement and the Trust Agreement, or its duties and obligations except as provided under the Lease, and any assignments in contravention thereof will be void.

Use and Possession. The total Lease Payments due in any Fiscal Year will be for the District's right to use and possession of the Property for such Fiscal Year.

Abatement of Lease Payments in Event of Loss of Use.

(a) Period. The obligation of the District to pay Lease Payments, Additional Payments and Reserve Replenishment Rent will be abated during any period in which by reason of damage, destruction or taking by eminent domain or condemnation with respect to any portion of the Property there is substantial interference with the District's right to use and possession of such portion of the Property.

(b) Amount. The amount of such abatement will be determined by the District such that the resulting Lease Payments and Reserve Replenishment Rent represent fair consideration for the District's right to use and

possession of the portion of the Property not damaged, destroyed or taken. The District will calculate such abatement and will provide the Trustee and the Insurer with a certificate setting forth such calculations and the basis therefor. Such abatement will commence with such damage, destruction or taking and end with the substantial completion of the replacement or work or repair; provided, however, that during abatement, (i) available moneys on deposit in the Lease Payment Fund, and other special sources of money, including without limitation proceeds of rental interruption insurance, will be applied to pay the Lease Payments, and (ii) available moneys on deposit in a Series Account the Reserve Fund will be applied to pay the Lease Payments attributable to the applicable Series of Certificates.

(c) Repair or Replacement. In the event of such abatement, the District will use its best efforts to repair or replace the damaged or destroyed or taken portion of the Property, as the case may be, from Net Proceeds, subject to the requirements of the Lease, or special funds of the District or other moneys the application of which would not result in the obligations of the District thereunder constituting indebtedness of the District in contravention of the Constitution and laws of the State.

Additional Payments. In addition to the Lease Payments, the District will also pay such amounts (“Additional Payments”) as will be required for the payment of all administrative costs of the Lessor relating to the Property or the Certificates, including without limitation, amounts due by the District to the Insurer and the Reserve Insurer, including all amounts due pursuant to the Trust Agreement (and excepting for Reserve Replenishment Rent due pursuant to provisions summarized under the heading “—Lease Payments – Reserve Replenishment Rent herein), all expenses, compensation and indemnification of the Trustee payable by the District under the Trust Agreement, all fees and expenses owed to the Lessor under the Lease, taxes of any sort whatsoever payable by the Lessor as a result of its interest in the Property or undertaking of the transactions contemplated therein or in the Trust Agreement, fees of auditors, accountants, attorneys or engineers, all other necessary administrative costs of the Lessor or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Certificates or of the Trust Agreement including premiums or insurance maintained pursuant to the Lease or to indemnify the Lessor and its employees, officers and directors, the Corporation and its agents, successors and assigns and the Trustee.

Net-Net-Net Lease. The Lease will be deemed and construed to be a “net-net-net lease” and the District has agreed that the Lease Payments will be an absolute net return to the Lessor, free and clear of any expenses, charges or set-offs whatsoever, except as expressly provided therein.

INSURANCE

Public Liability and Property Damage.

(a) Coverage. The District will maintain or cause to be maintained, throughout the Term thereof, a standard comprehensive general public liability and property damage insurance policy or policies in protection of the District, the Lessor and their officers, agents and employees. Said policy or policies will provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the use or operation of any District property or portion thereof.

(b) Limits. Said policy or policies will provide coverage in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of \$150,000 (subject to a deductible clause of not to exceed \$50,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy covering all such risks in an amount equal to the liability limits set forth therein.

(c) Joint or Self-Insurance. Such liability insurance, including the deductible, may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and, subject to compliance with the Lease, may be maintained in the form of self-insurance by the District.

(d) Payment of Net Proceeds. The Net Proceeds of such liability insurance will be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds will have been paid.

Workers' Compensation. The District will also maintain workers' compensation insurance issued by a responsible carrier authorized under the laws of the State to insure its employees against liability for compensation under the Workers' Compensation Insurance and Safety Act now in force in the State, or any act hereafter enacted as an amendment or supplement thereto.

Casualty and Theft Insurance.

(a) Casualty and Theft Insurance: Coverage. The District will procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease, insurance against loss or damage to any portion of the Property caused by fire and lightning, with extended coverage and theft, vandalism and malicious mischief insurance, but excluding earthquake and flood insurance to the extent not commercially available at a reasonable cost in the judgment of the District. Said extended coverage insurance will, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance.

(b) Amount. Such insurance will be in an amount (except that such insurance may be subject to deductible clauses of not to exceed \$100,000 for any one loss) not less than the greater of (i) replacement cost of the Property and (ii) the aggregate principal amount of the Certificates at the time Outstanding.

(c) Joint or Self-Insurance. Such insurance may be maintained as part of or in conjunction with any other insurance carried or required to be carried by the District, and, subject to compliance with the Lease thereof, may be maintained in the form of self-insurance by the District.

(d) Payment of Net Proceeds. The Net Proceeds of such insurance will be paid to the Trustee and deposited in the Net Proceeds Fund and applied as provided in the Lease.

Rental Interruption Insurance.

(a) Coverage and Amount. The District will maintain or cause to be maintained rental income or use and occupancy insurance in an amount not less than the maximum remaining scheduled Lease Payments in any future 24-month period, to insure against loss of rental income from or use of the Property caused by perils covered by the insurance required to be maintained as provided in the Lease. Notwithstanding the foregoing, rental interruption insurance will not be provided in connection with earthquake or flood events unless commercially available at a reasonable cost in the judgment of the District. Such rental interruption insurance will name the Trustee and the Lessor as additionally insured parties and may not be provided in the form of self-insurance.

(b) Joint Insurance. Such insurance may be maintained as part of or in conjunction with any other rental income insurance carried by the District.

(c) Payment of Net Proceeds. The Net Proceeds of such rental interruption insurance will be paid to the Trustee and deposited (1) in the applicable Series Accounts of the Reserve Fund to make up any deficiencies therein or draws on a Reserve Facility, and thereafter (2) in the Lease Payment Fund, to be credited towards the payment of the Lease Payments in the order in which such Lease Payments come due and payable.

Title Insurance. The District will obtain and, throughout the Term of the Lease, maintain or cause to be maintained title insurance on the Property, in the form of a CLTA title policy acceptable to the Insurer, in an amount equal to the aggregate principal amount of the Certificates Outstanding, issued by a company of recognized standing, duly authorized to issue the same, payable to the Trustee for the benefit of the Owners, subject only to Permitted Encumbrances. Said policy or policies will insure (a) the fee interest of the District in the Property, (b) the Lessor's ground leasehold estate in the Property under the Site Lease, and (c) the District's leasehold estate thereunder in the Property, subject only to Permitted Encumbrances. All Net Proceeds received under said policy or policies will be deposited with the Trustee and applied as provided in the Trust Agreement. So long as any of the

Certificates remain Outstanding, each policy of the title insurance obtained pursuant thereto or required thereby will provide that all proceeds thereunder will be payable to the Trustee for the benefit of the Certificate Owners.

General Insurance Provisions.

(a) Form of Policies. All policies of insurance required to be procured and maintained pursuant to the Lease and any statements of self-insurance will be in a form certified by an insurance agent, broker or consultant to the District to comply with the provisions thereof. All such policies will provide that the District will give the Trustee thirty (30) days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby, and will be provided by carriers rated in the two highest rating categories without regard to modifiers by S&P or Moody's and at least "A" by A.M. Best Company, Inc. Each policy of insurance required to be procured and maintained pursuant to provisions of the Lease regarding casualty and theft insurance, regarding rental interruption insurance and regarding title insurance will provide that the Trustee and the Corporation is an additional insured and all proceeds thereunder will be payable to the Trustee for the benefit of the Owners.

(b) Payment of Premiums. The District will pay or cause to be paid when due the premiums for all insurance policies required by the Lease, and will promptly furnish or cause to be furnished to the Trustee a certificate to such effect, as described in paragraph (d) below.

(c) Protection of the Trustee. The Trustee will not be responsible for the sufficiency or adequacy of any insurance therein required and will be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the District.

(d) Evidence of Insurance. The District will cause to be delivered to the Trustee and the Insurer annually on or before September 1 a certificate stating that the insurance policies required by the Lease are in full force and effect.

(e) Self Insurance. The District may only elect to self-insure pursuant to the Lease and, only if and to the extent such self-insurance method or plan of protection will afford reasonable protection to the Lessor and the Trustee, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by other schools districts in the State other than the District. Any self-insurance maintained by the District pursuant to the Lease will comply with the following terms:

(i) The self-insurance program will be approved in writing by an Independent Insurance Consultant;

(ii) The self-insurance program will include an actuarially sound claims reserve fund out of which each self-insured claim will be paid; the adequacy of such fund will be evaluated on an annual basis by an Independent Insurance Consultant; and any deficiencies in any self-insured claims reserve fund will be remedied in accordance with the recommendation of such Independent Insurance Consultant;

(iii) The self-insured claims reserve fund will be held in a separate trust fund by an independent trustee, which may be the Trustee; and

(iv) In the event the self-insurance program will be discontinued, the actuarial soundness of its claims reserve fund, as determined by an Independent Insurance Consultant, will be maintained.

Cooperation. The Lessor will cooperate fully with the District at the expense of the District in filing any proof of loss with respect to any insurance policy maintained pursuant to the Lease and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Property or any portion thereof.

DAMAGE, DESTRUCTION AND EMINENT DOMAIN; USE OF NET PROCEEDS

Application of Net Proceeds.

(a) Deposit in Net Proceeds Fund. The District will remit promptly to the Trustee any Net Proceeds received by the District and the Trustee, pursuant to the Trust Agreement, will deposit such Net Proceeds of insurance which it receives in the Net Proceeds Fund as provided in sections the Lease regarding casualty and theft insurance or regarding title insurance, promptly upon receipt thereof. The District and/or the Lessor will transfer to the Trustee any other Net Proceeds received by the District and/or Lessor in the event of any accident, destruction, theft or taking by eminent domain or condemnation with respect to the Property, for deposit in the Net Proceeds Fund.

(b) Disbursement for Replacement or Repair of the Property. Upon receipt of the certification described in paragraph (i) below, the requisition described in paragraph (ii) below, and the prior written consent of the Insurer (so long as the Insurer is not in default of its payment obligations under the Policy), the Trustee will disburse moneys in the Net Proceeds Fund to the person, firm or corporation named in the requisition as provided in the Trust Agreement.

(i) Certification. The District Representative must certify to the Lessor and the Trustee (with a copy to the Insurer, so long as the Insurer is not in default of its payment obligations under the Insurance Policy) that:

(A) Sufficiency of Net Proceeds. The Net Proceeds available for such purpose, together with any other funds supplied by the District to the Trustee in a subaccount of the Net Proceeds Fund for such purpose, are expected to equal at least 110% of the projected costs of replacement or repair (or such lesser percentage as may be consented to by the Insurer) as demonstrated in an attached reconstruction budget, and

(B) Timely Completion. In the event that damage, destruction or taking results or is expected to result in an abatement of Lease Payments, such replacement or repair can be fully completed within a period not in excess of the period in which rental interruption insurance proceeds, as described in the Lease together with other identified available moneys, will be available to pay in full all Lease Payments coming due during such period as demonstrated in an attached reconstruction schedule.

(ii) Requisition. The District Representative must state with respect to each payment to be made (1) the requisition number, (2) the name and address of the person, firm or corporation to whom payment is due, (3) the amount to be paid and (4) that each obligation mentioned therein has been properly incurred, is a proper charge against the Net Proceeds Fund, has not been the basis of any previous withdrawal, and specifying in reasonable detail the nature of the obligation. Each such requisition signed by the District Representative will be sufficient evidence to the Trustee of the facts stated therein and the Trustee will have no duty to confirm the accuracy of such facts.

Any balance of the Net Proceeds remaining after such replacement or repair has been completed and after payment or provision for payment of all Certificates as provided in the Trust Agreement will be paid to the District after payment of amounts due the Trustee pursuant to the Trust Agreement, and any amounts due to the Insurer.

(c) Disbursement for Prepayment. If the District Representative notifies the Trustee in writing (with a copy to the Insurer, so long as the Insurer is not in default of its payment obligations under the Insurance Policy) of the District's determination that the certification provided in the Lease cannot be made or that replacement or repair of any portion of the Property is not economically feasible or in the best interest of the District, then the Trustee will (with the prior written consent of the Insurer), promptly transfer the Net Proceeds to the Prepayment Fund as provided in the Trust Agreement and apply them to prepayment of the Certificates as provided in the Trust Agreement and prepayment of Lease Payments as provided in the Lease; provided that in the event of damage or destruction in whole of the Property and in the event such Net Proceeds, together with funds then on hand in the Lease Payment Fund and Reserve Fund are not sufficient to prepay all the Certificates then Outstanding, then the

District will not be permitted to certify that repair, replacement or improvement of all of the Property is not economically feasible or in the best interest of the District. In such event, the District will proceed to repair, replace or improve the Property as described therein from legally available funds in the then-current Fiscal Year and will make the required notification to the Trustee pursuant to the Trust Agreement and the Trustee will disburse moneys in the Net Proceeds Fund to the person, firm, or corporation named in the requisition as provided therein.

COVENANTS WITH RESPECT TO THE PROPERTY

Use of the Property. The District represents and warrants that it has an immediate need for, and expects to make immediate use of, all of the Property, which need is not temporary or expected to diminish in the foreseeable future.

Interest in the Property and the Lease.

(a) Lessor Holds Leasehold Interest During Term. During the Term of the Lease, the Lessor does and will hold a leasehold interest in the Property pursuant to the Site Lease. The District will take any and all actions reasonably required, including but not limited to executing and filing any and all documents reasonably required, to maintain and evidence such title and interest at all times during the Term of the Lease.

(b) Title Transferred to the District at End of Term. Upon expiration of the Term as provided in the Lease thereof, all right, title and interest of the Lessor in and to all of the Property will be transferred to and vest in the District, without the necessity of any additional document of transfer.

Option to Purchase. The District may exercise an option to purchase the Lessor's interest under the Site Lease and the Lease in the Property by depositing with the Trustee cash and/or Government Obligations as provided in the Trust Agreement. In such event, all or a portion of the obligations of the District under the Lease, and the security provided by the Lease for said obligations or said portion of the obligations, will cease and terminate as provided in the Lease, excepting in the case all of the Lessor's interest has been purchased, only the obligation of the District to make, or cause to be made, such Lease Payments from such deposit. In the event Lease Payments, Reserve Replenishment Rent and Additional Payments under the Lease, and any other amounts owed to the Insurer or the Reserve Insurer, have been paid in full, on the date of said deposit, the Lessor's interest in the Property will revert and transfer to the District automatically and without further action by the District or the Lessor, and the Lessor will execute and deliver such further instruments and take such further action as may reasonably be requested by the District for carrying out the reversion and transfer of the Lessor's interests in the Property. In the event Lease Payments under the Lease have been paid in part only, on the date of said deposit, the District will, with the written consent of the Insurer, specify a discrete portion of the Lessor's interest in the Property for reversion and transfer to the District and the Lessor will execute and deliver such further instruments and take such further action as may reasonably be requested by the District for carrying out the reversion and transfer of such portion of the Lessor's interest in the Property; provided, that such portion will revert and transfer to the District only if the reduction in the fair rental value of the Property effected by such reversion and transfer at the time of such reversion and transfer is proportionately less than or equal to the reduction in the maximum annual Lease Payments under the Lease effected by such purchase. Any such deposit will be deemed to be and will constitute a special fund for the payment of Lease Payments in accordance with the Lease.

Quiet Enjoyment. During the Term, the Lessor will provide the District with quiet use and enjoyment of the Property, and the District will during such Term peaceably and quietly have and hold and enjoy the Property, without suit, trouble or hindrance from the Lessor, or any person or entity claiming under or through the Lessor except as expressly set forth in the Lease. The Lessor will, at the request of the District, join in any legal action in which the District asserts its right to such possession and enjoyment to the extent the Lessor may lawfully do so. Notwithstanding the foregoing, the Lessor will have the right to inspect the Property as provided in the Lease.

Installation of the District's Personal Property. The District may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in or upon any portion of the Property. All such items will remain the sole personal property of the District, regardless of the manner in which the same may be affixed to such portion of the Property, in which neither the Lessor nor the Trustee will have any interest, and may be modified or removed by the District at any time;

provided that the District will repair and restore any and all damage to such portion of the Property resulting from the installation, modification or removal of any such items of equipment. Nothing in the Lease will prevent the District from purchasing items to be installed pursuant to the Lease, provided that no lien or security interest will attach to any part of the Property.

Access to the Property. The District has agreed that the Lessor, any Corporation Representative and the Lessor's successors, assigns or designees will have the right at all reasonable times to enter upon the Property or any portion thereof to examine and inspect the Property. The District has further agreed that the Lessor, any such Corporation Representative, and the Lessor's successors, assigns or designees will have such rights of access to the Property as may be reasonably necessary to cause the proper maintenance of the Property in the event of failure by the District to perform its obligations thereunder.

Maintenance, Utilities, Taxes and Assessments.

(a) Maintenance; Repair and Replacement. Throughout the Term of the Lease, as part of the consideration for the rental of the Property, all repair and maintenance of the Property will be the responsibility of the District, and the District will pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Property resulting from ordinary wear and tear or want of care on the part of the District or any sublessee thereof. In exchange for the Lease Payments therein provided, the Lessor has agreed to provide only the Property, as thereinbefore more specifically set forth. The District waives the benefits of subsections 1 and 2 of Section 1932 of the California Civil Code, but such waiver will not limit any of the rights of the District under the terms of the Lease.

(b) Tax and Assessments; Utility Charges. The District will also pay or cause to be paid all taxes and assessments, including but not limited to utility charges, of any type or nature charged to the Lessor or the District or levied, assessed or charged against any portion of the Property or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the District will be obligated to pay only such installments as are required to be paid during the Term of the Lease as and when the same become due.

(c) Contests. The District may, upon notice to the Insurer, at its expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom; provided that prior to such nonpayment it will furnish Insurer, the Lessor and the Trustee with the opinion of an Independent Counsel acceptable to the Lessor, Insurer and the Trustee, to the effect that, by nonpayment of any such items, the interest of the Lessor in such portion of the Property will not be materially endangered and that the Property will not be subject to loss or forfeiture. Otherwise, the District will promptly pay such taxes, assessments or charges or make provisions for the payment thereof in form satisfactory to the Lessor and the Insurer. The Lessor will cooperate fully in such contest, upon the request and at the expense of the District.

Modification of the Property.

(a) Additions, Modifications and Improvements. The District will, at its own expense, have the right to make additions, modifications, and improvements to any portion of the Property if such improvements are necessary or beneficial for the use of such portion of the Property. Unless otherwise contracted for, all such additions, modifications and improvements will thereafter comprise part of the Property and be subject to the provisions of the Lease. Such additions, modifications and improvements will not in any way damage any portion of the Property or cause it to be used for purposes other than those authorized under the provisions of State and federal law or in any way which would impair the State tax-exempt status or the exclusion from gross income for federal income tax purposes of the interest components of Lease Payments; and the Property, upon completion of any additions, modifications and improvements made pursuant to the Lease, will be of a value which is not substantially less than the value of the Property immediately prior to the making of such additions, modifications and improvements.

(b) No Liens. Except for Permitted Encumbrances, the District will not permit any mechanic's or other lien to be established or remain against the Property for labor or materials furnished in connection with any

additions, modifications or improvements made by the District pursuant to the Lease; provided that if any such lien is established and the District will first notify or cause to be notified the Lessor of the District's intention to do so, the District may in good faith contest any lien filed or established against the Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and will provide the Lessor with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Trustee (as assignee of the Lessor). The Lessor will cooperate fully in any such contest, upon the request and at the expense of the District.

(c) Replacements, Redevelopment and Renovation. The District will, at its own expense (and with the consent of the Insurer, so long as the Insurer is not in default of its payment obligations under the Policy), have the right to make replacements, or make additional redevelopments, replacements or renovations to all or a portion of the Property if the conditions in the Trust Agreement, and summarized below, are satisfied:

(i) If the replacement, redevelopment or renovation should reasonably be expected to materially affect the District's use of the Property, the District receives an opinion of Special Counsel, a copy of which the District will furnish to the Lessor, the Insurer and the Trustee, that (1) such replacement does not adversely affect the federal income tax exclusion or the State tax-exempt status of the interest components of Lease Payments, and (2) the Lease will remain the legal, valid, binding and enforceable obligation of the District;

(ii) In the event such replacement, redevelopment or renovation would result in the temporary abatement of Lease Payments as provided in the Lease, the District shall have deposited moneys with the Trustee in advance for payment of Lease Payments from special funds of the District or other moneys, the application of which would not, in the opinion of Special Counsel (a copy of which will have been delivered to the Trustee and the Insurer), result in such Lease Payments constituting indebtedness of the District in contravention of the Constitution and laws of the State;

(iii) The District will certify to the Insurer and the Trustee that it has sufficient funds to complete such replacement, redevelopment or renovation; and

(iv) In the case of replacement or redevelopment, the District certifies to the Insurer and the Trustee that the annual fair rental value of the replacements will be at least equal to the lesser of (1) the annual fair rental value of the Property immediately prior to such replacement or redevelopment, or (2) 150% of the maximum annual Lease Payments under the Lease.

Encumbrances; Alternative Financing Methods.

(a) Encumbrances. Except as provided in the Lease, the District will not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, liens, charges, encumbrances or claims, as applicable, on or with respect to the Property, other than Permitted Encumbrances and other than the respective rights of the Lessor and the District as therein provided. Except as expressly provided in the Lease, the District will promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, for which it is responsible, if the same shall arise at any time; provided that the District may contest such liens if it desires to do so. The District will reimburse the Lessor for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

(b) Alternative Financing Methods. Notwithstanding the foregoing, the District may, with the prior written consent of the Insurer (so long as the Insurer is not in default of its payment obligations under the Insurance Policy), create or suffer to create any mortgage, pledge, liens, charges, encumbrances or claims upon the Property or any improvements thereto, provided that (1) any such mortgage, pledge, liens, charges, encumbrances or claims will at any time while any of the Certificates remain Outstanding be and remain subordinate in all respects to the Site Lease and Lease and any security interest given to the Trustee for the benefit of the Owners and (2) the District will have first delivered to the Insurer and the Trustee an opinion of Special Counsel substantially to the effect that such mortgage, pledge, liens, charges, encumbrances or claims would not, in and of themselves, result in the inclusion of the interest portion of Lease Payments in the gross income of the owners of such Certificates for purposes of federal income taxation or impair the State tax-exempt status of the interest portion of any such payments.

Lessor's Disclaimer of Warranties. THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY THE DISTRICT OF THE PROPERTY, OR ANY PORTION THEREOF. THE DISTRICT ACKNOWLEDGES THAT THE LESSOR IS NOT A MANUFACTURER OF PORTIONS OF THE PROPERTY, AND THAT THE DISTRICT IS LEASING THE PROPERTY AS IS. In no event will the Lessor be liable for incidental, indirect, special or consequential damages, in connection with or arising out of the Lease, the Site Lease, the Assignment Agreement or the Trust Agreement for the existence, furnishing, functioning or the District's use and possession of the Property.

District's Right to Enforce Warranties of Vendors or Contractors. The Lessor has irrevocably appointed the District its agent and attorney-in-fact during the Term of the Lease, so long as the District will not be in default thereunder, to assert from time to time whatever claims and rights, including without limitation, warranty claims, claims for indemnification and claims for breach of any representations, respecting the Property which the Lessor may have against any vendor or contractor. The District's sole remedy for the breach of any such warranty, indemnification or representation will be against the vendor or contractor with respect thereto, and not against the Lessor, nor will such matter have any effect whatsoever on the rights and obligations of the Lessor with respect to the Lease, including the right to receive full and timely Lease Payments and all other payments due thereunder. The District will be entitled to retain any and all amounts recovered as a result of the assertion of any such claims and rights. The Lessor will, upon the District's request and at the District's expense, do all things and take all such actions as the District may request in connection with the assertion of any such claims and rights.

Substitution or Release of the Property. The District will, with the prior written consent of the Insurer (so long as the Insurer is not in default of its payment obligations under the Insurance Policy), have the right to substitute alternate real property for any portion of the Property described in the Lease thereto or to release a portion of the Property from the lien of the Lease by providing the Trustee with a supplement to the Lease substantially in the form attached thereto. All costs and expenses incurred in connection with such substitution or release will be borne by the District. Notwithstanding any substitution or release pursuant to the Lease, there will be no reduction in or abatement of the Lease Payments due from the District thereunder as a result of such substitution. No substitution or release will be permitted thereunder unless:

(a) the District finds that the substituted real property (i) has a fair rental value greater than or equal to the fair rental value of the Property to be released so that the Lease Payments secured by the Property to be released being payable by the District pursuant to the Lease will not be reduced and (ii) has an equivalent or greater useful life as the Property to be released and that the useful life of the substituted real property exceeds the remaining term of the Lease Payments thereunder;

(b) the District obtains or causes to be obtained a CLTA title insurance policy with endorsement so as to be payable to the Trustee for the benefit of the Owners. Such policy will comply with the Lease, will be in a form satisfactory to the Trustee, the Insurer and the Lessor, will be in the amount equal to the principal component of Lease Payments attributable to the substituted real property, and will insure the leasehold interest or the fee simple interest of the Lessor or the District, as applicable, to the substituted real property;

(c) the District provides the Lessor, the Insurer and the Trustee with an opinion of Special Counsel that such substitution or release does not cause, in and of itself, the interest evidenced and represented by the Certificates to be included in gross income for federal income tax purposes;

(d) the District will give, or cause to be given, any notice of the occurrence of such substitution or release required to be given pursuant to the Continuing Disclosure Certificate;

(e) upon the substitution of any real property and improvements thereon for all or a portion of the Property then existing, the District, the Lessor and the Trustee will execute and the District will record with the office of the County Recorder, San Bernardino County, California, any document necessary to reconvey to the District the portion of the Property being substituted and to include the substituted real property and/or improvements thereon as all or a portion of the Property;

(f) the District will certify to the Trustee and the Insurer (so long as the Insurer is not in default of its payment obligations under the Insurance Policy) that the substituted real property is of approximately the same degree of essentiality to the District as the portion of the Property being replaced; and

(g) if the District releases a portion of the Property, the District will certify that the remaining portion of the Property has a sufficient fair rental value so that Lease Payments payable by the District pursuant to the Lease will not be reduced.

Compliance with Law, Regulations, Etc.

(a) The District has, after due inquiry, no knowledge and has not given or received any written notice indicating that the Property or the past or present use thereof or any practice, procedure or policy employed by it in the conduct of its business materially violates any Laws and Regulations. Without limiting the generality of the foregoing, neither the District nor to the best of its knowledge, after due inquiry, any prior or present owner, tenant or subtenant of the Property has, other than as set forth in the Lease or as may have been remediated in accordance with Laws and Regulations, (i) used, treated, stored, transported or disposed of any material amount of flammable explosives, polychlorinated biphenyl compounds, heavy metals, chlorinated solvents, cyanide, radon, petroleum products, asbestos or any Asbestos Containing Materials, methane, radioactive materials, pollutants, hazardous materials, hazardous wastes, hazardous, toxic, or regulated substances or related materials, as defined in CERCLA, RCRA, CWA, CAA, TSCA and Title III, and the regulations promulgated pursuant thereto, and in all other Environmental Regulations applicable to the District, the Property or the business operations conducted by the District thereon (collectively, "Hazardous Materials") on, from or beneath the Property, (ii) pumped, spilled, leaked, disposed of, emptied, discharged or released (hereinafter collectively referred to as "Release") any material amount of Hazardous Materials on, from or beneath the Property, or (iii) stored any material amount of petroleum products at the Property in underground storage tanks.

(b) Excluded from the representations and warranties in the Lease with respect to Hazardous Materials are those Hazardous Materials in those amounts ordinarily found in the inventory of, or used in the maintenance of school and school related buildings, the use, treatment, storage, transportation and disposal of which has been and will be in compliance with all Laws and Regulations.

(c) No portion of the Property located in an area of high potential incidence of radon has an unventilated basement or subsurface portion which is occupied or used for any purpose other than the foundation or support of the improvements to the Property.

Environmental Compliance.

(a) The District will not use or permit the Property or any part thereof to be used to generate, manufacture, refine, treat, store, handle, transport or dispose of, transfer, produce or process Hazardous Materials, except, and only to the extent, if necessary to maintain the improvements on the Property and then, only in compliance with all Environmental Regulations, and any state equivalent laws and regulations, nor will it permit, as a result of any intentional or unintentional act or omission on its part or by any tenant, subtenant, licensee, guest, invitee, contractor, employee and agent, the storage, transportation, disposal or use of Hazardous Materials or the Release or threat of Release of Hazardous Materials on, from or beneath the Property or onto any other property excluding, however, those Hazardous Materials in those amounts ordinarily found in the inventory of a school district, the use, storage, treatment, transportation and disposal of which will be in compliance with all Environmental Regulations. Upon the occurrence of any Release or threat of Release of Hazardous Materials, the District will promptly commence and perform, or cause to be commenced and performed promptly, without cost to the Trustee, all investigations, studies, sampling and testing, and all remedial, removal and other actions necessary to clean up and remove all Hazardous Materials so released, on, from or beneath the Property or other property, in compliance with all Environmental Regulations. Notwithstanding anything to the contrary contained therein, underground storage tanks will only be permitted subject to compliance with the Lease and only to the extent necessary to maintain the improvements on the Property.

(b) The District will comply with, and will cause all tenants, subtenants, licensees, guests, invitees, contractors, employees and agents on the Property to comply with, all Environmental Regulations, and will keep the

Property free and clear of any liens imposed pursuant thereto; provided, however, that notwithstanding that a portion of the covenant summarized in this subsection is limited to the District's use of its best efforts, the District will remain solely responsible for ensuring such compliance and such limitation will not diminish or affect in any way the District's obligations contained in the Lease. Upon receipt of any notice from any person with regard to the Release of Hazardous Materials on, from or beneath the Property, the District will give prompt written notice thereof to the Trustee and the Insurer prior to the expiration of any period in which to respond to such notice under any Environmental Regulation.

(c) Irrespective of whether any representation or warranty contained in the Lease is not true or correct, the District will, to the extent permitted by law, defend, indemnify and hold harmless, the Lessor, the Trustee, the Owners, their partners, depositors and each of their respective employees, agents, officers, directors, trustees, successors and assigns, from and against any claims, demands, penalties, fines, attorneys' fees (including, without limitation, attorneys' fees incurred to enforce the indemnification contained in the Lease, consultants' fees, investigation and laboratory fees, liabilities, settlements (five Business Days' prior notice of which the Trustee shall have delivered to the District), court costs, damages, losses, costs or expenses of whatever kind or nature, known or unknown, contingent or otherwise, occurring in whole or in part, arising out of, or in any way related to, (i) the presence, disposal, release, threat of release, removal, discharge, storage or transportation of any Hazardous Materials on, from or beneath the Property, (ii) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such Hazardous Materials, (iii) any lawsuit brought or threatened, settlement reached (five Business Days' prior notice of which the Corporation or the Trustee, as appropriate, shall have delivered to the District), or governmental order relating to Hazardous Materials on, from or beneath the Property, (iv) any violation of Environmental Regulations or the Lease by it or any of its agents, tenants, employees, contractors, licensees, guests, subtenants or invitees, and (v) the imposition of any governmental lien for the recovery of environmental cleanup or removal costs. To the extent that the District is strictly liable under any Environmental Regulation, its obligation to the Owners and the other indemnitees under the foregoing indemnification will likewise be without regard to fault on its part with respect to the violation of any Environmental Regulation which results in liability to any indemnitee. The obligations and liabilities under the Lease will survive the payment and satisfaction of all Certificates and the resignation and removal of the Trustee.

(d) The District will conform to and carry out a reasonable program of maintenance and inspection of all underground storage tanks, and will maintain, repair, and replace such tanks only in accordance with Laws and Regulations, including but not limited to Environmental Regulations.

Condemnation of Property. The District has covenanted and agreed, to the extent it may lawfully do so, that so long as any of the Certificates remain outstanding and unpaid, the District will not exercise the power of condemnation with respect to the Property. The District has further covenanted and agreed, to the extent it may lawfully do so, that if for any reason the foregoing covenant is determined to be unenforceable or if the District will fail or refuse to abide by such covenant and condemns the Property, then the appraised value of the Property will not be less than the greater of: (i) if the Certificates are then subject to prepayment, the principal and interest components of the Certificates outstanding through the date of their prepayment, or (ii) if the Certificates are not then subject to prepayment, the amount necessary to defease the Certificates to the first available prepayment date in accordance with the Trust Agreement.

ASSIGNMENT, SUBLEASING AND AMENDMENT

Assignment by the Lessor. Except as provided therein, in the Trust Agreement and the Assignment Agreement, the Lessor will not assign the Lease to any other person, firm or corporation so as to impair or violate the representations, covenants and warranties contained in the Lease.

Assignment and Subleasing by the District.

(a) Assignment. The Lease may be assigned by the District, with the prior written consent of the Insurer (so long as the Insurer is not in default of its payment obligations under the Insurance Policy), so long as such assignment does not, in the opinion of Special Counsel, in and of itself, adversely affect the State tax-exempt

status or the exclusion from gross income for federal income tax purposes of the interest component of the Lease Payments or affect the validity of the Lease. In the event that the Lease is assigned by the District, the obligation to make Lease Payments under the Lease will remain the obligation of the District.

(b) Sublease. The District may, with the prior written consent of the Insurer (so long as the Insurer is not in default of its payment obligations under the Insurance Policy), sublease all or any portion of the Property, with the consent of the Trustee (as assignee of the Lessor), subject to all of the following conditions:

(i) The Lease and the obligation of the District to make Lease Payments thereunder will remain obligations of the District; and

(ii) The District will, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to the Lessor, each Rating Agency, the Insurer and the Trustee a true and complete copy of such sublease;

(iii) No sublease by the District will cause the Property to be used for a purpose other than a governmental or proprietary function authorized under the provisions of the laws of the State; and

(iv) No sublease shall cause the interest component of the Lease Payments due with respect to the Property to become includable in gross income for federal income tax purposes or subject to State personal income taxes.

Amendments and Modifications. The Lease may be amended or any of its terms modified in accordance with the Trust Agreement.

EVENTS OF DEFAULT AND REMEDIES

Events of Default Defined. The following will be “events of default” under the Lease and the terms “events of default” and “default” means, whenever they are used in the Lease, any one or more of the following events:

(a) Payment Default.

(i) Lease Payments. Failure by the District to pay any Lease Payment (other than Reserve Replenishment Rent) required to be paid thereunder by the corresponding Lease Payment Date; and

(ii) Reserve Replenishment Rent: Failure by the District to timely pay any Reserve Replenishment Rent if and when required by the Trust Agreement.

In determining whether a default has occurred under the provisions summarized in (i) and (ii) above, no effect will be given to payments made under the Policy.

(b) Covenant Default. Failure by the District to observe and perform any warranty, covenant, condition or agreement on its part to be observed or performed therein or otherwise with respect thereto or in the Trust Agreement or in the Site Lease, other than as described in clause (a) above, for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Lessor, the Trustee, the Insurer or the Owners of not less than twenty percent (20%) in aggregate principal amount of Certificates then Outstanding (with a copy to the Insurer); provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Lessor or such Owners, as the case may be, will not unreasonably withhold their consent to an extension of such time, if corrective action is instituted by the District within the applicable period and diligently pursued until the default is corrected, except that such grace period will not exceed 30 days without the prior written consent of the Insurer.

(c) Bankruptcy or Insolvency. The filing by the District of a case in bankruptcy, or the subjection of any right or interest of the District under the Lease to any execution, garnishment or attachment, or adjudication of the District as a bankrupt, or assignment by the District for the benefit of creditors, or the entry by the District into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the District in any proceedings instituted under the provisions of the federal bankruptcy code, as amended, or under any similar act which may hereafter be enacted.

Remedies on Default. Whenever any event of default referred to in the Lease shall have happened and be continuing, it will be lawful for the Lessor to exercise any and all remedies available pursuant to law or granted pursuant to the Lease, including writs of mandamus. Notwithstanding anything therein or in the Trust Agreement to the contrary, THERE WILL BE NO RIGHT UNDER ANY CIRCUMSTANCES TO ACCELERATE THE LEASE PAYMENTS OR OTHERWISE DECLARE ANY LEASE PAYMENTS NOT THEN IN DEFAULT TO BE IMMEDIATELY DUE AND PAYABLE. After the occurrence of an event of default thereunder, the District will surrender possession of the Property to the Lessor, if requested to do so by the Lessor, the Trustee or the Owners, in accordance with the provisions of the Trust Agreement. Notwithstanding any other provision of the Trust Agreement. So long as the Insurer is not in default of its payment obligations under the Insurance Policy, the Insurer will control all remedies upon an event of default under the Trust Agreement. The Owners' and Lessor's direction of remedies upon default are subject to the prior written consent of the Insurer.

(a) No Termination: Repossession and Re-Lease on Behalf of the District. In the event the Lessor does not elect to terminate the Lease in the manner provided for in the Trust Agreement and described in paragraph (b) below, the Lessor may, (i) with the consent of the Insurer (so long as the Insurer is not in default of its payment obligations under the Insurance Policy) and (ii) with the consent of the District, which consent has been irrevocably given, repossess the Property and re-lease it for the account of the District, in which event the District's obligation will accrue from year to year in accordance with the Lease and the District will continue to receive the value of the use of the Property from year to year in the form of credits against its obligation to pay Lease Payments. The obligations of the District will remain the same as prior to such default, to pay Lease Payments, Reserve Replenishment Rent and Additional Payments whether the Lessor re-enters or not. The District has agreed to and will remain liable for the payment of all Lease Payments, Reserve Replenishment Rent and Additional Payments and the performance of all conditions contained therein and will reimburse the Lessor for any deficiency arising out of the re-leasing of the Property, or, in the event the Lessor is unable to re-lease the Property, then for the full amount of all Lease Payments, Reserve Replenishment Rent and Additional Payments to the end of the Term of the Lease, but said Lease Payments, Reserve Replenishment Rent and Additional Payments and/or deficiency will be payable only at the same time and in the same manner as provided above for the payment of Lease Payments, Reserve Replenishment Rent and Additional Payments thereunder, notwithstanding such repossession by the Lessor or any suit brought by the Lessor for the purpose of effecting such repossession of the Property or the exercise of any other remedy by the Lessor.

The District has irrevocably appointed the Lessor as the agent and attorney-in-fact of the District to repossess and re-lease the Property in the event of default by the District in the performance of any covenants contained therein to be performed by the District and to remove all personal property whatsoever situated upon the Property, to place such property in storage or other suitable place in the San Bernardino County, for the account of and at the expense of the District, and the District has agreed to exempt and to save harmless the Lessor from any costs, loss or damage whatsoever arising or occasioned by any such repossession and re-leasing of the Property. The District has waived any and all claims for damage caused or which may be caused by the Lessor in repossessing the Property as provided therein and all claims for damages that may result from the destruction of or the injury to the Property and all claims for damages to or loss of any property belonging to the District that may be in or upon the Property.

The District has agreed that the terms of the Lease constitute full and sufficient notice of the right of the Lessor to re-lease the Property in the event of such repossession without effecting a surrender of the Lease, and has further agreed that no acts of the Lessor in effecting such re-leasing will constitute a surrender or termination of the Lease irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise, but that, on the contrary, in the event of such default by the District the right to terminate the Lease will vest in the Lessor to be effected in the sole and exclusive manner provided for in subparagraph (b) below.

The District will retain the portion of rental obtained by the Trustee, as assignee of the Lessor, that is in excess of the Lease Payments, Reserve Replenishment Rent and Additional Payments, the fees, expenses and costs of the Trustee of re-leasing the Property, and all amounts payable by the District under the Lease and the Trust Agreement.

In the event that the liability of the District under the Lease is held to constitute indebtedness or liability in any year exceeding in any year the income and revenue provided for such year, the Lessor, or the Trustee or the Owners, as assignees of the Lessor, will not exercise the remedies provided in the Lease.

(b) Termination: Repossession and Re-Lease. In the event of the termination of the Lease by the Lessor at its option and in the manner thereafter provided on account of default by the District (and notwithstanding any repossession of the Property by the Lessor in any manner whatsoever or the re-leasing of the Property), the District nevertheless has agreed to pay to the Lessor all costs, losses or damages howsoever arising or occurring payable at the same time and in the same manner as is provided therein in the case of payment of Lease Payments, Reserve Replenishment Rent and Additional Payments. Any proceeds of the re-lease or other disposition of the Property by the Lessor will be deposited into the Lease Payment Fund and be applied in accordance with the provisions of the Trust Agreement. Any surplus received by the Trustee, as assignee of the Lessor, from such re-leasing over total Lease Payments, Reserve Replenishment Rent and Additional Payments that would have been due thereunder and the fees, expenses and costs of the Trustee as assignee of the Lessor on re-leasing the Property will be remitted to the District. Neither notice to pay rent or to deliver up possession of the Property given pursuant to law nor any proceeding taken by the Lessor to recover possession of the Property will of itself operate to terminate the Lease, and no termination of the Lease on account of default by the District will be or become effective by operation of law, or otherwise, unless and until the Lessor shall have given written notice to the District of the election on the part of the Lessor to terminate the Lease. The District has covenanted and agreed that no surrender of the Property for the remainder of the Term thereof or any termination of the Lease will be valid in any manner or for any purpose whatsoever unless stated or accepted by the Lessor by such written notice. No such termination will be effected either by operation of law or act of the parties thereto, except only in the manner therein expressly provided.

(c) The re-leasing of the Property as provided in the Lease will be subject to the opinion of Special Counsel that such re-leasing will not, in and of itself, cause the interest component of the Lease Payments to be subject to State personal income tax or adversely affect the exclusion from gross income for federal income tax purposes.

No Remedy Exclusive. No remedy conferred in the Lease upon or reserved to the Lessor is intended to be exclusive and every such remedy will be cumulative and will be in addition to every other remedy given under the Lease or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default will impair any such right or power or will be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Lessor to exercise any remedy reserved to it in the Lease it will not be necessary to give any notice, other than such notice as may be required in the Lease or by law.

Agreement to Pay Attorneys' Fees and Expenses. In the event either party to the Lease should default under any of the provisions thereof and the nondefaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party contained therein, the defaulting party agrees that it will pay on demand to the nondefaulting party the reasonable fees of such attorneys and such other expenses so incurred by the nondefaulting party.

No Additional Waiver Implied by One Waiver. In the event any agreement contained in the Lease should be breached by either party and thereafter waived by the other party, such waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach thereunder.

Application of the Proceeds from the Re-Lease of the Property. All amounts received by the Lessor under the Lease will, subject to the Trust Agreement, be deposited by the Trustee in the Lease Payment Fund and credited towards the Lease Payments in order of Lease Payment Dates.

Trustee and Owners to Exercise Rights. Such rights and remedies as are given to the Lessor under the Lease have been assigned by the Lessor to the Trustee under the Assignment Agreement, to which assignment the District consents. Such rights and remedies will be exercised by the Trustee, the Insurer and the Owners as provided in the Trust Agreement. To the extent that the Lease confers upon or gives or grants to the Trustee any right, remedy or claim under or by reason of the Lease, the Trustee has been explicitly recognized as being a third-party beneficiary under the Lease and may enforce any such right, remedy or claim conferred, given or granted under the Lease.

MISCELLANEOUS

Binding Effect. The Lease will inure to the benefit of and will be binding upon the Lessor and the District and their respective successors and assigns.

Severability. In the event any provision of the Lease will be held invalid or unenforceable by a court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision thereof.

Applicable Law. The Lease will be governed by and construed in accordance with the laws of the State.

Execution in Counterparts. The Lease may be executed in any number of counterparts, each of which will be an original and all of which will constitute but one and the same instrument.

THE TRUST AGREEMENT

Transfer and Exchange.

(a) Transfer of Certificates. Any Certificate may, in accordance with its terms, be transferred upon the books required to be kept pursuant to the provisions of the Trust Agreement by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Certificate for cancellation at the Principal Office accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever any Certificate or Certificates of a Series shall be surrendered for transfer, the Trustee will execute and deliver a new Certificate or Certificates of the same Series, maturity and interest rate, for like aggregate principal amount in authorized denominations. The cost of printing Certificates and any services rendered or expenses incurred by the Trustee in connection with any transfer will be paid by the District. The Trustee will require the payment by the Certificate Owner requesting such transfer of any tax or governmental charge required to be paid with respect to such transfer, and there will be no other charge to any Certificate Owner for any such transfer.

(b) Exchange of Certificates. Certificates of a Series may be exchanged at the Principal Office for a like aggregate principal amount of Certificates of such Series of other authorized denominations of the same maturity and interest rate. The Trustee may require the payment by the Certificate Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. The cost of printing Certificates and any services rendered or expenses incurred by Trustee in connection with any transfer or exchange will be paid by the District. All Certificates surrendered pursuant to the provisions of the Trust Agreement summarized in this subsection will be cancelled and destroyed by the Trustee and will not be redelivered.

(c) Time for Transfer or Exchange. The Trustee will not be obligated to transfer or exchange any Certificate after a Record Date and before the following Certificate Payment Date, or during the period in which it is selecting Certificates for prepayment, or after notice of prepayment has been given as provided in the Trust Agreement.

Certificates Mutilated, Lost, Destroyed or Stolen. If any Certificate of a Series shall become mutilated, the Trustee, at the expense of the Owner of said Certificate, will execute and deliver a new Certificate of like Series, tenor and maturity in exchange and substitution for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee will be cancelled

by it. If any Certificate of a Series shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and, if an indemnity, satisfactory to the Trustee indemnifying the Trustee, the Corporation and the District, will be given, the Trustee, at the expense of the Certificate Owner, will execute and deliver a new Certificate of like Series, tenor and maturity and numbered as the Trustee will determine in lieu of and in substitution for the Certificate so lost, destroyed or stolen. The Trustee may require payment of an appropriate fee for each new Certificate delivered under the provisions of the Trust Agreement summarized in this subsection and of the expenses which may be incurred by the Trustee in carrying out the duties under the Trust Agreement. Any Certificate of a Series executed under the provisions of the Trust Agreement summarized by this paragraph in lieu of any Certificate alleged to be lost, destroyed or stolen will be equally and proportionately entitled to the benefits of the Trust Agreement with all other Certificates of such Series secured by the Trust Agreement. The Trustee will not be required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the principal amount of Certificates which may be executed and delivered under or for the purpose of determining any percentage of Certificates Outstanding under the Trust Agreement, but both the original and replacement Certificate will be treated as one and the same. Notwithstanding any other provision of the Trust Agreement summarized in this paragraph, in lieu of delivering a new Certificate of a Series in place of one which has been mutilated, lost, destroyed or stolen, and which has matured, or has been called for prepayment, the Trustee may make payment with respect to such Certificate upon receipt of the above-mentioned indemnity.

Payment. Subject to the provisions of the Letter of Representation, payment of interest with respect to any Certificate on any Certificate Payment Date or prepayment date will be made to the person appearing on the registration books of the Trustee as the Owner thereof as of the Record Date immediately preceding such Certificate Payment Date or prepayment date, as the case may be, such interest to be paid by wire transfer to the bank and account number within the United States of America on file with the Trustee as of the Record Date. In the event that the book-entry system is no longer used with respect to the Certificates, payment of interest with respect to any Certificate shall be paid pursuant to the Trustee's procedures then in effect. Payments of defaulted interest will be paid by check of the Trustee mailed by first class mail to the registered Owners as of a special record date to be fixed by the Trustee in its sole discretion, notice of which will be given to the Owners not less than 15 days prior to such special record date. Subject to the provisions of the Letter of Representation, the principal payable upon maturity or prepayment with respect to the Certificates will be payable upon surrender at the Principal Office. Said amounts will be payable in lawful money of the United States of America. The Trustee has been authorized to pay or prepay the Certificates when duly presented for payment at maturity or on prepayment and to cancel all Certificates upon payment thereof.

Additional Certificates. Subsequent to the execution and delivery by the Trustee of the Certificates, and with the prior written consent of the Insurer, the Trustee, will, upon written request or requests of the District Representative and the Corporation Representative, execute and deliver from time to time one or more Series of Additional Certificates in such aggregate principal amount as may be set forth in such written request or requests, provided that there will have been compliance with all of the following conditions, which are made conditions precedent to the preparation, execution and delivery of such Additional Certificates:

(a) The parties to the Trust Agreement will have executed a Supplemental Trust Agreement setting forth the terms and provisions of such Additional Certificates, including the establishment of such funds and accounts, separate and apart from the funds and accounts established thereunder for the 2019 Certificates executed and delivered on the Closing Date, as will be necessary or appropriate, which Supplemental Trust Agreement will require that prior to the delivery of such Series of Additional Certificates the Reserve Requirement with respect to such Additional Certificates will be on deposit in the applicable Series Account of the Reserve Fund established under the Trust Agreement, including amounts under any Reserve Facilities;

(b) The principal and interest payable with respect to such Additional Certificates and any premium payable upon prepayment of such Additional Certificates will be payable only on Certificate Payment Dates applicable to the Certificates;

(c) The Lease shall have been amended by the parties thereto if necessary to (i) increase or adjust the Lease Payments due and payable on each Lease Payment Date to an amount sufficient to pay the principal, premium (if any) and interest payable with respect to all Outstanding Certificates, including all Additional Certificates as and

when the same mature or become due and payable (except to the extent such principal, premium, and interest may be payable out of moneys then in the applicable Series Account of the Reserve Fund or otherwise on deposit with the Trustee in accordance with the Trust Agreement), and to indicate the portions of such payments of principal, premium (if any) and interest is attributable to each Series, (ii) if appropriate, amend the definition of "Property" to include as part of the Property all or any portion of additions, betterments, extensions, improvements or replacements, or such other real or personal property (whether or not located upon the Property as such Property is constituted as of the date of the Trust Agreement), to be financed, acquired or constructed by the preparation, execution and delivery of such Additional Certificates, and (iii) make such other revisions to the Lease as are necessitated by the execution and delivery of such Additional Certificates (provided, however, that such other revisions will not prejudice the rights of the Owners of Outstanding Certificates as granted them under the terms of the Trust Agreement);

(d) There shall have been delivered to the Trustee a counterpart of the amendments required by the Trust Agreement;

(e) The Trustee shall have received a certificate of the Corporation Representative that there exists on the part of the Corporation no Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default);

(f) The Trustee shall have received a certificate of the District Representative that (i) there exists on the part of the District no Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) and (ii) the Lease Payments as increased or adjusted do not exceed in any year the fair rental value of the Property (as such term is defined in the amended Lease);

(g) The Trustee will have received an opinion of Special Counsel substantially to the effect that (i) said Supplemental Trust Agreement and said amendments to the Lease comply in all respects with the requirements of the Trust Agreement, (ii) said Supplemental Trust Agreement and said amendments to the Lease have been duly authorized, executed and delivered by each of the respective parties thereto (provided that said opinion of Special Counsel, in rendering the opinions set forth in the Trust Agreement and summarized in this clause (ii), will be entitled to rely upon one or more other opinions of counsel, including counsel to any of the respective parties to said Supplemental Trust Agreement or said amendments to the Lease), (iii) assuming that no Event of Default has occurred and is continuing, the Trust Agreement, as amended by said Supplemental Trust Agreement, and the Lease, as amended by the respective amendments thereto, constitute the legal, valid and binding obligations of the respective parties thereto, enforceable against said parties in accordance with their respective terms (except to the extent that enforcement thereof may be limited by bankruptcy, insolvency, moratorium, debt adjustment or other laws affecting creditors' rights generally, and except to the extent that enforcement thereof may be limited by general principles of equity, regardless of whether enforcement is sought in a legal or equitable proceeding, and by the limitations on legal remedies against public agencies in the State of California) and (iv) the execution of such Supplemental Trust Agreement and said amendments to the Lease, and performance by the parties thereunder, will not result in the inclusion of the interest portion of any Lease Payments payable with respect to the Certificates, including Additional Certificates, theretofore prepared, executed and delivered, in the gross income of the Owners of the Certificates for purposes of federal income taxation;

(h) The District shall have provided each Rating Agency written notice of the proposed execution and delivery of such Additional Certificates.

(i) There shall have been delivered to the Trustee an endorsement to or reissuance of the title insurance policy delivered under the Lease providing that the insured amount is at least equal to the aggregate principal amount of all of the Certificates and Additional Certificates outstanding upon the execution and delivery of such Additional Certificates;

(j) Upon the execution and delivery of such Additional Certificates, the amount in deposit in the applicable Series Account of the Reserve Fund, together with amounts available under any Reserve Facilities on deposit therein, will be equal to the Reserve Requirement, taking into account the execution and delivery of the Additional Certificates; and

(k) Such other conditions shall have been satisfied, and such other instruments shall have been duly executed and delivered to the Trustee (with a copy to each Rating Agency), as the District or the Corporation shall have reasonably requested.

Upon delivery to the Trustee of the foregoing instruments, the Trustee will cause to be executed and delivered Additional Certificates representing the aggregate principal amount specified in such Supplemental Trust Agreement, and, except as set forth in the Trust Agreement (with respect to the separate Series Accounts of the Reserve Fund) such Additional Certificates will be equally and ratably secured with all Certificates, including any Additional Certificates, theretofore prepared, executed and delivered, all without preference, priority or distinction (other than with respect to maturity, payment, prepayment or sinking fund payment (if any)) of any one Certificate, including Additional Certificates, over any other; provided, however, that no provision of the Trust Agreement will require the District to consent to or otherwise permit the preparation, execution and delivery of Additional Certificates, it being understood and agreed that any such consent or other action of the District to permit the preparation, execution and delivery of Additional Certificates, or lack thereof, will be in the sole discretion of the District.

PROJECT FUND

Establishment of Project Fund. The Trustee will establish a special fund designated as the “Perris Union High School District 2019 Certificates of Participation (School Financing Project) Project Fund,” referred to in the Trust Agreement as the “Project Fund”; will keep the Project Fund separate and apart from all other funds and moneys held by it; and will administer such fund as provided in the Trust Agreement. The Project Fund will be held and applied by the Trustee in accordance therewith.

Purpose. Moneys in the Project Fund will be expended for Project Costs and Delivery Costs.

Deposit of Moneys; Payment of Project Costs and Delivery Costs.

(a) **Deposits.** There will be credited to the Project Fund the following amounts: (1) the proceeds of sale of the Certificates required to be deposited therein pursuant to the Trust Agreement; (2) all investment earnings on moneys held in the various accounts of the Project Fund, which will remain in the account of the Project Fund which generated such earnings until expended or applied to the prepayment of Certificates, as described in the Trust Agreement; and (3) any other deposits made to the Project Fund by the District.

(b) **Disbursements.** The Trustee will disburse moneys in the Project Fund from time to time to pay Project Costs directly or to reimburse the District for payment of Project Costs, upon receipt (either by mail or by facsimile transmission) by the Trustee of a Project Cost Requisition signed by the District Representative. The Trustee will disburse moneys from the Project Fund to pay Delivery Costs or to reimburse the District for payment of such Delivery Costs upon receipt by the Trustee of a Delivery Cost Requisition signed by the District Representative. The Trustee will be absolutely protected in making any such disbursements in reliance upon a Project Cost Requisition or Delivery Cost Requisition, as applicable, signed by the District Representative. Each such Project Cost or Delivery Cost Requisition signed by the District Representative will be sufficient evidence to the Trustee of the facts stated therein and the Trustee will have no duty to confirm the accuracy of such facts.

Transfers of Unexpended Proceeds. Upon the filing with the Trustee of the Certificate of Completion pursuant to the Lease, the Trustee will withdraw all remaining moneys in the Project Fund (other than any moneys retained therein to pay Project Costs not then due and payable and certified by the District Representative) and will either transfer such moneys to the Lease Payment Fund to be applied to the payment of principal and interest evidenced by the Certificates as prescribed in the Trust Agreement, or at the written election of the District, will transfer such moneys to the Prepayment Fund to be applied to the prepayment of Certificates as described in the Trust Agreement or to the District for the purpose of capital expenditures of the District and, following final disbursement of any moneys retained in the Project Fund as described above, will close the Project Fund.

LEASE PAYMENTS; LEASE PAYMENT FUND

Security Provisions.

(a) Assignment of Rights in Lease and Site Lease. The Corporation has, pursuant to the Assignment Agreement, assigned and set over to the Trustee certain of its rights in the Lease and Site Lease, including but not limited to all of the Corporation's rights to receive and collect all of the Lease Payments, Reserve Replenishment Rent, Prepayments and all other amounts required to be deposited in the Lease Payment Fund pursuant to the Lease and the Site Lease or pursuant to the Trust Agreement. All such Lease Payments, Reserve Replenishment Rent, Prepayments and such other amounts to which the Corporation may at any time be entitled (other than amounts due to the Corporation under the Lease) will be paid directly to the Trustee, and all of the Lease Payments, Reserve Replenishment Rent and Prepayments collected or received by the Corporation will be deemed to be held and to have been collected or received by the Corporation as the agent of the Trustee and if received by the Corporation at any time will be deposited by the Corporation with the Trustee within five Business Days after the receipt thereof, and all such Lease Payments will be forthwith deposited by the Trustee upon the receipt thereof in the Lease Payment Fund, and all such Prepayments will be forthwith deposited by the Trustee upon the receipt thereof in the Prepayment Fund, and all such Reserve Replenishment Rent will be forthwith deposited by the Trustee upon receipt thereof in the applicable Series Accounts of the Reserve Fund.

(b) Security Interest in Moneys and Funds. The Corporation and the District, as their interests may appear, have granted to the Trustee for the benefit of the Owners a lien on and a security interest in all moneys in the funds held by the Trustee under the Trust Agreement (excepting only the Project Fund and Rebate Fund), including without limitation, the Lease Payment Fund, the Reserve Fund (including payments of Reserve Replenishment Rent pursuant to the Trust Agreement), the Prepayment Fund, the Project Fund and the Net Proceeds Fund, and all such moneys will be held by the Trustee in trust and applied to the respective purposes specified therein and in the Lease.

(c) Pledge of Lease Payments and Lease Proceeds. The Lease Payments and any Lease Proceeds are have been irrevocably pledged pursuant to the Trust Agreement to and will be used for the punctual payment of the interest and principal represented by the Certificates and the Lease Payments and Lease Proceeds will not be used for any other purpose while any of the Certificates remain Outstanding. The pledge contained in the Trust Agreement and summarized in this subsection will constitute a first lien on the Lease Payments and Lease Proceeds in accordance with the terms thereof, subject to the Lease.

Establishment of Lease Payment Fund. The Trustee will establish a special fund designated as the "Perris Union High School District 2019 Certificates of Participation (School Financing Project) Lease Payment Fund." All moneys at any time, from whatever sources deposited by the Trustee in the Lease Payment Fund will be held by the Trustee in trust for the benefit of the Owners of the Certificates. So long as any Certificates are Outstanding, neither the District nor the Corporation will have any beneficial right or interest in the Lease Payment Fund or the moneys deposited therein, except only as provided in the Trust Agreement, and such moneys will be used and applied by the Trustee as thereafter set forth.

Deposits. There will be deposited in the Lease Payment Fund all Lease Payments and in the Prepayment Fund all Prepayments received by the Trustee, including any moneys received by the Trustee for deposit therein pursuant to the Lease, and any other moneys required to be deposited therein pursuant to the Lease, including without limitation provisions of the Lease regarding proceeds of rental interruption insurance or pursuant to the Trust Agreement, which moneys will be applied as a credit towards any Lease Payment then due.

Application of Moneys. Except as provided in the Trust Agreement, all amounts in the Lease Payment Fund will be used and withdrawn by the Trustee solely for the purpose of paying the principal and interest with respect to the Certificates as the same will become due and payable, in accordance with the provisions of the Trust Agreement, subject to the requirement that certain investment earnings may be transferred to the Rebate Fund, as provided in the Trust Agreement.

On each Certificate Payment Date, the Trustee first will set aside in the Lease Payment Fund an amount sufficient to pay the interest evidenced by the Certificates becoming due and payable on such date, and wire such amount to the Owners; and second will set aside an amount sufficient to pay the principal evidenced by the Certificates becoming due and payable on such Certificate Payment Date.

Surplus. Any funds remaining in the Lease Payment Fund after payment of all Certificates Outstanding, including payment of any applicable fees, expenses or other amounts owed to the Trustee pursuant to the Trust Agreement, amounts due to the Insurer or the Reserve Insurer, and any other Additional Payments due under the Lease, or provision made therefor satisfactory to the Trustee, and provision for any amounts required to be transferred to the Rebate Fund pursuant to the Trust Agreement, will be withdrawn by the Trustee and remitted to the District.

RESERVE FUND

Establishment of Reserve Fund. The Trustee will establish a special fund designated as the “Perris Union High School District 2019 Certificates of Participation (School Financing Project) Reserve Fund,” referred to therein as the “Reserve Fund.” Within such Reserve Fund, the Trustee shall establish an account for the 2019 Certificates referred to herein as the “2019 Certificates Reserve Account” and, upon the issuance of any Series of Additional Certificates, shall establish a separate account for such Series within the Reserve Fund (each such account, including the 2019 Certificates Reserve Account, a “Series Account of the Reserve Fund.” All moneys at any time on deposit in a Series Account of the Reserve Fund (including any Reserve Facility thereafter provided to satisfy the Reserve Requirement for the applicable Series in whole or in part) will be held by the Trustee in trust for the benefit of the Owners of the Certificates of such Series, as a reserve for the payment when due of all the portions of the Lease Payments attributable to such Series to be paid pursuant to the Lease and of all payments with respect to the Certificates of such Series and applied solely as provided therein. The Owners of Certificates of a Series shall have no interest or claim to amounts on deposit in a Series Account of the Reserve Fund for any other Series of Certificates.

Funding.

(a) **Reserve Requirement.** There will be maintained in each Series Account of the Reserve Fund an amount equal to the Reserve Requirement for the applicable Series. Notwithstanding the foregoing, in the event of a partial prepayment or defeasance of the Certificates of a Series, the Reserve Requirement for such Series will thereafter be determined by the District and communicated to the Trustee in writing and any funds in excess of such redetermined Reserve Requirement for such Series shall be utilized as set forth in the Trust Agreement. On the Closing Date, the Reserve Policy will be deposited in the 2019 Certificates Reserve Account, making an amount available thereunder and in the 2019 Certificates Reserve Account equal to the Reserve Requirement for the 2019 Certificates. The Reserve Requirement for the 2019 Certificates may thereafter be satisfied by the District crediting to the 2019 Certificates Reserve Account moneys or, with notice to each Rating Agency and with prior written consent of the Insurer, another Reserve Facility or Facilities, or any combination thereof, which in the aggregate make funds available in such Series Account of the Reserve Fund in an amount equal to the Reserve Requirement for such Series; provided, however, the long-term unsecured debt or claim-paying ability or financial strength, as the case may be, of the provider of any such Reserve Facility, must be rated by any Rating Agency, at the time of deposit, no lower than that of the District.

The term of any Reserve Facility provided with respect to a Series will either be equal to the term of the Lease or a rollover of the Reserve Facility or other equivalent replacement will be required such that the aggregate term of all Reserve Facilities will equal the term of the Lease.

(b) **Reserve Facility.** Any amounts paid by the Reserve Insurer pursuant to the Reserve Policy and any other amounts paid pursuant to any other Reserve Facility for a Series will be deposited in the applicable Series Account of the Reserve Fund. The District may substitute moneys for all or part of the amount available to be drawn under a Reserve Facility for a Series so long as, at the time of such substitution, the amount on deposit in the applicable Series Account of the Reserve Fund, together with the amount available under all Reserve Facilities for such Series (taking into account any reduction in the amount available under such Reserve Facility to be made in connection with said substitution) will be at least equal to the Reserve Requirement for such Series. The District will not substitute any Reserve Facility for the 2019 Certificates in lieu of all or any portion of moneys on deposit in the 2019 Certificates Reserve Account without the prior written consent of the Insurer (so long as the Insurer is not in default in its payment obligations under the Insurance Policy).

Amounts on deposit in the 2019 Certificates Reserve Account which are not derived from payments under the Reserve Policy or any other Reserve Facility credited to the 2019 Certificates Reserve Account to satisfy a portion of the Reserve Requirement for the 2019 Certificates will be used and withdrawn by the Trustee prior to using and withdrawing any amounts derived from payments under the Reserve Policy or any other Reserve Facility. In order to accomplish such use and withdrawal of such amounts not derived from payments under the Reserve Facility, the Trustee will, as and to the extent necessary, liquidate any investments purchased with such amounts.

(c) Delinquent Lease Payments. If there are no amounts currently due with respect to a Series to (i) the Reserve Insurer under the Reserve Policy or (ii) the provider of any other Reserve Facility, and the sum of the amount on deposit in the applicable Series Account of the Reserve Fund, plus the amount available under any Reserve Facilities for such Series, shall be reduced below the Reserve Requirement for such Series, the first payments of Lease Payments attributable to such Series thereafter payable by the District and not needed to pay interest and principal components of Lease Payments attributable to such Series payable to the applicable Certificate Owners on the next Certificate Payment Date will be used to first, reimburse the Reserve Insurer and the provider of any other Reserve Facility for such Series for any repayment obligation owing thereto for any draw on such other Reserve Facility to the applicable Series Account of the Reserve Fund and second, to increase the balance in to the applicable Series Account of the Reserve Fund to an amount which, when added to the amount available under to the applicable Series Account of the Reserve Policy and any other Reserve Facilities for the applicable Series, is equal to the Reserve Requirement for such Series.

(d) Certain Net Proceeds. Net Proceeds of rental interruption insurance will be deposited as provided in the Lease and the Trust Agreement.

(e) Reserve Replenishment Rent. Any Reserve Replenishment Rent payable pursuant to the Lease will be deposited in the Reserve Fund, or paid to the Insurer or other provider of a Reserve Facility, as applicable. Such Reserve Replenishment Rent shall be distributed pro rata among all of the Series Accounts of the Reserve Fund according to the amounts then due to restore each Series Account of the Reserve Fund to the Reserve Requirement for the applicable Series.

Transfers of Excess. The Trustee will, on or before March 15 and September 15 of each year, provide written notice to the District of any moneys which are estimated to be on hand in any Series Account of the Reserve Fund (including investment earnings) in excess of the Reserve Requirement for the applicable Series on the next succeeding April 1 or October 1, as the case may be, and three (3) Business Days immediately preceding any Lease Payment Date, the Trustee will transfer such excess moneys to the Lease Payment Fund to be applied to the Lease Payment then due from the District. In the event of a partial prepayment or defeasance of Certificates of a Series, a proportionate amount in the applicable Series Account of the Reserve Fund (determined on the basis of the principal evidenced by Certificates of such Series to be prepaid or redeemed, and the original aggregate principal evidenced by the Certificates of such Series, but not in excess of the amount of funds available as a result of the re-determination of the Reserve Requirement for such Series as summarized in “—Reserve Requirement” above) will, at the direction of the District, be applied to the prepayment or defeasance of Certificates of such Series as provided in the Trust Agreement.

The transfers described above are in each case subject to the requirement that if the Certificate proceeds will have become subject to the arbitrage rebate provisions of Section 148(f) of the Code as described in the Trust Agreement then certain investment earnings are to be transferred to the Rebate Fund at the direction of the District as provided in the Trust Agreement.

Application of Reserve Fund in Event of Deficiency in Lease Payment Fund.

(a) With respect to the 2019 Certificates, at least five (5) Business Days immediately preceding any Certificate Payment Date, the Trustee will ascertain the necessity for a claim under the Reserve Policy in accordance with the terms thereof, and shall provide notice to the Reserve Insurer at least five (5) Business Days prior to each date upon which interest or principal is due with respect to the Certificates. With respect to a Series of Additional Certificates, the Trustee shall ascertain the necessity for a claim under the applicable Reserve Facility in accordance with the terms hereof, and shall provide notice to the provider of the applicable Reserve Facility as provided in the applicable Supplemental Trust Agreement.

(b) Whether or not Lease Payments are then in abatement, if three (3) Business Days immediately preceding any Certificate Payment Date, the moneys available in the Lease Payment Fund do not equal the amount of the principal and interest with respect to the Certificates then coming due and payable, the Trustee will (i) first allocate the amount of the shortfall in the Lease Payment Fund as of such date among the outstanding Series of Certificates pro rata according to the aggregate payment amount due on such Certificate Payment Date with respect to each Series, (ii) then apply the moneys available in each Series Account of the Reserve Fund to make delinquent Lease Payments attributable to the applicable Series on behalf of the District by transferring the amount necessary for such purpose to the Lease Payment Fund. All cash and investments in a Series Account of the Reserve Fund for a Series will be transferred to the Lease Payment Fund before any drawing will be made on the Reserve Policy or any other Reserve Facility for such Series. The Trustee will take whatever action is necessary to liquidate or draw upon investments of funds held in a Series Account of the Reserve Fund or draw upon the applicable Reserve Facility securing such Series Account of the Reserve Fund to make such funds available for application as provided thereunder on the Certificate Payment Date.

(c) Draws on all Reserve Facilities for a Series (including the Reserve Policy) on which there is Available Coverage will be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the applicable Series Account of the Reserve Fund.

(d) The Trustee will repay any draws under the Reserve Policy (including interest accrued thereon at the Late Payment Rate) from Reserve Replenishment Rent paid by the District pursuant to the Lease. The Trustee will also pay all related reasonable Administrative Costs incurred by the Reserve Insurer (including interest accrued thereon at the Late Payment Rate), and all other Policy Costs, from Additional Payments paid by the District pursuant to the Lease.

(e) Repayment of Policy Costs will commence in the first month following each draw, and each such monthly payment will be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw. Payment of any Policy Costs and reimbursements of amounts with respect to other Reserve Facilities will be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Fund.

(f) Amounts in respect of Policy Costs paid to the Reserve Insurer will be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the Reserve Insurer on account of principal due, the coverage under the Reserve Policy will be increased by a like amount, subject to the terms of the Reserve Policy.

(g) If the District shall fail to pay any Policy Costs in accordance with the requirements of the Trust Agreement, the Reserve Insurer will be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Trust Agreement other than remedies which would adversely affect Owners of the Certificates. The Trust Agreement and the Lease will not be discharged or terminated until all Policy Costs owing the Reserve Insurer shall have been paid in full. The obligation to pay such amounts will expressly survive the payment in full of the Certificates.

(h) The District agrees that failure to pay any Administrative Costs on a timely basis will result in the accrual of interest on the unpaid amount at the Late Payment Rate, compounded semi-annually, from the date that payment is first due to the Reserve Insurer or until the date that the Reserve Insurer is paid in full.

Trustee to Make All Lease Payments. If on any Certificate Payment Date the moneys on deposit in the Reserve Fund and the Lease Payment Fund (excluding amounts required for payment of principal or interest with respect to Certificates not presented for payment) are sufficient to pay all Outstanding Certificates, including all principal, interest and prepayment premiums (if any), the Trustee will, upon the written direction of the District Representative, transfer all amounts in the Reserve Fund to the Lease Payment Fund to be applied to the payment of the Lease Payments or Prepayments on behalf of the District and such moneys will be distributed to the Owners of Certificates in accordance with the Trust Agreement. Any amounts remaining in the Reserve Fund upon payment in full of all Outstanding Certificates and the Trustee's fees and expenses pursuant to the Trust Agreement and any other Additional Payments due under the Lease, or upon provision for such payments as provided in the Trust Agreement and provisions for any amounts required to be transferred to the Rebate Fund pursuant to the Trust Agreement, will at the written direction of the District, be withdrawn by the Trustee and paid to the District.

NET PROCEEDS FUND

Establishment of Net Proceeds Fund; Deposits. The Trustee will establish when required a special fund designated as the “Perris Union High School District 2019 Certificates of Participation (School Financing Project) Net Proceeds Fund,” referred to therein as the “Net Proceeds Fund,” to be maintained and held in trust for the benefit of the Owners, subject to disbursement therefrom as provided therein. The Trustee will deposit Net Proceeds in the Net Proceeds Fund as provided in the Lease.

Disbursements.

(a) **Casualty Insurance.** The Trustee will disburse Net Proceeds for replacement or repair of the Property as provided in the Lease, or transfer such proceeds to the Prepayment Fund upon notification of the District Representative as provided in the Lease. Pending such application, such Net Proceeds may be invested by the Trustee as directed by the District in Permitted Investments that mature not later than such times moneys are expected to be needed to pay such costs of repair or replacement. After all of the Certificates have been paid and the entire amount of principal and interest with respect to the Certificates has been paid in full, or provision made for payment satisfactory to the Trustee, including provision for all amounts required to be transferred to the Rebate Fund pursuant to the Trust Agreement, the Trustee will pay any remaining moneys in the Net Proceeds Fund to the District after payment of any amounts due to the Trustee pursuant to the Trust Agreement and any other Additional Payments due under the Lease.

(b) **Title Insurance.** Proceeds of any policy of title insurance received by the Trustee with respect to the Property will be applied and disbursed by the Trustee upon the written request of the District as follows:

(i) If the District determines that the title defect giving rise to such proceeds has not substantially interfered with its use and occupancy of the Property and will not result in an abatement of Lease Payments and Additional Payments payable by the District under the Lease (such determination to be certified by the District in writing), such proceeds will be remitted to the District and used for any lawful purpose thereof; or

(ii) If the District determines that the title defect giving rise to such proceeds has substantially interfered with its use and occupancy of the Property and will result in an abatement of Lease Payments and Additional Payments payable by the District under the Lease, then the Trustee will (with the prior written consent of the Insurer), immediately deposit such proceeds in the Prepayment Fund and such proceeds will be applied to the prepayment of Certificates in the manner provided in the Trust Agreement.

Cooperation. The Corporation and the Trustee will cooperate fully with the District at the expense of the District in filing any proof of loss with respect to any insurance policy maintained pursuant to the Lease and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Property or any item or portion thereof; provided, however, the Trustee will not be obligated to take any action thereunder if it is not indemnified to its satisfaction from and against any liability or expense arising therefrom.

MONEYS IN FUNDS; INVESTMENT

Held in Trust. The moneys and investments held by the Trustee under the Trust Agreement (other than the Project Fund and the Rebate Fund) are irrevocably held in trust for the benefit of the Owners and, in the case of the Rebate Fund, for payment as required to the United States Treasury, and for the purposes therein specified, and such moneys, and any income or interest earned thereon, will be expended only as provided in the Trust Agreement, and will not be subject to levy or attachment or lien by or for the benefit of any creditor of the Corporation, the Trustee or the District, or any of them.

Investments Authorized.

(a) By Trustee. Subject to the further provisions of the Trust Agreement, moneys held by the Trustee thereunder will be invested and reinvested on maturity by the Trustee pursuant to the Trust Agreement. The Trustee will report any such investments to the District on a monthly basis in its regular statements. Such investments and reinvestments will be made giving full consideration for the time at which funds are required to be available based upon information supplied by the District.

Investments purchased with funds on deposit in the Lease Payment Fund and Prepayment Fund will mature not later than the Certificate Payment Date or prepayment date, as appropriate, immediately succeeding the investment. Investments purchased with funds on deposit in the Delivery Costs Fund will not mature later than the dates upon which such funds will be needed to be expended for the payment of Delivery Costs.

(b) Upon Direction of the District. The District Representative will direct by facsimile or electronic mail such investment in specific Permitted Investments not less than two Business Days prior to the date that such Permitted Investment is to take effect, confirmed by written order filed with the Trustee. In the event that the District Representative does not so direct the Trustee, the Trustee will invest in the Permitted Investments described in paragraph (b)(vi) of the definition thereof contained in the Trust Agreement and summarized under the heading "DEFINITIONS – Permitted Investments" hereof.

(c) Registration. Such investments, if registerable, will be registered in the name of the Trustee for the benefit of the Owners and held by the Trustee or its nominee.

(d) Trustee as Purchaser or Agent. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by the Trust Agreement. The Trustee may act as purchaser or agent in the making or disposing of any investment. The Trustee or any of its affiliates may act as a sponsor of, or as an advisor to any provider of, Permitted Investments thereunder. The District has acknowledged 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 Trustee will furnish the District periodic cash transaction statements which include detail for all investment transactions made by the Trustee thereunder.

(e) Trustee Standard of Care. Except as otherwise provided in the Trust Agreement, the Trustee will not be responsible or liable for any loss suffered in connection with any investment of funds or sale of such investment made by it in accordance with the Trust Agreement or disposition made by it in accordance with the Trust Agreement.

Disposition of Investments. Any income, profit or loss on the investment of moneys held by the Trustee thereunder will be credited to the respective fund for which it is held, except as otherwise provided in the Trust Agreement.

Accounting. The Trustee will furnish to the District, not less than monthly, an accounting (which may be in the form of its regular statements) of all investments made by the Trustee and all funds and amounts held by the Trustee; provided, that the Trustee will not be obligated to deliver an accounting for any fund or account that (i) has a balance of zero and (ii) has not had any activity since the last reporting date. The Trustee will keep accurate records of all funds administered by it and of all Certificates paid and discharged.

Valuation and Disposition of Investments.

(a) Valuation. For the purpose of determining the amount in any fund, all Permitted Investments (except investment agreements) credited to such fund will be valued at the lower of the cost or the market price, exclusive of accrued interest. With respect to all funds and accounts, investments will be valued by the Trustee (i) not less often than annually, and as otherwise directed by the District, and (ii) upon a draw on the Reserve Fund. In making any such valuations, the Trustee may utilize, and conclusively rely upon, such valuation services as may be available to the Trustee, including those within its regular accounting system.

(b) Disposition. Subject to the provisions of the Trust Agreement, the Trustee will sell, or present for prepayment, any Permitted Investment so purchased by the Trustee whenever it will be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited.

Commingling of Moneys in Funds. The Trustee may, and upon the written request of the District Representative will, commingle any of the funds held by it pursuant to the Trust Agreement into a separate fund or funds for investment purposes only; provided, however, that all funds or accounts held by the Trustee thereunder will be accounted for separately notwithstanding such commingling by the Trustee. The District will ensure that any such commingling complies with Section 1.148-4 of the Treasury Regulations, and will provide direction to the Trustee accordingly.

THE TRUSTEE

Appointment of Trustee.

(a) Appointment. U.S. Bank National Association, a national banking association organized under the laws of the United States of America, has been appointed as Trustee by the Corporation and the District.

(b) Qualifications. The Corporation and the District have agreed that they will maintain a Trustee having a principal office in New York, New York, San Francisco, California or Los Angeles, California capable of exercising trust powers in the State of California, with a combined capital (exclusive of borrowed capital) and a surplus of at least Seventy-Five Million Dollars (\$75,000,000), or be a member of a bank holding company system, which will have a combined capital and surplus of at least Seventy-Five Million Dollars (\$75,000,000), and subject to supervision or examination by federal or state authority, so long as any Certificates are Outstanding. If such bank, national banking association or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to then for the purpose of the Trust Agreement the combined capital and surplus of such bank, national banking association or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(c) Removal. So long as there is no Event of Default then in effect, the District (with the prior written consent of the Insurer) may remove the Trustee initially appointed, and any successor thereto, and may appoint a successor or successors thereto.

(d) Resignation. The Trustee may, upon prior written notice to the District, the Insurer and the Corporation, resign; provided that such resignation will not take effect until the successor Trustee is appointed as provided in the Trust Agreement. Upon receiving such notice of resignation, the District will promptly appoint a successor Trustee. In the event the District does not name a successor Trustee within thirty (30) days of receipt of notice of the Trustee's resignation, then the Trustee may petition a court of suitable jurisdiction to seek the immediate appointment of a successor Trustee.

(e) Successor. Any successor Trustee will be acceptable to the Insurer and will be a bank, national banking association or trust company meeting the qualifications as set forth in the Trust Agreement. Any resignation or removal of the Trustee and appointment of a successor Trustee will become effective upon acceptance of appointment by the successor Trustee. Upon such acceptance, the successor Trustee will mail notice thereof to (i) the District, the Corporation and the Insurer and (ii) the Owners at their respective addresses set forth on the Certificate registration books maintained pursuant to the Trust Agreement.

Merger or Consolidation. Any company or banking association into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it will be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company will be eligible under the Trust Agreement, will be the successor to the Trustee without the execution or filing of any paper or further act, anything therein to the contrary notwithstanding.

Protection of the Trustee.

(a) Reliance Upon Papers or Documents. The Trustee will be protected and will incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, facsimile transmission, electronic mail, request, consent, direction, waiver, certificate, statement, affidavit, voucher, bond, requisition or other paper or document which it will in good faith believe to be genuine and to have been passed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of the Trust Agreement, and the Trustee will be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may, in the absence of bad faith on its part, accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements.

The Trustee has agreed to accept and act upon instructions or directions pursuant to the Trust Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate will be amended and replaced whenever a person is to be added or deleted from the listing. If the District elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions will be deemed controlling. The Trustee will not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The District has agreed to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

(b) Reliance Upon Opinions of Counsel. The Trustee may consult with counsel, who may be counsel to the District, with regard to legal questions and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered by it thereunder in good faith in accordance therewith. Before being required to take any action, the Trustee may require an opinion of Independent Counsel acceptable to the Trustee which opinion will be made available to the other parties thereto upon request, which counsel may be counsel to any of the parties thereto, or a verified certificate of any party thereto, or both, concerning the proposed action. If it does so in good faith, Trustee will be absolutely protected in relying thereon.

(c) Reliance Upon Requested Certificates. Whenever in the administration of its duties under the Trust Agreement, the Trustee will deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action thereunder, such matter (unless other evidence in respect thereof be therein specifically prescribed), in the absence of bad faith on its part, will be deemed to be conclusively proved and established by the certificate of the District Representative or the Corporation Representative and such certificate will be full warranty to the Trustee, in the absence of bad faith on its part, for any action taken or suffered under the provisions of the Trust Agreement upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Rights of the Trustee.

(a) Ownership of Certificates. The Trustee may become the Owner with the same rights it would have if it were not Trustee; may acquire and dispose of other bonds or evidence of indebtedness of the District with the same rights it would have if it were not the Trustee; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners, whether or not such committee will represent the Owners of the majority in principal amount of the Certificates then Outstanding.

(b) Attorneys, Agents, Receivers. The Trustee may execute any of the trusts or powers thereof and perform the duties required of it thereunder by or through attorneys, agents, or receivers, will not be responsible for the actions or omissions of such attorneys, agents or receivers if appointed by it with reasonable care, and will be entitled to advice of counsel concerning all matters of trust and its duty thereunder; provided that the Trustee will not assign any of its trust responsibilities without the prior written consent of the District.

(c) Funds and Accounts. In addition to the funds and accounts established or required to be established pursuant to the Trust Agreement, the Trustee may establish such additional funds and accounts as it deems necessary or appropriate to perform its duties thereunder.

Standard of Care. So long as there is no Event of Default, (a) the Trustee will not be liable in connection with the performance of its duties thereunder, except for its own negligence or willful misconduct, and (b) the Trustee will only perform those duties specifically set forth therein and no implied duties, covenants or obligations will be read into the Trust Agreement. In the event of and during the continuance of an Event of Default, the Trustee will exercise such care in performing its duties thereunder as a prudent person would exercise in the conduct of his or her affairs.

Compensation of the Trustee. As an Additional Payment under the Lease, the District will from time to time on demand, pay to the Trustee reasonable compensation for its services and the services of any accountants, consultants, attorneys and other experts as may be engaged by the Trustee to provide services under the Trust Agreement pursuant to a written agreement between the District and the Trustee, and the reimbursement for all expenses incurred in and about the performance of its powers and duties under the Trust Agreement. The District's obligation thereunder will remain valid and binding notwithstanding maturity and payment of the Certificates and resignation or removal of the Trustee.

Indemnification of Trustee. The District will, to the extent permitted by law, indemnify and save the Trustee and its officers, directors, agents, and employees harmless from and against all claims, losses, costs, expenses, liability and damages, including legal fees and expenses, arising out of (i) the use, maintenance, condition, construction or management of, or from any work or thing done on the Property or the Project by the District, (ii) any breach or default on the part of the District in the performance of any of its obligations under the Trust Agreement and any other agreement made and entered into for purposes of the Property or the Project, (iii) any act of negligence of the District or of any of its agents, contractors, servants, employees or licensees with respect to the Property or the Project, (iv) any act of negligence of any assignee of, or purchaser from, the District or of any of its or their agents, contractors, servants, employees or licensees with respect to the Property or the Project, (v) the expenditure of Delivery Costs, or (vi) the exercise and performance by the Trustee of its powers and duties thereunder or any related document, (vii) the sale of the Certificates and the carrying out of any of the transactions contemplated by the Certificates or the Trust Agreement or (viii) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made in light of the circumstances in which they were made, not misleading in any official statement or other disclosure document utilized in connection with the sale of the Certificates. The indemnification set forth in the Trust Agreement will extend to the Trustee's officers, agents, employees, successors and assigns. No indemnification will be made under the Trust Agreement or elsewhere in the Trust Agreement or other agreements for willful misconduct or negligence by the Trustee, its officers, directors, agents, employees, successors or assigns. The District's obligations thereunder will remain valid and binding notwithstanding maturity and payment of the Certificates, or the resignation or removal of the Trustee.

In accepting the trust created, the Trustee acts solely as Trustee for the Owners and not in its individual capacity, and all persons, including, without limitation, the Owners, Corporation and the District, having any claim against the Trustee arising from the Trust Agreement will look only to the funds and accounts held by the Trustee thereunder for payment, except as otherwise provided therein or where the Trustee has breached its standard of care as described in the Trust Agreement. Under no circumstances will the Trustee be liable in its individual capacity for the obligations evidenced by the Certificates.

No provision of the Trust Agreement will require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties thereunder or in the exercise of any of its rights or powers.

The Trustee will not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Certificates at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee or in the exercise of any right thereunder.

The Trustee is authorized and directed to execute in its capacity as Trustee the Assignment Agreement.

Every provision of the Trust Agreement, the Lease, the Site Lease and the Assignment Agreement relating to the conduct or liability of the Trustee will be subject to the provisions of the Trust Agreement.

The Trustee will have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Certificates.

The Trustee will not to be deemed to have knowledge of any Event of Default thereunder or under the Lease unless a Responsible Officer of the Trustee has actual knowledge thereof at its Principal Office.

The Trustee will not be considered in breach of or in default in its obligations under the Trust Agreement or progress in respect thereto in the event of an unavoidable delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

The Trustee will be under no obligation to exercise any of the rights or powers vested in it by the Trust Agreement at the request, order or direction of any of the Owners pursuant to the provisions of the Trust Agreement unless such Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein.

The Trustee may consult with counsel, who may be counsel of or to the District, with regard to legal questions, and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered by it under the Trust Agreement in good faith and in accordance with the Trust Agreement.

MODIFICATION OR AMENDMENT OF AGREEMENTS

Amendments Permitted.

(a) With Consent. The Trust Agreement, the Lease and the Site Lease, and the rights and obligations of the Corporation, the District, and the Owners thereunder, may be modified or amended at any time, by a supplemental agreement or amendment thereto which will become effective, with the prior written consent of the Insurer and the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, and with notice to each Rating Agency, exclusive of Certificates disqualified as provided in the Trust Agreement. No such modification or amendment will:

(i) extend or have the effect of extending the fixed maturity of any Certificate or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof or reducing any premium payable upon the prepayment thereof, or

(ii) reduce or have the effect of reducing the percentage of Certificates required for the affirmative vote or written consent to an amendment or modification of the Trust Agreement, the Lease, or the Site Lease, or

(iii) modify any of the rights or obligations of the Trustee without its written assent thereto, or

(iv) amend the provisions summarized under the subheading "MODIFICATION OR AMENDMENT OF AGREEMENTS – Amendments Permitted" above, without the prior written consent of the Owners of all Certificates then outstanding.

The Trustee will be furnished such Opinions of Counsel as it deems necessary concerning (i) the lack of material adverse effect of the amendment on Owners and (ii) that the amendment will not, in and of itself, affect the tax status of interest with respect to the Certificates. Any such supplemental agreement or amendments thereto shall become effective as provided in the Trust Agreement. The Trustee may rely on an Opinion of Counsel that each such amendment is authorized or permitted pursuant hereto.

(b) Without Consent. The Trust Agreement, the Lease and the Site Lease, and the rights and obligations of the Corporation, the District and the Owners thereunder, may be modified or amended at any time by a supplemental agreement or amendments thereto, with notice to each Rating Agency, and without the consent of any such Owners, but with the prior written consent of the Insurer, only to the extent permitted by law, and only:

- (i) to add to the covenants and agreements of the District and the Corporation thereunder,
- (ii) to cure, correct or supplement any ambiguous or defective provision contained therein,
- (iii) in regard to matters arising thereunder, as the parties thereto may deem necessary or desirable (which may be based upon opinions as provided in the Trust Agreement), will not adversely affect the interest of the Owners,
- (iv) to substitute the Property, or a portion thereof, in accordance with the Lease,
- (v) to make such additions, deletions or modifications as may be necessary or appropriate to assure the exclusion from gross income for federal income tax purposes of the interest component of Lease Payments and the interest payable with respect to the Certificates,
- (vi) to add to the rights of the Trustee,
- (vii) to maintain the rating or ratings assigned to the Certificates, or
- (viii) to provide for the execution and delivery of Additional Certificates in accordance with the provisions of the Trust Agreement.

No such modification or amendment, however, will modify any of the rights or obligations of the Trustee without its written assent thereto. Any such supplemental agreement will become effective upon execution and delivery by the parties thereto as the case may be. The Trustee may rely upon an opinion of counsel that each amendment is authorized or permitted by the Trust Agreement

Procedure for Amendment with Written Consent of the Owners. The Trust Agreement, the Site Lease or the Lease may be amended by supplemental agreement as provided in the Trust Agreement in the event the consents of (i) the Insurer and (ii) the Owners is required pursuant to the Trust Agreement. Such supplemental agreement, together with a request to the Owners for their consent thereto, will be mailed by the Trustee to each Owner of a Certificate at his or her address as set forth in the Certificate registration books maintained pursuant to the Trust Agreement, but failure to receive copies of such supplemental agreement and request so mailed will not affect the validity of the supplemental agreement when assented to as in the Trust Agreement provided.

Such supplemental agreement will not become effective unless there will be filed with the Trustee the written consent of the Owners of at least a majority in aggregate principal amount of the Certificates then Outstanding (exclusive of Certificates disqualified as provided in the Trust Agreement) and notices will be mailed as thereafter in the Trust Agreement provided. Any such consent will be binding upon the Owner of the Certificate giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice thereafter in the Trust Agreement provided for has been mailed.

After the Owners of the required percentage of Certificates shall have filed their consent to such supplemental agreement, the Trustee will mail a notice to the Owners of the Certificates in the manner provided in the Trust Agreement for the mailing of such supplemental agreement, stating in substance that such supplemental agreement has been consented to by the Owners of the required percentage of Certificates and will be effective as provided in the Trust Agreement (but failure to mail copies of said notice will not affect the validity of such supplemental agreement or consents thereto). A record, consisting of the papers required by the Trust Agreement to be filed with the Trustee, will be proof of the matters therein stated until the contrary is proved. The Trustee may obtain and conclusively rely on an opinion of counsel with regard to such matters.

Disqualified Certificates. Certificates owned or held by or for the account of the District or the Corporation or by any person directly or indirectly controlled or controlled by, or under direct or indirect common control with the District or the Corporation (except any Certificates held in any pension or retirement fund) will not be deemed Outstanding for the purpose of any vote, consent, waiver or other action or any calculation of Outstanding Certificates provided for in the Trust Agreement, and will not be entitled to vote upon, consent to, or take any other action provided for in the Trust Agreement. Upon request of the Trustee, the District and the Corporation will specify in a certificate to the Trustee those Certificates disqualified pursuant to the Trust Agreement and the Trustee may conclusively rely on such certificate.

The District or the Trustee may adopt appropriate regulations to require each Owner, before his or her consent provided for in the Trust Agreement will be deemed effective, to reveal if the Certificates as to which such consent is given are disqualified as provided in the Trust Agreement.

Effect of Supplemental Agreement. From and after the time any supplemental agreement becomes effective pursuant to the Trust Agreement, the Trust Agreement or the Lease, as the case may be, will be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties thereto and all Owners of Certificates Outstanding, as the case may be, will thereafter be determined, exercised and enforced thereunder subject in all respects to such modification and amendment, and all the terms and conditions of any supplemental agreement will be deemed to be part of the terms and conditions of the Trust Agreement or the Lease, as the case may be, for any and all purposes.

Endorsement or Replacement of Certificates Delivered After Amendments. The Trustee may determine that Certificates delivered after the effective date of any action taken as provided in the Trust Agreement will bear a notation, by endorsement, in form approved by the District, as to such action. In that case, upon demand of the Owner of any Outstanding Certificate at such effective date and presentation of his or her Certificate for such purpose at the Principal Office, a suitable notation will be made on such Certificate. The District may determine that new Certificates, so modified as in the opinion of the District is necessary to conform to such Owner's action, will be prepared, executed and delivered. In that case, upon demand of the Owner of any Certificate then Outstanding, such new Certificate will be exchanged in the Principal Office without cost to such Owner, for a Certificate of the same character then Outstanding, upon surrender of such Certificate.

Amendatory Endorsement of Certificates. Subject to the Trust Agreement, the provisions of the Trust Agreement will not prevent an Owner from accepting any amendment as to the particular Certificates held by him, provided that due notification thereof is made on such Certificates.

Copies of Amendments Delivered to Moody's and S&P. Copies of any modifications or amendments to the Trust Agreement, the Lease, the Site Lease or the Assignment Agreement will be delivered by the District to Moody's and S&P at least 10 days prior to the effective date thereof.

COVENANTS; NOTICES

Compliance With and Enforcement of the Lease. The District has covenanted and agreed with the Owners and the Insurer to perform all obligations and duties imposed on it under the Lease. The Corporation has covenanted and agreed with the Owners to perform all obligations and duties imposed on it under the Lease.

The District will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation or termination of the Lease by the Corporation thereunder. The Corporation and the District, immediately upon receiving or giving any notice, communication or other document in any way relating to or affecting their respective estates, or either of them, in the Property, which may or can in any manner affect such estate of the District, will deliver the same, or a copy thereof, to the Trustee.

Payment of Taxes. The District will pay all taxes as provided in the Lease.

Observance of Laws and Regulations. The District will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States of America, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the District, including its right to exist and carry on business as a school district, to the end that such rights, privileges and franchises will be maintained and preserved, and will not become abandoned, forfeited or in any manner impaired.

Prosecution and Defense of Suits. The District will promptly, and also upon request of the Trustee, the Insurer or any Owner, from time to time take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Property, whether now existing or hereafter developing and will prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and will indemnify and save the Trustee, and every Owner harmless from all loss, cost, damage and expense including reasonable attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

District Budgets. In accordance with the Lease, the District Representative will certify to the Trustee on or before July 1 of each year that the District has included all Lease Payments (other than Lease Payments of advance rental), Reserve Replenishment Rent and Additional Payments due under the Lease in the Fiscal Year covered by its annual budget and the amount so included. If the District fails to certify that it has included all such Lease Payments, Reserve Replenishment Rent and Additional Payments in such annual budget, the Trustee will promptly provide the District written notice specifying that the District has failed to observe and perform its covenant and agreement in the Lease and requesting that such failure be remedied within 30 days, or such failure will constitute an Event of Default under the Lease. The Trustee will forward a copy of such notice to the Corporation and the Insurer. Upon receipt of such notice, the District will notify the Trustee of the proceedings proposed to be taken by the District, and will keep the Trustee advised of all proceedings thereafter taken by the District.

Further Assurances. The Corporation and the District will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Trust Agreement, and for the better assuring and confirming unto the Owners and the Insurer the rights and benefits provided therein.

Continuing Disclosure. The District has covenanted that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Trust Agreement, failure of the District to comply with the Continuing Disclosure Certificate will not be considered an Event of Default or an event of default thereunder; however, any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under the Trust Agreement and the Continuing Disclosure Certificate.

LIMITATION OF LIABILITY

Limited Liability of the District. Except for the payment of Lease Payments, Reserve Replenishment Rent, Additional Payments and Prepayments when due in accordance with the Lease and the performance of the other covenants and agreements of the District contained therein and in the Lease, the District will have no obligation or liability to any of the other parties or to the Owners with respect to the Trust Agreement or the terms,

execution, delivery or transfer of the Certificates, or the distribution of Lease Payments to the Owners by the Trustee.

No Liability of the District or Corporation for Trustee Performance. Except as expressly provided therein, neither the District nor the Corporation will have any obligation or liability to any other parties or to the Owners with respect to the performance by the Trustee of any duty imposed upon it under the Trust Agreement.

Limited Liability of Trustee.

(a) No Investment Advice. The Trustee will have no obligation or responsibility for providing information to the Owners concerning the investment character of the Certificates.

(b) Sufficiency of the Trust Agreement or Lease Payments. The Trustee makes no representations as to the validity or sufficiency of the Certificates, will incur no responsibility in respect thereof, other than in connection with the duties or obligations therein or in the Certificates assigned to or imposed upon it. The Trustee will not be responsible for the sufficiency or enforceability of the Lease, the Site Lease or the Assignment Agreement. The Trustee will not be liable for the sufficiency or collection of any Lease Payments or other moneys required to be paid to it under the Lease (except as provided in the Trust Agreement), its right to receive moneys pursuant to said Lease, or the value of or title to the Property.

(c) Actions of Corporation and the District. The Trustee will have no obligation or liability to any of the other parties or the Owners with respect to the Trust Agreement or failure or refusal of any other party to perform any covenant or agreement made by any of them under the Trust Agreement or the Lease, but will be responsible solely for the performance of the duties and obligations expressly imposed upon it thereunder as provided in the Trust Agreement.

(d) Recitals and Agreements of Corporation and the District. The recitals of facts, covenants and agreements therein and in the Certificates contained will be taken as statements, covenants and agreements of the District or the Corporation (as the case may be), and the Trustee assumes no responsibility for the correctness of the same.

Limitation of Rights to Parties and Certificate Owners. Nothing in the Trust Agreement or in the Certificates expressed or implied is intended or will be construed to give any person other than the District, the Corporation, the Trustee, the Insurer, any other provider of a Reserve Facility and the Owners, any legal or equitable right, remedy or claim under or in respect of the Trust Agreement or any covenant, condition or provision thereof; and all such covenants, conditions and provisions are and will be for the sole and exclusive benefit of the District, the Corporation, the Trustee, the Insurer, any other provider of a Reserve Facility and the Owners.

No Liability of the Corporation to the Owners. Except as expressly provided therein, the Corporation will not have any obligation or liability to the Owners with respect to the payment when due of the Lease Payments by the District or with respect to the observance or performance by the District of the other agreements, conditions, and covenants imposed upon the District by the Lease or by the Trust Agreement.

EVENTS OF DEFAULT AND REMEDIES OF CERTIFICATE OWNERS

Assignment of Rights. The parties thereto acknowledge that pursuant to the Assignment Agreement the Corporation has transferred, assigned and set over to the Trustee for the benefit of the Owners, certain of the Corporation's rights under the Lease and the Site Lease.

Events of Default.

(a) Remedies. If an Event of Default will happen, then, and in each and every such case during the continuance of such Event of Default, the Trustee may exercise any and all remedies available pursuant to law or granted pursuant to the Lease, including writs of mandamus; provided, however, that notwithstanding anything

therein or in the Lease to the contrary, THERE WILL BE NO RIGHT UNDER ANY CIRCUMSTANCES TO ACCELERATE THE MATURITIES OF THE CERTIFICATES OR OTHERWISE TO DECLARE ANY LEASE PAYMENTS NOT THEN IN DEFAULT TO BE IMMEDIATELY DUE AND PAYABLE. The Lease has been incorporated by reference; provided further that so long as the Insurer shall not be in default of its payment obligations under the Policy, the Insurer will control all remedies available upon an Event of Default.

(b) Actual Knowledge. The Trustee will not be deemed to have knowledge of any Event of Default unless and until a Responsible Officer shall have actual knowledge thereof, or shall have received written notice thereof at its Principal Office.

(c) Action on Default. If an Event of Default (within the meaning of the Lease) will happen, then such Event of Default will constitute an Event of Default thereunder. The Trustee may give notice, as assignee of the Corporation, of an Event of Default under the Lease or under the Trust Agreement to the District, and will do so if directed to do so by the Insurer or Owners of not less than a majority of the aggregate principal evidenced by Certificates then Outstanding. In each and every case during the continuance of an Event of Default, the Trustee (a) may, at the direction of the Owners of not less than a majority of the aggregate principal evidenced by Certificates then Outstanding and with the consent of the Insurer, and (b) will, at the direction of the Insurer and after being indemnified to its satisfaction, upon notice in writing to the District and the Corporation, exercise any of the remedies granted to the Corporation under the Lease and may, in addition, take whatever action at law or in equity may appear necessary or desirable to enforce its rights as assignee pursuant to the Assignment Agreement or to protect and enforce any of the rights vested in the Trustee or the Owners by the Trust Agreement or by the Certificates, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement or for the enforcement of any other legal or equitable right, including any one or more of the remedies set forth in the Trust Agreement.

Application of Funds. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Trust Agreement or of the Lease, will be deposited into the Lease Payment Fund and be applied by the Trustee after payment of all amounts due and payable under the Trust Agreement and the Lease in the following order upon presentation of the several Certificates, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, Costs and Expenses: to the payment of the costs, fees and expenses of the Trustee and then of the Owners in declaring such Event of Default and in performing its duties thereunder, including reasonable compensation to its or their agents, attorneys and counsel;

Second, Interest: to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installment, and, if the amount available will not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Third, Principal: to the payment to the persons entitled thereto of the unpaid principal with respect to any Certificates which will have become due, whether at maturity or by call for prepayment, in the order of their due dates, with interest on the overdue principal and interest at a rate equal to the rate paid with respect to the Certificates and, if the amount available will not be sufficient to pay in full all the amounts due with respect to the Certificates on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference; and

Fourth, Insurance: to the extent not included in clauses First, Second and Third in the Trust Agreement and summarized above, to the payment of all amounts then due to the Insurer, the Reserve Insurer or provider of any other Reserve Facility, as certified in writing to the Trustee. The Trustee may conclusively rely on a certification of the Insurer, the Reserve Insurer or provider of any other Reserve Facility.

Institution of Legal Proceedings. If one or more Events of Default will happen and be continuing, the Trustee may, and, upon the written request of the Owners of a majority in principal amount of the Certificates then Outstanding, and upon being indemnified to its satisfaction therefor, will, proceed to protect or enforce its rights or the rights of the Owners by a suit in equity or action at law, either for the specific performance of any covenant or

agreement contained in the Trust Agreement or the Lease, or in aid of the execution of any power therein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee will deem most effectual in support of any of its rights or duties thereunder; provided that such written request will not be otherwise than in accordance with provisions of law and the Trust Agreement and that the Trustee will have the right to decline to follow any such written request if the Trustee will be advised by counsel that the action or proceeding so requested may not be taken lawfully or if the Trustee in good faith will determine that the action or proceeding so requested would be unjustly prejudicial to the Certificate Owners not a party to such written request or expose the Trustee to liability.

Non Waiver. Nothing in the Trust Agreement or in the Certificates will affect or impair the obligation of the District which is absolute and unconditional, to pay or prepay the Lease Payments or Additional Payments as provided in the Lease. No delay or omission of the Trustee or of any Owner of any of the Certificates to exercise any right or power arising upon the happening of any Event of Default will impair any such right or power or will be construed to be a waiver of any such Event of Default or an acquiescence therein, and every power and remedy given by the Trust Agreement to the Trustee or to the Owners may be exercised from time to time and as often as will be deemed expedient by the Trustee or the Owners.

Remedies Not Exclusive. No remedy therein conferred upon or reserved to the Trustee or to the Owners is intended to be exclusive of any other remedy, and every such remedy will be cumulative and will be in addition to every other remedy given thereunder or now or hereafter existing, at law or in equity or by statute or otherwise.

Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, will have taken any action, by judicial proceedings or otherwise, pursuant to its duties thereunder, whether upon its own discretion, or upon the request of the Owners of a majority in principal amount of the Certificates then Outstanding, it will have full power, in the exercise of its discretion for the best interest of the Owners of the Certificates, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee will not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of at least a majority in principal amount of the Outstanding Certificates thereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Limitation on Certificate Owners' Right to Sue. No Owner of any Certificate executed thereunder will have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Trust Agreement, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default under the Lease; (b) such Owner will, so long as the Insurer is not in default of its payment obligations under the Policy, have secured the Insurer's consent to such institution, (c) the Owners of a majority in aggregate principal amount of all the Certificates then Outstanding shall have made written request upon the Trustee to exercise the powers thereinbefore granted or to institute such action, suit or proceeding in its own name; (d) said Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (e) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (f) there shall have been a default in the payment of such Owner's proportionate interest in the Lease Payments as the same become due.

Such notification, request, tender of indemnity, refusal or omission, and default are declared, in every case, to be conditions precedent to the exercise by any Owner of any remedy thereunder; it being understood and intended that no one or more Owners will have any right in any manner whatever by his or their action to enforce any right under the Trust Agreement, except in the manner therein provided and for the equal benefit of all Owners of the Outstanding Certificates.

The right of any Owner of any Certificate to receive payment of said Owner's proportionate interest in the Lease Payments as the same become due, or to institute suit for the enforcement of such payment, will not be impaired or affected without the consent of such Owner, notwithstanding the foregoing provisions of the Trust Agreement or any other provision of the Trust Agreement.

Agreement to Pay Attorneys' Fees and Expenses. In the event any party to the Trust Agreement should default under any of the provisions thereof and the nondefaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement or observance of any obligation or agreement on the part of the defaulting party contained therein, the defaulting party has agreed that it will on demand therefor pay to the nondefaulting party the reasonable fees of such attorneys and such other expenses so incurred by the nondefaulting party.

MISCELLANEOUS

Defeasance.

(a) Methods. If and when any Outstanding Certificates will be paid and discharged in any one or more of the following ways -

(i) Payment or Prepayment: by well and truly paying or causing to be paid the principal, interest and prepayment premiums (if any) with respect to such Certificates Outstanding, as and when the same become due and payable;

(ii) Cash: prior to maturity, by depositing with the Trustee (or such other independent escrow agent as the District shall select), in trust, an amount of cash which (including cash then on deposit in the Lease Payment Fund in the event of prepayment or provision for payment of all Outstanding Certificates, and cash then on deposit Reserve Fund (in the event of prepayment or provision for payment of all Outstanding Certificates or as otherwise provided in the Trust Agreement) is fully sufficient to pay and discharge such Certificates (including all principal and interest represented thereby and prepayment premiums if any) at or before their maturity date; or

(iii) Defeasance Securities: prior to maturity, by irrevocably depositing with the Trustee (or such other independent escrow agent as the District shall select), in trust, Defeasance Securities together with cash, if required (including cash then on deposit in the Lease Payment Fund in the event of prepayment or provision for payment of all Outstanding Certificates, and cash then on deposit Reserve Fund (in the event of prepayment or provision for payment of all Outstanding Certificates or as otherwise provided in the Trust Agreement), in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon, be fully sufficient to pay and discharge such Certificates (including all principal and interest represented thereby and prepayment premiums if any) at or before their maturity date;

and all other amounts due thereunder have been paid in full, then, notwithstanding that any Certificates will not have been surrendered for payment, all obligations of the Corporation, the Trustee and the District with respect to such Certificates will cease and terminate, except only the obligation of the Trustee to pay or cause to be paid, from Lease Payments paid by or on behalf of the District from funds deposited pursuant to provisions of the Trust Agreement summarized in (i) and (iii) above, to the Owners of the Certificates not so surrendered and paid all sums due with respect thereto, and in the event of deposits pursuant to the provisions of the Trust Agreement summarized in (ii) and (iii) above, the Certificates will continue to represent direct and proportionate interests of the Owners thereof in Lease Payments under the Lease.

(b) Surplus Moneys. Any funds held by the Trustee, at the time of payment or provision for payment of all Outstanding Certificates pursuant to the one of the procedures of the Trust Agreement described in paragraphs (a)(i) through (a)(iii) above, which are not required for the payment to be made to Owners, will be paid over to the District, after the payment of any amounts due to the Trustee pursuant to the Trust Agreement, and any other Additional Payments due under the Lease.

(c) Surviving Provisions. Notwithstanding the satisfaction and discharge thereof, the Trustee will retain such rights, powers and privileges thereunder as may be necessary or convenient for the payment of the principal, interest and prepayment premium, if any, with respect to the Certificates and for the registration, transfer and exchange of the Certificates.

(d) **Opinions and Reports.** Prior to any defeasance becoming effective under the Trust Agreement, the District will cause to be delivered (i) an executed copy of a report, addressed to the Trustee, the District and the Insurer, in form and substance acceptable to the Trustee, the Insurer and the District of a nationally recognized firm of certified public accountants acceptable to the Insurer, verifying that the Defeasance Securities and cash, if any, satisfy the requirements of the Trust Agreement, (ii) a copy of the escrow deposit agreement entered into in connection with such defeasance acceptable to the Insurer, (iii) a copy of an Opinion of Counsel, dated the date of such defeasance and addressed to the Trustee, the Insurer and the District, in form and substance acceptable to the District, covering the validity and enforceability of the escrow agreement and substantially to the effect that such Certificates are no longer Outstanding under the Trust Agreement, and (iv) a certificate of discharge of the Certificates from the Trustee.

In addition, so long as the Policy is in full force and effect and the Insurer is not in default of its obligations thereunder, the escrow agreement described in the foregoing paragraph shall provide that: (a) any substitution of securities shall require: (i) the delivery of a verification report; (ii) an opinion of Special Counsel that such substitution will not, in and of itself, adversely affect the exclusion from gross income of the Certificate Owners of the interest with respect to the Certificates for federal income tax purposes; and (iii) the prior written consent of the Insurer, which consent will not be unreasonably withheld; (b) the District will not exercise any prior optional prepayment of the Certificates secured by the escrow agreement or any other prepayment other than mandatory sinking fund prepayments unless: (i) the right to make any such prepayment has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding certificates; and (ii) as a condition to any such prepayment there shall be provided to the Insurer a verification report as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such prepayment; and (c) the District shall not amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of the Insurer.

Notwithstanding any other provision therein, the Trust Agreement will not be discharged until all Policy Costs owing to the Insurer and all amounts due or to become due to the Insurer shall have been paid in full. The District's obligation to pay such amounts will expressly survive payment in full of the Certificates.

The Insurer will be entitled to receive copies of substantially final drafts of the above-referenced documents not less than five (5) Business Days prior to the funding of the escrow.

Non-Presentation of Certificates. In the event any Certificate will not be presented for payment when the principal with respect thereto becomes due, either at maturity, or at the date fixed for prepayment thereof, if moneys sufficient to pay such Certificate shall have been deposited in the Prepayment Fund or Lease Payment Fund, as applicable, all liability of the District to the Owner thereof for payment of such Certificate will forthwith cease, terminate and be completely discharged, and thereupon it will be the duty of the Trustee to hold such moneys, without liability for interest thereon, for the benefit of the Owner of such Certificate who will thereafter be restricted exclusively to such moneys, for any claim of whatever nature on his or her part under the Trust Agreement or on, or with respect to, said Certificate.

Any moneys so deposited with and held by the Trustee not so applied to the payment of interest or principal with respect to Certificates within two (2) years after the date on which the same shall have become due will be paid by the Trustee to the District, free from the trusts created by the Trust Agreement. In addition, Trustee will be indemnified from and against any and all liabilities to third parties resulting from its actions under the Trust Agreement. Thereafter, Owners will be entitled to look only to the District for payment, and then only to the extent of the amount so repaid by the Trustee. The District will not be liable for any interest on the sums paid to it pursuant to the provisions of the Trust Agreement summarized in this paragraph and will not be regarded as a trustee or trustees of such money.

Acquisition of Certificates by District. All Certificates acquired by the District, whether by purchase, gift or otherwise, will be surrendered by the District to the Trustee for cancellation.

Records. The Trustee will keep complete and accurate records of all moneys received and disbursed by it under the Trust Agreement, which will be available for inspection by the District, the Corporation and any Owner, or the agent of any of them, at any time during regular business hours upon reasonable prior notice.

Waiver of Notice. Whenever in the Trust Agreement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any case the giving or receipt of such notice will not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Separability of Invalid Provisions. In case any one or more of the provisions contained in the Trust Agreement or in the Certificates will for any reason be held to be invalid, illegal or unenforceable in any respect, then such invalidity, illegality or unenforceability will not affect any other provision of the Trust Agreement, and the Trust Agreement will be construed as if such invalid or illegal or unenforceable provision had never been contained therein. The parties thereto declare that they would have entered into the Trust Agreement and each and every other section, paragraph, sentence, clause or phrase thereof and authorized the delivery of the Certificates pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of the Trust Agreement may be held illegal, invalid or unenforceable.

Provisions Relating to Certificate Insurance for the 2019 Certificates. Notwithstanding any other provision in the Trust Agreement to the contrary, the provisions of the Trust Agreement summarized below will apply for the benefit of the Insurer:

(a) Any notice that is required to be given to any Owners, Information Services, or the Depository shall be given to the Insurer.

(b) Notwithstanding any other provision in the Trust Agreement, in determining whether the rights of the Owners will be adversely affected by an action taken pursuant to the terms and provisions of the Trust Agreement, the Trustee shall consider the effect of such action on the Owners as if there were no Insurance Policy.

(c) The Insurer shall be deemed to be the sole Owner of all of the 2019 Certificates for purposes of

(i) exercising all remedies, directing the Trustee to take actions, approving amendments or for any other purposes following an Event of Default, and

(ii) granting any consent, direction or approval, exercising any privilege, casting any vote, or taking any action permitted by or required under the Trust Agreement, as the case may be, to be granted or taken by the Owners of the 2019 Certificates pertaining to defaults and remedies, or the duties and obligations of the Trustee.

(d) The Trustee and Owners of the 2019 Certificates appoint the Insurer as their agent and attorney-in-fact with respect to the 2019 Certificates and agree that the Insurer may at any time during the continuation of any Insolvency Proceeding direct all matters relating to such Insolvency Proceeding, including without limitation all matters relating to any claim or enforcement proceeding in connection an Insolvency Proceeding (a "Claim"), the direction of any appeal of any order relating to any Claim, the posting of any surety, *supersedeas* or performance bond pending any such appeal, and the right to vote to accept or reject any plan of adjustment. In addition, the Trustee and Owners of the 2019 Certificates delegate and assign to the Insurer, to the fullest extent permitted by law, their rights with respect to the 2019 Certificates 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.

(e) If an Insurer Default shall occur and be continuing, then, notwithstanding anything contained in the Trust Agreement to the contrary, (1) if at any time prior to or following an Insurer Default, the Insurer has made payment under the Policy, to the extent of such payment the Insurer shall be treated like any other Certificate Owners for all purposes, including giving of consents, and (2) if the Insurer has not made any payment under the Policy, the Insurer shall have no further consent rights until the particular Insurer Default is no longer continuing or the Insurer makes a payment under the Policy, in which event, the foregoing clause (1) shall control.

(f) Any provision in the Trust Agreement expressly recognizing or granting rights in and to the Insurer may not be amended in any manner that affects the rights of the Insurer without the prior written consent of the Insurer.

(g) Whenever the consent of the Owners of 2019 Certificates is required pursuant to the provisions in the Trust Agreement, the Insurer's prior written consent shall also be required.

(h) Payment Procedures Under the Insurance Policy.

(i) In the event that principal and/or interest due with respect to the 2019 Certificates shall be paid by the Insurer pursuant to the Policy, the 2019 Certificates shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the District, the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the District to the 2019 Certificate Owners shall continue to exist and shall run to the benefit of the Insurer, and the Insurer shall be subrogated to the rights of such 2019 Certificate Owners.

(ii) If, on the second Business Day prior to a Certificate Payment Date there is not on deposit with the Trustee, after making all transfers and deposits required under the Trust Agreement, moneys sufficient to pay the principal and interest with respect to the 2019 Certificates due on such Certificate Payment Date, the Trustee shall give notice to the Insurer or its designee on the same Business Day by telephone or electronic mail of the amount of such deficiency. If any deficiency is made up in whole or in part prior to or on the Certificate Payment Date, the Trustee shall so notify the Insurer or its designee.

(iii) In addition, if the Trustee has notice that any Certificate Owner has been required to disgorge payments of principal or interest with respect to the 2019 Certificates pursuant to a final, non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Certificate Owner within the meaning of any applicable bankruptcy law, then the Trustee shall notify the Insurer or its designee of such fact by telephone or electronic mail, or by overnight or other delivery service as to which a delivery receipt is signed by a person authorized to accept delivery on behalf of the Insurer.

(iv) The Trustee shall irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for Certificate Owners as follows:

(A) If there is a deficiency in amounts required to pay interest and/or principal with respect to the 2019 Certificates, the Trustee shall (i) execute and deliver to the Insurer, in form satisfactory to the Insurer, an instrument appointing the Insurer as agent and attorney-in-fact for such Certificate Owners in any legal proceeding related to the payment and assignment to the Insurer of the claims for interest with respect to the 2019 Certificates, (ii) receive as designee of the respective Certificate Owners (and not as Trustee) in accordance with the tenor of the Policy payment from the Insurer with respect to the claims for interest so assigned, (iii) segregate all such payments in a separate account (the "BAM Policy Payment Account") to only be used to make scheduled payments of principal and interest with respect to the 2019 Certificates, and (iv) disburse the same to such respective Certificate Owners; and

(B) If there is a deficiency in amounts required to pay principal with respect to the 2019 Certificates, the Trustee shall (i) execute and deliver to the Insurer, in form satisfactory to the Insurer, an instrument appointing the Insurer as agent and attorney-in-fact for such Certificate Owner in any legal proceeding related to the payment of such principal and an assignment to the Insurer of the 2019 Certificates surrendered to the Insurer, (ii) receive as designee of the respective the Insurers (and not as Trustee) in accordance with the tenor of the Policy payment therefore from the Insurer, (iii) segregate all such payments in the BAM Policy Payment Account to only be used to make scheduled payments of principal and interest with respect to the 2019 Certificates, and (iv) disburse the same to such Certificate Owners.

(v) The Trustee shall designate any portion of payment of principal evidenced by 2019 Certificates paid by the Insurer, whether by virtue of mandatory sinking fund prepayment, if any, maturity or other advancement of maturity, on its books as a reduction in the principal amount of 2019 Certificates registered to the then current Certificate Owner, whether DTC or its nominee or otherwise, and shall issue a replacement 2019 Certificate to the Insurer, registered in the name directed by the Insurer, in a principal amount equal to the amount of principal so paid (without

regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement 2019 Certificate shall have no effect on the amount of principal or interest payable by the District with respect to any 2019 Certificate or the subrogation rights of the Insurer.

(vi) Payments with respect to claims for interest and principal with respect to the 2019 Certificates disbursed by the Trustee from proceeds of the Policy shall not be considered to discharge the obligation of the District with respect to such 2019 Certificates, and the Insurer shall become the owner of such unpaid 2019 Certificates and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the preceding paragraphs or otherwise.

(vii) Irrespective of whether any such assignment is executed and delivered, the District and the Trustee agree for the benefit of the Insurer that:

(A) They recognize that to the extent the Insurer makes payments directly or indirectly (e.g., by paying through the Trustee), on account of principal or interest with respect to the 2019 Certificates, the Insurer will be subrogated to the rights of such 2019 Certificate Owners to receive the amount of such principal and interest from the District, with interest thereon, as provided and solely from the sources stated in the Security Documents and the 2019 Certificates; and

(B) They will accordingly pay to the Insurer the amount of such principal and interest, with interest thereon as provided in the Security Documents and the 2019 Certificates, but only from the sources and in the manner provided therein for the payment of principal and interest with respect to the 2019 Certificates to Certificate Owners, and will otherwise treat the Insurer as the owner of such rights to the amount of such principal and interest.

(viii) The Insurer shall be entitled to pay principal or interest with respect to the 2019 Certificates that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Policy).

(i) Additional Payments to the Insurer.

(i) Notwithstanding anything in the Trust Agreement to the contrary, the District agrees to pay or reimburse to the Insurer all Administrative Costs, to the extent permitted by law, subject solely to annual budget appropriation by the District and the Lease, and provided that such payments or reimbursements constitute Additional Payments under the Lease. The District agrees that failure to pay any Administrative Costs on a timely basis will result in the accrual of interest on the unpaid amount at the Late Payment Rate, compounded semi-annually, from the date that payment is first due to the Insurer or until the date that the Insurer is paid in full.

(ii) Notwithstanding anything in the Trust Agreement to the contrary, the District agrees to pay the Insurer, to the extent permitted by law and subject solely to annual appropriation by the District and the Lease; and provided further that such payments or reimbursements constitute Additional Payments under the Lease, all BAM Reimbursement Amounts.

(j) Insurer's Rights. Anything in this Trust Agreement to the contrary notwithstanding, so long as the Policy is in full force and effect and the Insurer is not in default of its obligations thereunder, upon the occurrence and continuance of a default or an Event of Default, the Insurer shall be deemed to be the sole Owner of the 2019 Certificates for all purposes of this Trust Agreement, including but not limited to exercising remedies and approving amendments, and shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the 2019 Certificates or the Trustee for the benefit of the Owners of the 2019 Certificates, and the Trustee may not waive any default or Event of Default without the Insurer's written consent.

In addition, to the extent permitted by law, so long as the Policy is in full force and effect and the Insurer is not in default of its obligations thereunder, any reorganization or liquidation plan with respect to the District must be

acceptable to the Insurer in writing and in the event of any Insolvency Proceeding, the Insurer shall have the right to vote on behalf of all holders of the 2019 Certificates.

(k) The rights granted to the Insurer under this Trust Agreement or any other Security Document to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Insurance Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the 2019 Certificate Owners and such action does not evidence any position of the Insurer, affirmative or negative, as to whether the consent of the 2019 Certificate Owners or any other person is required in addition to the consent of the Insurer.

(l) No contract shall be entered into or any action taken by which the rights of the Insurer may be impaired or prejudiced in any material respect, except upon the prior written consent of the Insurer.

(m) The Corporation and the District will permit the Insurer to discuss the affairs, finances and accounts of the Corporation and the District or any information the Insurer may reasonably request regarding the security for the 2019 Certificates with appropriate officers of the Corporation and the District and will use commercially reasonable efforts to enable the Insurer to have access to the facilities, books and records of the Corporation and the District on any Business Day upon reasonable prior notice.

Information to be Provided to the Insurer. The District will furnish to the Insurer the following:

(a) Annual audited financial statements within nine months after the end of the District's fiscal year (together with a certification of the District that it is not aware of any default or Event of Default under the Trust Agreement or the Lease), and the District's annual budget within 30 days after the approval thereof together with such other information, data or reports as the Insurer shall reasonably request from time to time (Annual reports and notices of enumerated events filed through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") portal will be deemed delivered to the Insurer);

(b) Notice of any draw upon the applicable Series Account of the Reserve Fund within two Business Days after knowledge thereof other than (i) withdrawals of amounts in excess of the Reserve Requirement for the 2019 Certificates and (ii) withdrawals in connection with a refunding of 2019 Certificates;

(c) Notice of any default known to the Trustee or District within five Business Days after knowledge thereof;

(d) Prior notice of the advance refunding or prepayment of any of the Certificates, including the principal amount, maturities and CUSIP numbers thereof;

(e) Prior written notice of the name change or resignation or removal of the Trustee and the appointment of, and acceptance of duties by, any successor thereto;

(f) Notice of the commencement of any Insolvency Proceeding by or against the Corporation or the District;

(g) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal or interest with respect to the Certificates;

(h) A full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver to the Security Documents; and

(i) All reports, notices and correspondence to be delivered to Certificate Owners under the terms of the Security Documents.

Interested Parties.

(a) **Insurer as Third Party Beneficiary.** The Insurer has been deemed to be a third-party beneficiary of the Trust Agreement.

(b) Parties Interested therein. Nothing in the Trust Agreement expressed or implied is intended or will be construed to confer upon, or to give grant to any person or entity, other than the District, the Corporation, the Trustee, the Insurer and the Owners of the Certificates, any right, remedy or claim under or by reason of the Trust Agreement or any covenant, condition or stipulation thereof, and all covenants, stipulations, promises and agreements in the Trust Agreement contained by and on behalf of the District will be for the sole and exclusive benefit of the District, the Corporation, the Trustee, the Insurer and the registered owners of the Certificates.

THE ASSIGNMENT AGREEMENT

The Assignment Agreement provides for the transfer, assignment and setting over by the Corporation to the Trustee, for the benefit of the Owners of Certificates, all of the Corporation's rights under the Lease (excepting only the Corporation's rights to recover attorneys' fees and expenses in the event the Corporation is a non-defaulting party to the Lease after a default), including, without limitation, (1) the right to receive and collect all of the Lease Payments, Additional Payments and Prepayments from the District under the Lease; (2) the right to receive and collect any proceeds of any insurance maintained pursuant to the Lease, or any condemnation award rendered with respect to the Property or any lease of the Property in the event of a default by the District under the Lease; (3) the right to take all actions and give all consents under the Lease; (4) the right to exercise such rights and remedies conferred on the Corporation under the Lease as may be necessary or convenient (a) to enforce payment of the Lease Payments, Additional Payments, Prepayments and any other amounts required to be deposited in the Lease Payment Fund, the Prepayment Fund, the Net Proceeds Fund or any other fund established under the Trust Agreement, or (b) otherwise to protect the interests of the Corporation in the event of a default by the District under the Lease; and (5) the right of the Corporation to receive rentals in excess of Lease Payments as compensation for re-letting the Property upon events of default under the Lease. The Trustee accepts such assignment for the benefit of the Owners of the Certificates, subject to the provisions of the Trust Agreement.

THE SITE LEASE

Pursuant to the Site Lease, the District, as lessor, leases to the Corporation, as lessee, all of its right, title and interest in the Property. The term of the Site Lease will commence as of the date of the Lease and will remain in effect until the expiration of the term of such Lease. The Property will be simultaneously leased back to the District under the Lease, and title will remain in the District.

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APPENDIX B

**PROPOSED FORM OF OPINION OF SPECIAL COUNSEL
FOR THE 2019 CERTIFICATES**

May 22, 2019

Board of Trustees
Perris Union High School District

**\$41,160,000
PERRIS UNION HIGH SCHOOL DISTRICT
2019 Certificates of Participation
(School Financing Project)
Evidencing the Fractional Interests of the
Owners Thereof in Lease Payments to be
Made by the
PERRIS UNION HIGH SCHOOL DISTRICT**

Members of the Board of Education:

We have examined a certified copy of the record of the proceedings relative to the execution and delivery of \$41,160,000 principal amount of Perris Union High School District 2019 Certificates of Participation (School Financing Project) and dated the Date of Delivery (the "Certificates"), evidencing the fractional interests of the registered owners thereof in the right to receive certain Lease Payments (as that term is defined in the Trust Agreement hereinafter mentioned) under and pursuant to that certain Lease/Purchase Agreement (the "Lease"), dated as of May 1, 2019, between the Perris Union High School District (the "District") and the Perris Valley Schools Capital Facilities Corporation, a nonprofit corporation duly organized and existing under and by virtue of the laws of the State of California (the "Corporation"), all of which right to receive such Lease Payments has been assigned without recourse by the Corporation to U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America, as trustee (the "Trustee"), pursuant to the Trust Agreement, dated as of May 1, 2019, by and among the District, the Corporation and the Trustee (the "Trust Agreement"), which Certificates have been executed by the Trustee pursuant to the terms of the Trust Agreement.

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

In our opinion, such proceedings show lawful authority for the execution and delivery by the District of the Trust Agreement and the Lease under the laws of the State of California now in force, and the Lease and the Trust Agreement have been duly authorized, executed and delivered by the District and, assuming due authorization, execution and delivery by the Trustee and the Corporation as appropriate, are valid and binding obligations of the District, enforceable against the District in accordance with their respective terms. The Certificates, assuming due execution and delivery by the Trustee, are entitled to the

benefits of the Trust Agreement. The obligation of the District to make the Lease Payments under the Lease does not constitute a debt of the District or the State of California, or of any political subdivision thereof, within the meaning of any constitutional debt limit or restriction, does not violate any statutory debt limitation, and does not constitute an obligation for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation.

We are further of the opinion that under existing statutes, regulations, rulings and judicial decisions, the portion of each Lease Payment constituting interest with respect to the Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

We are further of the opinion that the portion of each Lease Payment constituting interest (and original issue discount) with respect to the Certificates is exempt from State of California personal income tax.

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

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

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

The opinions expressed herein as to the exclusion from gross income of the portion of each Lease Payment constituting interest (and original issue discount) with respect to the Certificates are based upon certain representations of fact and certifications made by the District and others and are subject to the

condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the execution and delivery of the Certificates to assure that such portion of each Lease Payment constituting interest (and original issue discount) with respect to the Certificates will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the portion of each Lease Payment constituting interest (and original issue discount) with respect to the Certificates to be included in gross income for federal income tax purposes retroactive to the date of execution and delivery of the Certificates. The District has covenanted to comply with all such requirements.

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

With respect to the opinions expressed herein, the rights and obligations under the Certificates, the Lease and the Trust Agreement are subject to bankruptcy, insolvency, moratorium and other laws affecting the enforcement of creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

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APPENDIX C

2017-18 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

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**PERRIS UNION HIGH
SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

PERRIS UNION HIGH SCHOOL DISTRICT

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JUNE 30, 2018

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PERRIS UNION HIGH SCHOOL DISTRICT

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FINANCIAL SECTION



VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Perris Union High School District
Perris, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Perris Union High School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Perris Union High School District, as of June 30, 2018, and the respective changes in financial for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and 16 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14, budgetary comparison schedule on page 69, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 70, schedule of the District's proportionate share of the net pension liability on page 71, and the schedule of District contributions on page 72, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Perris Union High School District's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements and Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2018, on our consideration of the Perris Union 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 solely 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 the effectiveness of Perris Union School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Perris Union School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
November 28, 2018



PERRIS UNION HIGH SCHOOL DISTRICT

155 E. Fourth Street, Perris, CA 92570
951-943-6369

 puhsd.org

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  [PerrisUnionHSD](https://www.facebook.com/PerrisUnionHSD)

Superintendent: Grant Bennett

Candace Reines
Deputy Superintendent
Business Services

Charles Newman, Ed.D.
Assistant Superintendent
Educational Services

Kirk Skorpanich
Assistant Superintendent
Human Resources

Joseph Williams
Executive Director
Technology

This section of Perris Union High School District's (the District) (2017-2018) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018, with comparative information from 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District, as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statements in regards to interfund activity, payables, and receivables.

The *Fund Financial Statements* include statements for each of the two categories of activities: governmental and fiduciary.

The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Fiduciary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

The Primary unit of the government is the Perris Union High School District.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

With the Local Control Funding Formula or LCFF, the District is given flexibility to make funding decisions that provide the most impact and be most beneficial for our students. Here at Perris Union High School District (PUHSD), we embraced the opportunity for local control and are providing a vast array of innovative programs and opportunities for our students. With this local control comes accountability, the District's Local Control Accountability Plan, or LCAP goals are:

- Goal #1: All students will attain proficiency in English Language Arts and mathematics.
- Goal #2: All students will graduate from high school prepared for postsecondary and career options or obtain a certificate of high school completion.

PERRIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

- Goal #3: All departments and sites will provide a safe and positive learning environment for all students and staff.
- Goal #4: Secure and strengthen home-school-community connections and communications.

It is with these goals in mind that our District developed new and innovative programs and opportunities for our students that guide spending.

During 2017-18 school year, the District has continued to focus on student engagement and course offerings to increase student attendance. The continued focus on Science, Technology, Engineering, Arts and Math (STEAM) has resulted in higher student test scores and graduation rates. In addition to its ongoing efforts in the maintenance and repair of existing facilities, the District continued its aggressive facilities acquisition, construction, and modernization programs. During the 2017-18 school year, construction was completed on the Perris High School Phase 2B and Agricultural Facility Phase 2 Projects. These new facilities includes a Student Union and an expanded kitchen facility along with new engineering and shop classrooms that provide instructional opportunities for students to participate in and be part of a robust Robotics, Agricultural Mechanical, Engineering and Auto Mechanics program. These expanded programs provide a hands on experience for students as the new facilities include shop and lab areas for student use and instruction. These shop areas include a vehicle lift, tire balancer and tire changer along with appropriate power and ventilation equipment to ensure students get the opportunity to experience project based learning. Also part of the newly opened Phase 2 Project at Perris High School is the new Agricultural Phase 2 Facility. This facility includes classrooms, science labs, a floral shop with floral coolers for student use as well as a large lecture room and leadership room for student leaders to use. The new Agricultural Phase 2 Facility provides the agricultural program at Perris High School with modern instructional facilities that expand the opportunities offered to students in the Agriculture Program. In addition to the Perris High School Projects, the District continues planning for the Perris High School Completion Phase Project at Perris High School, which will include a new Administration, Theater and Athletics buildings. During the 2017-18 year, planning and design preparation were under way for a new gymnasium at the California Military Institute and a 10 classroom building and athletic facilities additions at Paloma Valley.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* 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 position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District 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 governing 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

PERRIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we present the District activities as follows:

Governmental Activities - The District reports all of its services in this category. This includes the education of seventh through twelfth grade students, adult education students, the operation of a community day school program, two charter schools, and the on-going effort to expand, 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.

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 - All 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.

THE DISTRICT AS A TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, such as funds for Special Tax Bonds and associated student body activities. The District's fiduciary activities are reported in the *Fiduciary Funds - Statements of Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

PERRIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$149,150,963 for the fiscal year ended June 30, 2018. Of this amount, (\$91,109,753) was unrestricted deficit. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
		(As Restated)
	2018	2017
Assets		
Current and other assets	\$ 73,446,279	\$ 88,090,794
Capital assets	312,160,368	298,962,468
Total Assets	385,606,647	387,053,262
Deferred Outflows of Resources	40,366,055	28,587,395
Liabilities		
Current liabilities	8,763,014	11,632,550
Long-term obligations (includes current portion)	140,810,256	144,703,927
Net pension liability	120,179,737	106,444,298
Total Liabilities	269,753,007	262,780,775
Deferred Inflows of Resources	7,068,732	2,756,899
Net Position		
Net investment in capital assets	210,549,097	194,606,607
Restricted	29,711,619	48,215,699
Unrestricted (Deficit)	(91,109,753)	(92,719,323)
Total Net Position	\$ 149,150,963	\$ 150,102,983

The (\$91,109,753) in unrestricted deficit of governmental activities represents the *accumulated* results of all past years' operations.

PERRIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 16. 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

	Governmental Activities	
	2018	2017
Revenues		
Program revenues:		
Charges for services	\$ 2,043,863	\$ 2,505,301
Operating grants and contributions	19,541,852	20,967,998
Capital grants and contributions	105,038	87,596
General revenues:		
Federal and State aid, not restricted	83,700,584	82,168,348
Property taxes	38,318,131	36,405,092
Other general revenues	10,510,856	8,315,380
Total Revenues	154,220,324	150,449,715
Expenses		
Instruction	87,545,325	83,431,091
Instruction-related	15,087,166	14,007,322
Pupil services	19,535,664	19,155,606
Administration	9,044,704	8,772,618
Maintenance and operations	13,546,232	12,515,571
Other outgo	10,413,253	8,852,303
Total Expenses	155,172,344	146,734,511
Change in Net Position	\$ (952,020)	\$ 3,715,204

PERRIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

Governmental Activities

As reported in the *Statement of Activities* on page 16, the cost of all of our governmental activities this year was \$155,172,344. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$38,318,131. The remaining cost was paid by those who benefited from the programs; \$2,043,863, or by other governments and organizations who subsidized certain programs with \$19,646,890 in grants and contributions. We paid for the remaining "public benefit" portion of our governmental activities with \$83,700,584 in State funds, and with \$10,510,856 in other revenues, like interest and general entitlements.

In Table 3, we have presented the cost of each of the District's largest functions: instruction and instruction-related, pupil services, administration, maintenance and operations, and other outgo. 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

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Instruction and instruction-related	\$ 102,632,491	\$ 97,438,413	\$ 90,079,970	\$ 84,433,716
Pupil services	19,535,664	19,155,606	13,815,058	13,511,697
Administration	9,044,704	8,772,618	8,170,809	7,545,584
Maintenance and operations	13,546,232	12,515,571	13,460,722	11,359,006
Other outgo	10,413,253	8,852,303	7,955,032	6,323,613
Total	\$ 155,172,344	\$ 146,734,511	\$ 133,481,591	\$ 123,173,616

PERRIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$66,059,322 which is a decrease of \$11,805,998, from last year (Table 4).

Table 4

	Balances and Activity			
	July 1, 2017	Revenues	Expenditures	June 30, 2018
General Fund	\$ 14,479,514	\$ 120,060,192	\$ 122,179,912	\$ 12,359,794
Charter School Fund	2,427,546	11,476,825	11,198,553	2,705,818
Building Fund	16,044,941	180,840	5,409,344	10,816,437
Capital Facilities Fund	7,705,852	2,248,196	2,550,679	7,403,369
Capital Projects Fund for Blended Component Units	9,136,203	4,299,013	1,268,379	12,166,837
Bond Interest and Redemption Fund	10,856,891	9,493,241	8,513,293	11,836,839
Non-Major Governmental Funds	17,214,373	6,652,277	15,096,422	8,770,228
Total	\$ 77,865,320	\$ 154,410,584	\$ 166,216,582	\$ 66,059,322

The primary reasons for the increases and decreases to the District's' fund balances are:

1. As the District's principal operating fund, the General Fund is comprised of unrestricted as well as restricted dollars. The fund balance in the General Fund decreased by \$2,119,720. The net decrease is primarily due to both restricted and unrestricted resources balances that were carried over from 2016-2017 school year, and were spent in 2017-18 as planned.
2. The Charter School Fund balance increased by \$278,272. The net increase is primarily due to receiving unexpected prior year apportionments for Prop. 39 funding.
3. The Capital Facilities Fund and the Building Fund decreased by \$5,530,987 collectively due to multi-year facilities projects.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to manage unexpected changes in revenues and expenditures. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our audit report on page 69.

PERRIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had \$312,160,368 in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$13,197,900 or 4.41 percent, from last year (Table 5).

Table 5

	Governmental Activities	
	2018	2017
Land and construction in progress	\$ 53,561,859	\$ 63,008,713
Buildings and improvements, net of depreciation	256,657,793	233,922,657
Furniture and equipment, net of depreciation	1,940,716	2,031,098
Total	\$ 312,160,368	\$ 298,962,468

This year's increase of \$13,197,900 is primarily a result of facilities improvement projects, including new construction and modernization projects. We present more detailed information about our capital assets in Note 5 to the financial statements.

Long-Term Obligations

At the end of this year, the District had \$140,810,256 in long-term obligations outstanding versus \$144,703,927 last year, a decrease of \$3,893,671 or 2.69 percent. These long-term obligations consisted of:

Table 6

	Governmental Activities	
	2018	(As Restated) 2017
General obligation bonds	\$ 126,112,537	\$ 129,174,684
Certificates of participation	6,075,000	6,420,000
Qualified school construction bonds	1,336,654	1,457,084
Qualified zone academy bonds (QZAB)	5,000,000	5,000,000
Capital lease obligations	522,537	688,290
Net other postemployment benefits (OPEB) liability	701,451	803,440
Compensated absences	592,077	400,214
Supplemental employee retirement plan	-	172,715
Choice 2000 settlement agreement	470,000	587,500
Total	\$ 140,810,256	\$ 144,703,927

General obligation bonds, capital lease obligations, qualified school construction bonds, and certificates of participation obligations decreased by the required annual principal payment. Other obligations include

PERRIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

accumulated vacation payable, net OPEB liability, and Choice 2000 settlement agreement. We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

Net Pension Liability (NPL)

At year-end, the District has a pension liability of \$120,179,737 as a result of implementing GASB Statement No. 68.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2017-2018

With the continuation of a seven-period day in the 2017-2018 school year, the District has continued to focus on High School Graduation and College and Career preparedness by increasing the amount of rigorous college preparatory courses offered and creating more opportunities for students to be future ready through more exposure to college and career readiness activities. This additional period greatly increases our students chances of completing their A-G requirements for colleges and universities. It has also given our students greater opportunities to take foreign language, art, music, and career technical education classes, as well as the additional opportunities for credit recovery or educational program enhancement.

In the area of College and Career preparedness; the number of 11th grade EAP/ELA scores by 3%, students enrolled in CTE courses maintained a 95% CTE course completion rate, and there was a increase in student participation in AVID by 12%.

Graduation rates increased for the following subgroups: Students with Disabilities by 6.4%, Foster Youth by 12.7%, and African American students by 1%.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2018-2019 year, the governing board and management used the following criteria at adoption:

1. District enrollment of 10,097 and the Charter School's enrollment of 1,000 were projected to be 11,097 in total. This represented an increase of 0.01 percent District-wide. Overall District Average Daily Attendance (ADA) including charters was projected to be 10,188.17. This represents an increase of 121.42 ADA.
2. Lottery funding for 2018-2019 was projected to be \$194 per prior-year annual ADA. This per pupil rate reflects \$146 per pupil for unrestricted lottery revenues and \$48 per pupil for lottery funding restricted to the purchase of instructional materials.
3. LCFF was calculated at \$11,335 per ADA. This included a statutory Cost of Living Adjustment (COLA) of 3.0 percent and is a 1.92 percent increase to the 2017-2018 LCFF entitlement.

PERRIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

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 Candace Reines, Deputy Superintendent, Business Services, at Perris Union High School District, 155 E. 4th Street, Perris, California 92570, or e-mail at candace.reines@puhsd.org.

PERRIS UNION HIGH SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2018

	Governmental Activities
ASSETS	
Deposits and investments	\$ 69,990,652
Receivables	3,197,620
Prepaid expenditures	227,371
Stores inventories	30,636
Capital assets	
Land and construction in process	53,561,859
Other capital assets	361,413,253
Less: accumulated depreciation	(102,814,744)
Total Capital Assets	<u>312,160,368</u>
Total Assets	<u><u>385,606,647</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	<u>40,366,055</u>
LIABILITIES	
Accounts payable	6,585,060
Interest payable	1,376,057
Unearned revenue	801,897
Long-term Obligations	
Current portion long-term obligations other than pensions	10,398,984
Noncurrent portion of long-term obligations other than pensions	<u>130,411,272</u>
Total Long-Term Obligations	<u>140,810,256</u>
Aggregate net pension liability	<u>120,179,737</u>
Total Liabilities	<u><u>269,753,007</u></u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	<u>7,068,732</u>
NET POSITION	
Net investment in capital assets	210,549,097
Restricted for:	
Debt service	16,197,306
Capital projects	9,114,078
Educational programs	3,125,860
Other activities	1,274,375
Unrestricted (Deficit)	<u>(91,109,753)</u>
Total Net Position	<u><u>\$ 149,150,963</u></u>

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

PERRIS UNION HIGH SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position	
		Charges for Services and Sales	Operating Grants and Contributions		Capital Grants and Contributions
Governmental Activities:					
Instruction	\$ 87,545,325	\$ 8,265	\$ 10,586,506	\$ 105,038	\$ (76,845,516)
Instruction-related activities:					
Supervision of instruction	3,719,663	-	1,426,293	-	(2,293,370)
Instructional library, media and technology	993,633	-	8,923	-	(984,710)
School site administration	10,373,870	13	417,483	-	(9,956,374)
Pupil services:					
Home-to-school transportation	4,139,772	-	10,826	-	(4,128,946)
Food services	5,098,514	466,339	4,078,429	-	(553,746)
All other pupil services	10,297,378	300	1,164,712	-	(9,132,366)
Administration:					
Data processing	2,675,133	-	14,138	-	(2,660,995)
All other administration	6,369,571	120,203	739,554	-	(5,509,814)
Plant services	13,546,232	8,379	77,131	-	(13,460,722)
Ancillary services	2,780,547	-	57,049	-	(2,723,498)
Community services	18,669	-	18,163	-	(506)
Interest on long-term obligations	5,782,015	-	-	-	(5,782,015)
Other outgo	1,832,022	1,440,364	942,645	-	550,987
Total Governmental Activities	\$ 155,172,344	\$ 2,043,863	\$ 19,541,852	\$ 105,038	(133,481,591)
General revenues and subventions:					
					28,356,039
					9,396,104
					565,988
					83,700,584
					292,874
					10,217,982
					<u>132,529,571</u>
					<u>(952,020)</u>
					150,906,423
					<u>(803,440)</u>
					150,102,983
					<u>\$ 149,150,963</u>

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

PERRIS UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2018

	General Fund	Charter School Fund	Building Fund	Capital Facilities Fund
ASSETS				
Deposits and investments	\$ 14,999,220	\$ 3,716,751	\$ 11,229,289	\$ 7,011,948
Receivables	2,340,235	85,096	49,758	83,248
Due from other funds	1,341,751	360,757	-	518,999
Prepaid expenditures	198,157	29,214	-	-
Stores inventories	-	-	-	-
Total Assets	\$ 18,879,363	\$ 4,191,818	\$ 11,279,047	\$ 7,614,195
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 5,260,229	\$ 169,976	\$ 462,390	\$ 193,391
Due to other funds	470,745	1,316,024	220	17,435
Unearned revenue	788,595	-	-	-
Total Liabilities	6,519,569	1,486,000	462,610	210,826
FUND BALANCES				
Nonspendable	223,157	29,214	-	-
Restricted	3,125,860	504,924	10,816,437	7,403,369
Assigned	3,543,351	2,171,680	-	-
Unassigned	5,467,426	-	-	-
Total Fund Balances	12,359,794	2,705,818	10,816,437	7,403,369
Total Liabilities and Fund Balances	\$ 18,879,363	\$ 4,191,818	\$ 11,279,047	\$ 7,614,195

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

Capital Project Fund for Blended Component Units	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 12,618,312	\$ 11,836,839	\$ 8,578,293	\$ 69,990,652
-	-	639,283	3,197,620
-	-	42,534	2,264,041
-	-	-	227,371
-	-	30,636	30,636
<u>\$ 12,618,312</u>	<u>\$ 11,836,839</u>	<u>\$ 9,290,746</u>	<u>\$ 75,710,320</u>
\$ -	\$ -	\$ 499,074	\$ 6,585,060
451,475	-	8,142	2,264,041
-	-	13,302	801,897
<u>451,475</u>	<u>-</u>	<u>520,518</u>	<u>9,650,998</u>
-	-	33,551	285,922
12,166,837	11,836,839	8,721,608	54,575,874
-	-	15,069	5,730,100
-	-	-	5,467,426
<u>12,166,837</u>	<u>11,836,839</u>	<u>8,770,228</u>	<u>66,059,322</u>
<u>\$ 12,618,312</u>	<u>\$ 11,836,839</u>	<u>\$ 9,290,746</u>	<u>\$ 75,710,320</u>

PERRIS UNION HIGH SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

Total Fund Balance - Governmental Funds		\$ 66,059,322
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is:	\$ 414,975,112	
Accumulated depreciation is:	<u>(102,814,744)</u>	
Net Capital Assets		312,160,368
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when incurred.		(1,376,057)
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:		
Pension contributions subsequent to measurement date	10,448,376	
Net change in proportionate share of net pension liability	6,244,882	
Difference between projected and actual earnings on pension plan investments	1,211,120	
Differences between expected and actual experience in the measurement of the total pension liability.	1,569,243	
Changes in assumptions	<u>20,892,434</u>	
Total Deferred Outflows of Resources Related to Pensions		40,366,055
Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:		
Net change in proportionate share of net pension liability	(2,902,741)	
Difference between projected and actual earnings on pension plan investments	(2,268,296)	
Differences between expected and actual experience in the measurement of the total pension liability.	(1,485,491)	
Changes of assumptions	<u>(412,204)</u>	
Total Deferred Inflows of Resources Related to Pensions		(7,068,732)

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

PERRIS UNION HIGH SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2018**

Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		\$ (120,179,737)
Long-term obligations, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
General obligation bonds	\$(106,662,300)	
Certificates of participation	(6,075,000)	
Qualified school construction bonds	(1,336,654)	
QZAB lease purchase agreement	(5,000,000)	
Capital leases	(522,537)	
Compensated absences (vacations)	(592,077)	
Net other postemployment benefits (OPEB) liability	(701,451)	
Choice 2000 settlement agreement	(470,000)	
Premium on issuance of general obligation bonds	(4,528,054)	
In addition, the District previously issued "capital appreciation" general obligation bonds. The accretion of interest unmatered on the general obligation bonds to date is:	(14,922,183)	
Total Long-Term Obligations		(140,810,256)
Total Net Position - Governmental Activities		\$ 149,150,963

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

PERRIS UNION HIGH SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018**

	General Fund	Charter School Fund	Building Fund	Capital Facilities Fund
REVENUES				
Local Control Funding Formula	\$ 97,744,720	\$ 10,172,323	\$ -	\$ -
Federal sources	7,983,360	1,278	-	-
Other State sources	11,234,793	1,163,366	-	266
Other local sources	3,097,319	78,514	180,840	1,790,094
Total Revenues	<u>120,060,192</u>	<u>11,415,481</u>	<u>180,840</u>	<u>1,790,360</u>
EXPENDITURES				
Current				
Instruction	70,067,748	5,917,058	-	-
Instruction-related activities:				
Supervision of instruction	2,492,971	1,010,564	-	-
Instructional library, media, and technology	887,854	56,715	-	-
School site administration	7,259,752	1,579,266	-	-
Pupil services:				
Home-to-school transportation	3,807,248	332,524	-	-
Food services	23,698	-	-	-
All other pupil services	9,363,944	292,178	-	-
Administration:				
Data processing	2,453,127	82,815	-	-
All other administration	4,892,358	515,483	-	604,028
Plant services	12,559,600	763,930	-	-
Ancillary services	2,386,335	304,480	-	-
Community services	18,163	506	-	-
Other outgo	1,021,479	-	-	-
Facility acquisition and construction	4,724,134	143,117	5,409,344	1,946,651
Debt service				
Principal	165,753	120,430	-	-
Interest and other	17,207	79,487	-	-
Total Expenditures	<u>122,141,371</u>	<u>11,198,553</u>	<u>5,409,344</u>	<u>2,550,679</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,081,179)</u>	<u>216,928</u>	<u>(5,228,504)</u>	<u>(760,319)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	457,836
Other sources	-	61,344	-	-
Transfers out	(38,541)	-	-	-
Net Financing Sources (Uses)	<u>(38,541)</u>	<u>61,344</u>	<u>-</u>	<u>457,836</u>
NET CHANGE IN FUND BALANCES	<u>(2,119,720)</u>	<u>278,272</u>	<u>(5,228,504)</u>	<u>(302,483)</u>
Fund Balances - Beginning	14,479,514	2,427,546	16,044,941	7,705,852
Fund Balances - Ending	<u>\$ 12,359,794</u>	<u>\$ 2,705,818</u>	<u>\$ 10,816,437</u>	<u>\$ 7,403,369</u>

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

Capital Project Fund for Blended Component Units	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 107,917,043
-	-	4,037,256	12,021,894
-	95,267	529,602	13,023,294
4,299,013	9,397,974	1,436,684	20,280,438
<u>4,299,013</u>	<u>9,493,241</u>	<u>6,003,542</u>	<u>153,242,669</u>
-	-	71,814	76,056,620
-	-	-	3,503,535
-	-	-	944,569
-	-	125,001	8,964,019
-	-	-	4,139,772
-	-	4,962,587	4,986,285
-	-	-	9,656,122
-	-	-	2,535,942
-	-	263,058	6,274,927
-	-	90,172	13,413,702
-	-	-	2,690,815
-	-	-	18,669
810,543	-	-	1,832,022
-	-	8,363,402	20,586,648
-	4,245,000	345,000	4,876,183
-	4,268,293	265,194	4,630,181
<u>810,543</u>	<u>8,513,293</u>	<u>14,486,228</u>	<u>165,110,011</u>
<u>3,488,470</u>	<u>979,948</u>	<u>(8,482,686)</u>	<u>(11,867,342)</u>
-	-	648,735	1,106,571
-	-	-	61,344
<u>(457,836)</u>	<u>-</u>	<u>(610,194)</u>	<u>(1,106,571)</u>
<u>(457,836)</u>	<u>-</u>	<u>38,541</u>	<u>61,344</u>
3,030,634	979,948	(8,444,145)	(11,805,998)
9,136,203	10,856,891	17,214,373	77,865,320
<u>\$ 12,166,837</u>	<u>\$ 11,836,839</u>	<u>\$ 8,770,228</u>	<u>\$ 66,059,322</u>

PERRIS UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

Total Net Change in Fund Balances - Governmental Funds	\$ (11,805,998)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.</p> <p>This is the amount by which capital outlays exceeds depreciation in the period.</p>	
Capital outlays	\$ 20,950,645
Depreciation expense	<u>(7,741,169)</u>
Net Expense Adjustment	13,209,476
Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds.	(11,576)
<p>In the Statement of Activities, certain operating expenses, such as compensated absences (vacations), supplemental retirement, and settlement agreement are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation earned was more than the amounts used by \$191,863, supplemental retirement earned was less than the amount paid by \$172,715 and settlement agreement paid in the current year was \$117,500.</p>	
	98,352
<p>In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.</p>	
	(6,268,612)
<p>In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the change in the net OPEB liability during the year.</p>	
	101,989

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

PERRIS UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2018

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:

General obligation bonds	\$ 4,245,000	
Certificates of participation	345,000	
Qualified school construction bonds	120,430	
Capital lease obligations	<u>165,753</u>	
Combined adjustment		4,876,183

Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. The adjustment combines the net changes of the following balance:

Amortization of debt premium		439,723
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Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds, certificates of participation, and qualified school construction bonds decreased by \$31,019 and second, \$1,622,576 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.

	<u>(1,591,557)</u>
Change in Net Position of Governmental Activities	<u>\$ (952,020)</u>

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

PERRIS UNION HIGH SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018**

	Fiduciary Funds		
	Debt Service Fund for Special Tax Bonds	Associated Student Bodies	Total Fiduciary Funds
ASSETS			
Cash and cash equivalents	\$ 7,742,992	\$ 845,949	\$ 8,588,941
Receivables	-	1,716	1,716
Total Assets	\$ 7,742,992	\$ 847,665	\$ 8,590,657
LIABILITIES			
Accounts payable	\$ -	\$ 70	\$ 70
Due to student groups	-	847,595	847,595
Due to bond holders	7,742,992	-	7,742,992
Total Liabilities	\$ 7,742,992	\$ 847,665	\$ 8,590,657

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

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Perris Union High School District (the District) was incorporated on August 23, 1897, under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades 7 - 12 as mandated by the State and/or Federal agencies. The District operates one middle school, three high schools, a continuation school, an independent study school, one charter school, and an adult education school.

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

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component unit discussed below is reported in the District's financial statements because of the significance of its relationship with the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the Governing Board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Perris Valley Schools Capital Facilities Corporation's (the Corporation) financial activity is presented in the financial statements in the Capital Project Fund for Blended Component Units and the Corporation Debt Service Fund. Certificates of participation issued by the Corporation are included as long-term obligations in the government-wide financial statements. Individually-prepared financial statements are not prepared for Perris Valley Schools Capital Facilities Corporation.

The Perris Union High School District Financing Authority (the Authority), formed for the purpose of issuing debt related to the Community Facilities District 91-1 and the Community Facilities District 92-1 (the CFDs), financial activity is presented in the financial statements in the Capital Project Fund for Blended Component Units and in the Fiduciary Funds Statement as the Debt Service Fund for Special Tax Bonds. Special Tax Bonds issued by the CFD's not are included as long-term obligations in the government-wide financial statements as they are not obligations of the District. Individually-prepared financial statements are not prepared for Perris Union High School District Financing Authority.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Other Related Entities

Charter School The District has an approved charter for California Military Institute pursuant to *Education Code* Section 47605. The charter school is operated by the District, and its financial activity is presented in the Charter School Fund.

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

Charter Schools Fund The Charter Schools Fund may be used by authorizing districts to account separately for the operating activities of district-operated charter schools that would otherwise be reported in the authorizing District's General Fund.

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

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

Capital Project Fund for Blended Component Units The Capital Project Fund for Blended Component Units is used to account for capital projects financed by the Perris Valley Schools Capital Facilities Corporation, the 91-1 Community Facilities District, and the 92-1 Community Facilities District that are considered blended component units of the District under generally accepted accounting principles.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

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

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

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

County School Facilities Fund The County School Facilities 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), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51), 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.).

Debt Service Funds The Debt Service funds are used to account for the accumulation of resources for, and the payment of, principal and interest on general long-term obligation.

QZAB Fund The QZAB Fund is used to account for the accumulation of resources for the lease payment related to the QZAB lease purchase agreement between the District and the Public Property Financing Corporation of California.

Debt Service Fund This fund is used for the accumulation of resources for and the retirement of principal and interest on general long-term obligation.

Debt Service Fund for Blended Component Units The Debt Service Fund for Blended Component Units is used to account for the accumulation of resources for the payment of principal and interest on bonds issued by the Perris Valley Schools Capital Facilities Corporation, the 91-1 Community Facilities District, and the 92-1 Community Facilities District and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency funds account for the accumulation of resources for the payment of the principal and interest on the Special Tax Bonds issued by the Community Facilities Districts as well as the student body activities (ASB).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide *Statement of Activities* presents a comparison between expenses, both direct and indirect, of the District, and for each governmental function. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the *Statement of Activities*, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

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

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

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Governmental Funds All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

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

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

Certain grants received before the eligibility requirements are met are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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

Investments

Investments held at June 30, 2018, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Prepaid Expenditures (Expenses)

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

Stores Inventories

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

Capital Assets and Depreciation

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

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

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; improvements, 7 to 30 years; equipment, 5 to 20 years.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the Statement of Net Position.

Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide Statement of Net Position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

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

Accrued Liabilities and Long-Term Obligations

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

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, certificates of participation, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

Debt Issuance Costs, Premiums, and Discounts

In the government-wide financial statements long-term obligations are reported as liabilities in the applicable governmental activities. Debt premiums and discounts, as well as issuance costs, related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method.

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

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for pension related items.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items and OPEB related items.

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CalSTRS Medicare Premium Payment Program (MPP) and additions to/deductions from MPP's fiduciary net position have been determined on the same basis as they are reported by MPP. For this purpose, MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Fund Balances - Governmental Funds

As of June 30, 2018, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The District currently does not have any committed funds.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes 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, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$29,711,619 of restricted net position.

Interfund Activity

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

Estimates

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

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Property Tax

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

Change in Accounting Principles

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB;
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The District has implemented the provisions of this Statement as of June 30, 2018.

New Accounting Pronouncements

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

(2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting*

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 69,990,652
Fiduciary funds	8,588,941
Total Deposits and Investments	<u>\$ 78,579,593</u>

Deposits and investments as of June 30, 2018, consist of the following:

Cash on hand and in banks	\$ 21,220,555
Cash in revolving	27,915
Investments	57,331,123
Total Deposits and Investments	<u>\$ 78,579,593</u>

Policies and Practices

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

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

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

Weighted Average Maturity

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

Investment Type	Reported Amount	Maturity Date
Toyota Motor Credit Corporation Commercial Paper	\$ 4,945,111	12/10/2018
First American Government Obligation Fund Class D	790,307	16*
Riverside County Investment Pool	51,595,705	427*
Total	\$ 57,331,123	

* Weighted-average days to maturity.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Minimum Legal Rating	Moody's Rating June 30, 2018	Reported Amount
Toyota Motor Credit Corporation Commercial Paper	Not Required	P-1	\$ 4,945,111
First American Government Obligation Fund Class D	Not Required	Aaa-mf	790,307
Riverside County Investment Pool	Not Required	Aaa-bf	51,595,705
Total Investments			\$ 57,331,123

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2018, the District's bank balance of \$20,925,556 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 3 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Riverside County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2018:

Investment Type	Reported Amount	Fair Value Measurements Using		Uncategorized
		Level 1 Inputs	Level 2 Inputs	
Toyota Motor Credit Corporation Commercial Paper	\$ 4,945,111	\$ -	\$ 4,945,111	\$ -
First American Government Obligation Fund Class D	790,307	790,307	-	-
Riverside County Investment Pool	51,595,705	-	-	51,595,705
Total	<u>\$57,331,123</u>	<u>\$ 790,307</u>	<u>\$ 4,945,111</u>	<u>\$ 51,595,705</u>

All assets have been valued using a market approach, with quoted market prices.

PERRIS UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 - RECEIVABLES

Receivables at June 30, 2018, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Charter School Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Activities	Fiduciary Funds
Federal Government							
Categorical aid	\$ 1,037,994	\$ -	\$ -	\$ -	\$ 484,756	\$1,522,750	\$ -
State Government							
Categorical aid	213,831	22,074	-	-	37,807	273,712	-
Lottery	396,016	39,033	-	-	-	435,049	-
Local Government							
Interest	65,005	16,556	49,758	33,381	21,313	186,013	-
Other Local Sources	627,389	7,433	-	49,867	95,407	780,096	1,716
Total	<u>\$ 2,340,235</u>	<u>\$ 85,096</u>	<u>\$49,758</u>	<u>\$ 83,248</u>	<u>\$ 639,283</u>	<u>\$3,197,620</u>	<u>\$ 1,716</u>

PERRIS UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 11,545,012	\$ -	\$ -	\$ 11,545,012
Construction in Progress	51,463,701	15,426,736	24,873,590	42,016,847
Total Capital Assets Not Being Depreciated	<u>63,008,713</u>	<u>15,426,736</u>	<u>24,873,590</u>	<u>53,561,859</u>
Capital Assets Being Depreciated:				
Land Improvements	19,873,396	-	12,863	19,860,533
Buildings	299,560,276	30,046,366	-	329,606,642
Equipment	11,594,945	351,133	-	11,946,078
Total Capital Assets Being Depreciated	<u>331,028,617</u>	<u>30,397,499</u>	<u>12,863</u>	<u>361,413,253</u>
Total Capital Assets	<u>394,037,330</u>	<u>45,824,235</u>	<u>24,886,453</u>	<u>414,975,112</u>
Less Accumulated Depreciation:				
Land Improvements	12,880,301	549,114	1,287	13,428,128
Buildings	72,630,714	6,750,540	-	79,381,254
Equipment	9,563,847	441,515	-	10,005,362
Total Accumulated Depreciation	<u>95,074,862</u>	<u>7,741,169</u>	<u>1,287</u>	<u>102,814,744</u>
Governmental Activities Capital Assets, Net	<u>\$ 298,962,468</u>	<u>\$ 38,083,066</u>	<u>\$ 24,885,166</u>	<u>\$ 312,160,368</u>

Depreciation expense was charged as a direct expense to governmental functions as follows:

Governmental Activities	
Instruction	\$ 6,732,804
School site administration	870,417
Data processing	67,967
All other administration	6,967
Plant services	63,014
Total Depreciation Expenses All Activities	<u>\$ 7,741,169</u>

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 6 - INTERFUND TRANSACTIONS

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2018, between major and non-major governmental funds are as follows:

Due To	Due From						Total
	General Fund	Charter School Fund	Building Fund	Capital Facilities Fund	Capital Projects Fund for Blended Component Units	Non-Major Governmental Funds	
General Fund	\$ -	\$ 1,316,024	\$ 150	\$ 17,435	\$ -	\$ 8,142	\$ 1,341,751
Charter School Fund	360,757	-	-	-	-	-	360,757
Capital Facilities Fund	67,454	-	70	-	451,475	-	518,999
Non-Major Governmental Funds	42,534	-	-	-	-	-	42,534
Total	\$ 470,745	\$ 1,316,024	\$ 220	\$ 17,435	\$ 451,475	\$ 8,142	\$ 2,264,041

The balance of \$360,757 is due to the Charter School Fund from the General Fund for in-lieu property taxes.

A balance of \$1,198,524 is due to the General Fund from the Charter School Fund for indirect costs, oversight fees, Special Education allocation, insurance & reimbursement of miscellaneous expenditures.

A balance of \$117,500 is due to the General Fund from the Charter School Fund for the repayment of the Choice 2000 settlement.

The balance of \$17,435 is due to the General Fund from the Capital Facilities Fund for indirect costs, water, and postage.

A balance of \$42,534 is due to the Adult Education Non-Major Governmental Fund from the General Fund for contribution of administrator salaries and payroll expenditures incorrectly charge.

A balance of \$64,454 is due to the Capital Facilities Fund from the General Fund for reimbursement of construction expenditures.

The balance of \$451,475 is due to the Capital Facilities Fund from the Capital Projects Fund for Blended Component Units for reimbursement of construction expenditures.

All remaining balance resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transaction are recorded in the accounting system, and (3) payments between funds are made.

PERRIS UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

Operating Transfers

Interfund transfers for the year ended June 30, 2018, consisted of the following:

Transfer To	Transfer From			
	General Fund	Capital Project Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Funds
Capital Facility Fund	\$ -	\$ 457,836	\$ -	\$ 457,836
Non-Major Governmental Funds	38,541	-	610,194	648,735
Total	<u>\$ 38,541</u>	<u>\$ 457,836</u>	<u>\$ 610,194</u>	<u>\$ 1,106,571</u>

The General Fund transferred to the Adult Education Non-Major Governmental Fund for salary expenses.	\$ 38,541
The Debt Service Non-Major Governmental Fund transferred to the Debt Service Non-Major Governmental Fund for Blended Component Units for Certificates of Participation debt service payments.	610,194
The Capital Project Fund for Blended Component Units transferred to the Capital Facilities Fund to reimburse for construction payments.	457,836
Total	<u>\$ 1,106,571</u>

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2018, consisted of the following:

	General Fund	Charter School Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds	Fiduciary Funds
Vendor payables	\$ 2,989,060	\$ 71,221	\$ -	\$ 21,908	\$ 5,036	\$ 3,087,225	\$ 70
State principal apportionment	1,692,525	91,373	-	-	-	1,783,898	-
Salaries and benefits	259,209	6,591	-	25	26,116	291,941	-
Construction	319,435	791	462,390	171,458	467,922	1,421,996	-
Total	<u>\$ 5,260,229</u>	<u>\$ 169,976</u>	<u>\$ 462,390</u>	<u>\$ 193,391</u>	<u>\$ 499,074</u>	<u>\$ 6,585,060</u>	<u>\$ 70</u>

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2018, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal financial assistance	\$ 139,108	\$ -	\$ 139,108
State categorical aid	649,487	-	649,487
Other local	-	13,302	13,302
Total	<u>\$ 788,595</u>	<u>\$ 13,302</u>	<u>\$ 801,897</u>

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	(As Restated)			Balance	Due in
	Balance July 1, 2017	Additions	Deductions	June 30, 2018	One Year
General obligation bonds	\$ 124,201,907	\$ 1,627,576	\$ 4,245,000	\$ 121,584,483	\$ 4,630,000
Premium on bonds	4,967,777	-	439,723	4,528,054	-
Certificates of participation	6,420,000	-	345,000	6,075,000	360,000
Qualified school construction bonds	1,457,084	-	120,430	1,336,654	121,588
Qualified zone academy bonds (QZAB)	5,000,000	-	-	5,000,000	5,000,000
Capital leases	688,290	-	165,753	522,537	169,896
Compensated absences	400,214	191,863	-	592,077	-
Supplemental employee retirement plan (SERP)	172,715	-	172,715	-	-
Net OPEB liability	803,440	-	101,989	701,451	-
Choice 2000 settlement agreement	587,500	-	117,500	470,000	117,500
	<u>\$ 144,698,927</u>	<u>\$ 1,819,439</u>	<u>\$ 5,708,110</u>	<u>\$ 140,810,256</u>	<u>\$ 10,398,984</u>

Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund.

Payments on the Certificates of Participation are made from the Debt Service Fund for Blended Component Units.

Payments for the Qualified School Construction Bonds are made from the Charter School Fund.

Payments on the QZAB Lease Purchase Agreement will be made from the QZAB Fund.

Payments for the Capital Leases are made from the General Fund.

Payments for compensated absences paid for by the fund for which the employee worked.

Payments for the SERP are made from the General Fund and Charter School Fund.

Payments for the net OPEB liability are made from the General Fund.

Payment for the Choice 2000 settlement agreement will be made from the Charter School Fund.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds	
				Outstanding July 1, 2017	Issued	Accreted	Redeemed	Outstanding June 30, 2018
5/1/00	3/1/25	6.05 - 6.40%	\$ 8,313,075	\$ 6,597,971	\$ -	\$ 420,763	\$ 825,000	\$ 6,193,734
11/1/02	9/1/27	4.60 - 5.51%	7,686,807	8,107,759	-	428,308	620,000	7,916,067
2/25/05	3/1/30	3.00 - 5.27%	38,764,558	9,964,460	-	519,412	-	10,483,872
3/28/06	9/1/22	3.50 - 4.43%	7,232,820	4,107,675	-	66,051	595,000	3,578,726
7/23/13	9/1/27	2.00 - 4.25%	35,000,000	30,345,000	-	-	-	30,345,000
11/6/14	9/1/24	2.00 - 4.00%	26,510,000	24,815,000	-	-	1,350,000	23,465,000
10/20/15	9/1/45	3.00 - 5.00%	40,413,023	40,264,042	-	193,042	855,000	39,602,084
				<u>\$ 124,201,907</u>	<u>\$ -</u>	<u>\$ 1,627,576</u>	<u>\$ 4,245,000</u>	<u>\$ 121,584,483</u>

Election 1999, Series A General Obligation Bonds

In May 2000, the District issued \$8,313,075 in Election 1999, Series A General Obligation Bonds. Proceeds from the bonds will be used for the purpose of construction and renovation of various school facilities in the District. In March 2005, the 2005 General Obligation Refunding Bonds refunded the current interest portion of the bonds. At June 30, 2018, the principal balance outstanding was \$6,193,734.

Election 1999, Series B General Obligation Bonds

In November 2002, the District issued \$7,686,807 in Election 1999, Series B General Obligation Bonds. Proceeds from the bonds will be used for the purpose of construction and renovation of various school facilities in the District. In March 2005, the 2005 General Obligation Refunding Bonds refunded the current interest portion of the bonds. At June 30, 2018, the principal balance outstanding was \$7,916,067.

Election 2004, Series A General Obligation Bonds

In February 2005, the District issued \$38,764,558 in Election 2004, Series A General Obligation Bonds. Proceeds from the bonds will be used to finance the acquisition, construction, and modernization of property and school facilities. At June 30, 2018, the principal balance outstanding was \$10,483,872.

Election 2004, Series B General Obligation Bonds

In March 2006, the District issued \$7,232,820 in Election 2004, Series B General Obligation Bonds. Proceeds from the bonds will be used to finance the acquisition, construction, and modernization of property and school facilities. At June 30, 2018, the principal balance outstanding was \$3,578,726.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Election 2012, Series A General Obligation Bonds

In July 2013, the District issued \$35,000,000 in Election 2012, Series A General Obligation Bonds. Proceeds from the bonds will be used to finance the repair, upgrading, modernization, renovation, construction, and equipping of certain District property and facilities. At June 30, 2018, the principal balance outstanding was \$30,345,000.

Election 2004, Series A General Obligation Refunding Bonds

In November 2014, the District issued \$26,510,000 in Election 2004 General Obligation Refunding Bonds. Proceeds from the bonds will be used to refund certain maturities of the District's outstanding General Obligation Bonds, Election 2004, Series A General Obligation Bond and to finance the acquisition, construction, and modernization of property and school facilities. At June 30, 2018, the principal balance outstanding was \$23,465,000.

Election 2012, General Obligation Bond, Series B

In October 2015, the District issued \$40,413,023 in Election 2012 General Obligation Refunding Bonds. Proceeds from the bonds will be used to refund certain maturities of the District's outstanding General Obligation Bonds, Election 2004, Series A General Obligation Bond and to finance the acquisition, construction, and modernization of property and school facilities. At June 30, 2018, the principal balance outstanding was \$39,602,084.

Debt Service Requirements to Maturity

The bonds mature through 2045, as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest	Total
2019	\$ 4,591,529	\$ 38,471	\$ 4,169,702	\$ 8,799,702
2020	5,097,481	132,519	4,057,836	9,287,836
2021	5,643,681	231,319	3,883,969	9,758,969
2022	6,230,524	334,476	3,683,036	10,248,036
2023	4,835,446	819,554	3,487,019	9,142,019
2024-2028	27,040,493	5,609,507	9,690,984	42,340,984
2029-2033	16,008,018	6,241,982	12,559,744	34,809,744
2034-2038	11,875,351	4,009,649	10,331,975	26,216,975
2039-2043	24,826,960	698,040	7,239,838	32,764,838
2044-2045	15,435,000	-	4,636,962	20,071,962
Total	<u>\$ 121,584,483</u>	<u>\$ 18,115,517</u>	<u>\$ 63,741,065</u>	<u>\$ 203,441,065</u>

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Certificates of Participation

In December 2007, the District issued \$23,500,000 in Certificates of Participation for the purpose of defeasing and prepaying a portion of the 2000 Certificates of Participation. The interest rate is set at six percent per annum. The outstanding principal balance at June 30, 2018, is \$6,075,000.

The certificates mature through 2031, as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2019	\$ 360,000	\$ 251,094	\$ 611,094
2020	380,000	236,294	616,294
2021	390,000	220,894	610,894
2022	410,000	204,894	614,894
2023	425,000	188,194	613,194
2024-2028	2,400,000	653,609	3,053,609
2029-2031	1,710,000	117,675	1,827,675
Total	<u>\$ 6,075,000</u>	<u>\$ 1,872,654</u>	<u>\$ 7,947,654</u>

Qualified School Construction Bonds

In October 2011, the District issued \$2,100,000 in Qualified School Construction Bonds. Proceeds from the bonds will be used to finance the acquisition, construction, and modernization of property and school facilities. The outstanding principal balance at June 30, 2018, is \$1,336,654.

The bonds mature through 2029, as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2019	\$ 121,588	\$ 72,763	\$ 194,351
2020	122,758	65,974	188,732
2021	123,940	59,120	183,060
2022	125,132	52,200	177,332
2023	126,337	45,213	171,550
2024-2028	650,155	118,891	769,046
2029	66,744	1,859	68,603
Total	<u>\$ 1,336,654</u>	<u>\$ 416,020</u>	<u>\$ 1,752,674</u>

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

Qualified Zone Academy Bonds (QZAB) Lease Purchase Agreement

On December 9, 2003, the District, pursuant to a lease purchase agreement with the Public Property Financing Corporation of California, issued \$5,000,000 Qualified Zone Academy Bonds (QZAB) to provide funds to finance certain improvements, equipment, and related costs for the District's Literacy and Information Technology Academy and to pay certain costs of issuance. The Bonds mature on December 9, 2018, with the entire principal amount of \$5,000,000 due at this date. The Bonds do not bear interest. In lieu of receiving periodic interest or sinking fund payments, qualified buyers will receive an annual Federal tax credit as set by the U.S. Treasury Department. Payment of principal on the Bonds is secured by an initial deposit of \$2,618,141 made by the District on the date of issuance. The initial deposit, together with accrued interest earnings shall be sufficient to make the lease payment in full at maturity. As of June 30, 2018, US Bank held \$5,105,873 for the lease payment.

Capital Leases

The District has entered into agreements to lease equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on lease agreements with options to purchase is summarized below:

	Equipment Lease
Balance, July 1, 2017	\$ 731,840
Payments	182,960
Balance, June 30, 2018	<u>\$ 548,880</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2019	\$ 182,960
2020	182,960
2021	182,960
Total	<u>548,880</u>
Less: Amount Representing Interest	26,343
Present Value of Minimum Lease Payments	<u>\$ 522,537</u>

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2018, amounted to \$592,077.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

Choice 2000 Settlement Agreement

On April 28, 2014, the District entered into a settlement agreement with the Department of Finance, the California State Board of Education, the Superintendent of Public Instruction, and the Controller for the State of California with regard to audit finding 2006-10 for fiscal year 2005-2006 concerning the District's Choice 2000 Online Charter High School. The Parties agreed that the total amount to be disallowed as a result of audit finding 2006-2010 for the 2005-2006 fiscal year shall be \$122,200, which sum represents approximately ten percent of the total overpayment. The penalty amount will be withheld from the District's apportionment over a period of eight years, commencing in fiscal year 2014-2015, without interest, until fully repaid. As of June 30, 2018, the remaining total future payment due was approximately \$61,100. The repayment schedule is summarized as follows:

<u>Fiscal Year</u>	<u>Settlement Payment</u>
2019	\$ 15,275
2020	15,275
2021	15,275
2022	15,275
Total	<u>\$ 61,100</u>

On April 28, 2014, the District entered into a separate settlement agreement with the Department of Finance, the California State Board of Education, The Superintendent of Public Instruction and the Controller for the State of California with regard to similar audit findings related to the District's Choice 2000 Online Charter High School for fiscal years 2006-07 through 2012-13. The agreement fully and completely resolves all claims, demands, appeals, obligations, and causes of actions arising from the audit findings for the seven fiscal years audited. The District has agreed to repay, from its future apportionments, ten percent of the amount of the total overpayment for each audited fiscal year and for the aggregate of the seven years, for a total of \$817,799. These payments will be made in eight annual installments, commencing in fiscal year 2014-2015. No interest shall be charged or accrued on the repayment amounts. As of June 30, 2018, the remaining future payment due was approximately \$408,900, the repayment schedule is summarized as follows:

<u>Fiscal Year</u>	<u>Settlement Payment</u>
2019	\$ 102,225
2020	102,225
2021	102,225
2022	102,225
Total	<u>\$ 408,900</u>

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Net Other Post Employment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2018, the District reported net OPEB liability and OPEB expense for the following plan:

<u>OPEB Plan</u>	<u>Net OPEB Liability</u>	<u>OPEB Expense</u>
Medicare Premium Payment (MPP) Program	\$ 701,451	\$ (101,989)

The detail of the plan are as follows:

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the STRP DB Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California Education Code Section 25930, benefit payments that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the OPEB

At June 30, 2018, the District reported a liability of \$701,451 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.1667 percent and 0.1717 percent, resulting in a net decrease in proportionate share of 0.0050 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of \$(101,989).

Actuarial Methods and Assumptions

The total OPEB liability for the MPP Program as of June 30, 2016 was determined based on a financial reporting actuarial valuation that used the June 30, 2016 assumptions presented in the table below. The June 30, 2017 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total OPEB liability to June 30, 2017 using the assumptions listed in the following table:

Measurement Date	June 30, 2017	June 30, 2016
Valuation Date	June 30, 2016	June 30, 2016
Experience Study	July 1, 2010 through June 30, 2016	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.58%	2.85%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2016, CalSTRS used custom mortality tables based on RP2000 Series tables issued by the Society of Actuaries, adjusted to fit CalSTRS specific experience through June 30, 2015. For the valuation as of June 30, 2017, CalSTRS changed the mortality assumptions based on the July 1, 2010, through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS now uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 571 or an average of 0.32 percent of the potentially eligible population (177,763).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2017 and 2016, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2017 and 2016 was 3.58 percent and 2.85 percent, respectively. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you-go method, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.58 percent and 2.85 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017 and 2016, respectively, was applied to all periods of projected benefit payments to measure the total OPEB liability.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the District Rate

The following presents the District's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percent lower or high than the current rate:

Discount Rate	Net OPEB Liability
1% decrease (2.58%)	\$ 776,555
Current discount rate (3.58%)	701,451
1% increase (4.58%)	628,396

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The following presents the District’s proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percent lower or high than the current rate:

<u>Medicare Costs Trend Rate</u>	<u>Net OPEB Liability</u>
1% decrease (2.7% Part A and 3.1% Part B)	\$ 633,868
Current medicare costs trend rate (3.7% Part A and 4.1% Part B)	701,451
1% increase (4.7% Part A and 5.1% Part B)	768,358

NOTE 10 - NON-OBLIGATORY DEBT

Non-obligatory debt relates to debt issuances by the Community Facility Districts, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Mark-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders, and may initiate foreclosure proceedings. Special assessment debt of \$44,235,000 as of June 30, 2018, does not represent debt of the District and, as such, does not appear in the accompanying basic financial statements.

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PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 11 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Charter School Fund	Building Fund	Capital Facilities Fund
Nonspendable				
Revolving cash	\$ 25,000	\$ -	\$ -	\$ -
Stores inventories	-	-	-	-
Prepaid expenditures	198,157	29,214	-	-
Total Nonspendable	<u>223,157</u>	<u>29,214</u>	<u>-</u>	<u>-</u>
Restricted				
Legally restricted programs	3,125,860	504,924	-	-
Capital projects	-	-	10,816,437	7,403,369
Debt services	-	-	-	-
Total Restricted	<u>3,125,860</u>	<u>504,924</u>	<u>10,816,437</u>	<u>7,403,369</u>
Assigned	<u>3,543,351</u>	<u>2,171,680</u>	<u>-</u>	<u>-</u>
Unassigned				
Economic uncertainties	5,467,426	-	-	-
Total	<u>\$ 12,359,794</u>	<u>\$ 2,705,818</u>	<u>\$ 10,816,437</u>	<u>\$ 7,403,369</u>

Capital Project Fund for Blended Component Units	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
\$ -	\$ -	\$ 2,915	\$ 27,915
-	-	30,636	30,636
-	-	-	227,371
-	-	33,551	285,922
-	-	1,274,375	4,905,159
12,166,837	-	1,710,709	32,097,352
-	11,836,839	5,736,524	17,573,363
12,166,837	11,836,839	8,721,608	54,575,874
-	-	15,069	5,730,100
-	-	-	5,467,426
<u>\$ 12,166,837</u>	<u>\$ 11,836,839</u>	<u>\$ 8,770,228</u>	<u>\$ 66,059,322</u>

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage, and destruction of assets; errors and omissions, injuries to employees, life, and health of employees and natural disasters. The District purchases coverage for property damage with limits up to a maximum of \$250,000,000, subject to various policy sublimits generally ranging from \$500 to \$100,000,000 and deductibles ranging from \$500 to \$5,000. The District also purchases coverage for general liability claims with limits up to \$1,000,000 per occurrence with excess liability coverage up to \$25,000,000 per occurrence and \$60,000,000 in the aggregate, all subject to various deductibles up to \$5,000 per occurrence. The District participates in a finite risk sharing pool for workers' compensation coverage up to \$150,000,000 per occurrence with no self-insured retention. Employee health benefits are covered by a commercial insurance policy purchased by the District. The District provides health insurance benefits to District employees electing to participate in the plan by paying a monthly premium based on the number of District employees participating in the Plan.

Property and Liability

The District is exposed to various risks of loss related to torts, theft, damage, and destruction of assets; errors and omissions, injuries to employees, life, and health of employees and natural disasters. During fiscal year ending June 30, 2018, the District pooled for property and liability coverage as a member of Riverside Schools' Insurance Authority, a Joint Powers Authority. Settlement claims have not exceeded the limits of this coverage in any of the past three years.

Workers' Compensation

For fiscal year 2018, the District participated in the Riverside Schools' Risk Management Authority (RSRMA), a workers' compensation coverage purchasing pool. The intent of RSRMA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants. RSRMA, in turn, pools for workers' compensation coverage through their membership in the Protected Insurance Program for Schools and Community Colleges (PIPS), a finite risk sharing pool. Pooling in this manner allows the member districts and joint powers authorities to take advantage of increased purchasing power and greater spread of risk. As a member of PIPS, RSRMA is assigned a rate based on the JPA's overall payroll and loss experience compared to the other members within PIPS. Each participant in RSRMA pays its workers' compensation premium based on its individual rate which is weighted based on their payroll and loss experience within RSRMA. This arrangement insures that each participant shares equally in the overall performance of RSRMA. Participation in RSRMA is limited to districts that can meet the selection criteria.

Employee Medical Benefits

The District is a member of the Riverside Employer/Employee Partnership (REEP) to provide employee health benefits. REEP is a shared risk pool comprised of various school districts. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2018, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

<u>Pension Plan</u>	<u>Collective Net Pension Liability</u>	<u>Collective Deferred Outflows of Resources</u>	<u>Collective Deferred Inflows of Resources</u>	<u>Collective Pension Expense</u>
CalSTRS	\$ 85,169,359	\$ 28,647,035	\$ 6,656,528	\$ 9,225,667
CalPERS	35,010,378	11,719,020	412,204	7,491,322
Total	<u>\$ 120,179,737</u>	<u>\$ 40,366,055</u>	<u>\$ 7,068,732</u>	<u>\$ 16,716,989</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.21%
Required employer contribution rate	14.43%	14.43%
Required State contribution rate	9.328%	9.328%

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District's total contributions were \$7,418,500.

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

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support and the total portion of the net pension liability that was associated with the District were as follows:

Total Net Pension Liability, Including State Share:

District's proportionate share of net pension liability	\$ 85,169,359
State's proportionate share of the net pension liability associated with the District	50,385,473
Total	<u>\$ 135,554,832</u>

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.0921 percent and 0.0965 percent, resulting in a net decrease in the proportionate share of 0.0044 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$9,225,667. In addition, the District recognized pension expense and revenue of \$5,071,782 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 7,418,500	\$ -
Net change in proportionate share of net pension liability	5,134,952	2,902,741
Difference between projected and actual earnings on pension plan investments	-	2,268,296
Difference between expected and actual experiences in the measurement of the total pension liability	314,965	1,485,491
Change in assumptions	15,778,618	-
Total	<u>\$ 28,647,035</u>	<u>\$ 6,656,528</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) Amortization
2019	\$ (1,885,719)
2020	1,426,933
2021	205,755
2022	(2,015,265)
Total	<u>\$ (2,268,296)</u>

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 2,915,965
2020	2,915,965
2021	2,915,965
2022	2,915,963
2023	2,977,973
Thereafter	2,198,472
Total	<u>\$ 16,840,303</u>

Actuarial Methods and Assumptions

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

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 125,055,658
Current discount rate (7.10%)	85,169,359
1% increase (8.10%)	52,798,924

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) [and the Safety Risk 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. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plans regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Schools Pool Actuarial Valuation, and the Risk Pool Actuarial Valuation Report, Safety. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

CalPERS provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.50%
Required employer contribution rate	15.53%	15.53%

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total District contributions were \$3,029,876.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$35,010,378. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.1467 percent and 0.1437 percent, resulting in a net increase in the proportionate share of 0.0030 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$7,491,322. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,029,876	\$ -
Net change in proportionate share of net pension liability	1,109,930	
Difference between projected and actual earnings on pension plan investments	1,211,120	-
Difference between expected and actual experiences in the measurement of the total pension liability	1,254,278	-
Changes of assumptions	5,113,816	412,204
Total	<u>\$ 11,719,020</u>	<u>\$ 412,204</u>

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ (32,817)
2020	1,397,369
2021	509,776
2022	(663,208)
Total	<u>\$ 1,211,120</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 2,659,354
2020	2,524,313
2021	1,882,153
Total	<u>\$ 7,065,820</u>

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 51,511,484
Current discount rate (7.15%)	35,010,378
1% increase (8.15%)	21,321,328

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$4,143,895 (9.328 percent of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures; however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report. These amounts have not been included in the budget amounts reported in the *General Fund - Budgetary Comparison Schedule*. These amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves, but have not been included in the budgeted amounts reported in the *General Fund-Budgetary Comparison Schedule*.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2018.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

Litigation

The District is involved in various litigations arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2018.

Construction Commitments

As of June 30, 2018, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECTS	Remaining Construction Commitment	Expected Date of Completion
Perris High School Phase 2B	\$ 5,079,137	December 2018
Perris High School Agricultural Research Center Phase II	2,622,806	December 2018
Paloma Valley High School Classroom Addition / Stadium Improvement	10,941,472	August 2019
	<u>\$ 18,643,415</u>	

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS

The District is a member of the Riverside Schools Risk Management Authority (RSRMA), Riverside Employer/Employee Partnership (REEP), and the Riverside Schools' Insurance Authority (RSIA) public entity risk pools. The District pays an annual premium to the applicable entity for its health, workers' compensation, and property liability coverage. The relationships between the District and the pools are such that they are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2018, the District made payments of \$1,496,269, \$8,937,827, and \$758,854 to RSRMA, REEP, and RSIA, respectively, for its workers' compensation, health, and property liability coverage.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 16 – RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Government-Wide Financial Statements

Net Position - Beginning	\$ 150,906,423
Inclusion of net OPEB liability from the adoption of GASB Statement No. 75	<u>(803,440)</u>
Net Position - Beginning as Restated	<u><u>\$ 150,102,983</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

PERRIS UNION HIGH SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	Original	Final		Positive (Negative) Final to Actual
REVENUES				
Local Control Funding Formula	\$ 97,868,301	\$ 97,776,233	\$ 97,744,720	\$ (31,513)
Federal sources	6,908,896	7,748,106	7,983,360	235,254
Other State sources	8,928,960	11,323,985	11,234,793	(89,192)
Other local sources	2,111,716	2,661,008	3,097,319	436,311
Total Revenues ¹	115,817,873	119,509,332	120,060,192	550,860
EXPENDITURES				
Current				
Certificated salaries	47,489,751	48,497,501	48,538,921	(41,420)
Classified salaries	18,846,430	18,272,765	18,102,508	170,257
Employee benefits	25,833,974	25,947,895	25,391,684	556,211
Books and supplies	7,606,356	6,443,662	6,394,841	48,821
Services and operating expenditures	16,000,361	17,700,678	18,232,183	(531,505)
Capital outlay	5,708,236	5,540,076	5,017,135	522,941
Other outgo	(1,025,350)	543,006	281,139	261,867
Debt service				
Principal	782,829	165,753	165,753	-
Interest	21,250	17,207	17,207	-
Total Expenditures ¹	121,263,837	123,128,543	122,141,371	987,172
Excess (Deficiency) of Revenues Over Expenditures	(5,445,964)	(3,619,211)	(2,081,179)	1,538,032
OTHER FINANCING USES				
Transfers out	(37,564)	(38,577)	(38,541)	(36)
NET CHANGE IN FUND BALANCE	(5,483,528)	(3,657,788)	(2,119,720)	(1,538,068)
Fund Balance - Beginning	14,479,514	14,479,514	14,479,514	-
Fund Balance - Ending	\$ 8,995,986	\$ 10,821,726	\$ 12,359,794	\$ (1,538,068)

¹ On behalf payments of \$4,143,895 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

See accompanying note to required supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY – MPP PROGRAM FOR THE YEAR ENDED JUNE 30, 2018

Year ended June 30,	<u>2018</u>
District's proportion of the net OPEB liability	<u>0.1667%</u>
District's proportionate share of the net OPEB liability	<u>\$ 701,451</u>
District's covered-employee payroll	<u>N/A¹</u>
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	<u>N/A¹</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>0.01%</u>

¹ As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

Note: In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2018

	<u>2018</u>	<u>2017</u>
CalSTRS		
District's proportion of the net pension liability	<u>0.0921%</u>	<u>0.0965%</u>
District's proportionate share of the net pension liability	<u>\$ 85,169,359</u>	<u>\$ 78,071,403</u>
State's proportionate share of the net pension liability associated with the District	<u>50,385,473</u>	<u>44,444,657</u>
Total	<u><u>\$ 135,554,832</u></u>	<u><u>\$ 122,516,060</u></u>
District's covered - employee payroll	<u>\$ 49,391,614</u>	<u>\$ 47,760,848</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>172.44%</u>	<u>163.46%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>69%</u>	<u>70%</u>
CalPERS		
District's proportion of the net pension liability	<u>0.1467%</u>	<u>0.1437%</u>
District's proportionate share of the net pension liability	<u>\$ 35,010,378</u>	<u>\$ 28,372,895</u>
District's covered - employee payroll	<u>\$ 18,688,179</u>	<u>\$ 17,430,785</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>187.34%</u>	<u>162.77%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>72%</u>	<u>74%</u>

Note: In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

<u>2016</u>	<u>2015</u>
<u>0.0876%</u>	<u>0.0866%</u>
\$ 59,003,719	\$ 50,593,383
<u>31,206,463</u>	<u>30,550,469</u>
<u>\$ 90,210,182</u>	<u>\$ 81,143,852</u>
<u>\$ 41,835,563</u>	<u>\$ 38,561,927</u>
<u>141.04%</u>	<u>131.20%</u>
<u>74%</u>	<u>77%</u>
<u>0.1352%</u>	<u>0.1215%</u>
\$ 19,933,763	\$ 13,793,298
\$ 16,126,703	\$ 12,754,553
<u>123.61%</u>	<u>85.53%</u>
<u>79%</u>	<u>83%</u>

See accompanying note to required supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
CalSTRS				
Contractually required contribution	\$ 7,418,500	\$ 6,213,465	\$ 5,124,739	\$ 3,714,998
Contributions in relation to the contractually required contribution	<u>(7,418,500)</u>	<u>(6,213,465)</u>	<u>(5,124,739)</u>	<u>(3,714,998)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 51,410,256</u>	<u>\$ 49,391,614</u>	<u>\$ 47,760,848</u>	<u>\$ 41,835,563</u>
Contributions as a percentage of covered - employee payroll	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS				
Contractually required contribution	\$ 3,029,876	\$ 2,595,788	\$ 2,065,548	\$ 1,898,113
Contributions in relation to the contractually required contribution	<u>(3,029,876)</u>	<u>(2,595,788)</u>	<u>(2,065,548)</u>	<u>(1,898,113)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 19,509,826</u>	<u>\$ 18,688,179</u>	<u>\$ 17,430,785</u>	<u>\$ 16,126,703</u>
Contributions as a percentage of covered - employee payroll	<u>15.53%</u>	<u>13.89%</u>	<u>11.85%</u>	<u>11.77%</u>

Note: In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program

Changes in Benefits Terms – There were no changes in the benefits terms since the previous valuation.

Changes of Assumptions – The plan rate of investment return assumption was changed from 2.85 percent to 3.58 percent since the previous valuation.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes of Assumptions – The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented

SUPPLEMENTARY INFORMATION

PERRIS UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	\$ 289,411
Title I, Part A - Basic Grants Low-Income and Neglected	84.010	14329	3,661,649
Title I, Part G - Advanced Placement (AP) Test Fee Reimbursement Program	84.330B	14831	17,056
Title II, Part A - Supporting Effective Instruction	84.367	14341	188,220
English Language Acquisition State Grants:			
Title III, Part A - Immigrant Student Program	84.365	15146	10,772
Title III - English Learner Student Program	84.365	14346	241,677
Subtotal English Language Acquisition State Grants			<u>252,449</u>
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14349	590,332
Passed through Riverside County Special Education Local Plan Area:			
Special Education (IDEA) Cluster:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	1,624,930
Mental Health Allocation Plan, Part B, Section 611	84.027	15197	597,428
Subtotal Special Education (IDEA) Cluster			<u>2,222,358</u>
Total U.S. Department of Education			<u>7,221,475</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13524	2,876,663
Especially Needy Breakfast	10.553	13526	803,298
Food Distribution	10.555	13524	317,290
Subtotal Child Nutrition Cluster			<u>3,997,251</u>
Child and Adult Care Food Program	10.558	13393	40,005
Total U.S. Department of Agriculture			<u>4,037,256</u>

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF DEFENSE			
Junior Reserve Officer Training Corps - Air Force	12.000	[1]	\$ 167,345
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medi-Cal Assistance Program:			
Medi-Cal Billing Option	93.778	10013	45,032
Medi-Cal Administrative Activities Program	93.778	10060	102,040
Subtotal Medi-Cal Assistance Program:			<u>147,072</u>
Total U.S. Department of Health and Human Services			<u>147,072</u>
Total Federal Programs			<u>\$ 11,573,148</u>

[1] Direct funded program.

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2018

ORGANIZATION

The Perris Union High School District was incorporated on August 23, 1897, and consists of an area comprising approximately 179 square miles. The District operates one middle school, three high schools, a continuation school, a community day school, one charter school, and an adult education school. There were no boundary changes during the year.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Dr. Jose Luis Araux	President	2018
Edward Garcia	Vice President	2020
David Nelissen	Clerk	2020
Carolyn A. Twyman	Member	2018
Anthony T. Stafford, Sr.	Member	2020

ADMINISTRATION

Grant Bennett	Superintendent
Candace Reines	Deputy Superintendent, Business Services
Kirk Skorpanich	Assistant Superintendent, Human Resources
Dr. Charles Newman	Assistant Superintendent, Educational Services
Joseph Williams	Executive Director, Technology
Alisha Fogerty	Director of Fiscal Services

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2018

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Seventh and eighth	1,089.20	1,080.28
Ninth through twelfth	7,991.02	7,908.99
Total Regular ADA	<u>9,080.22</u>	<u>8,989.27</u>
Extended Year Special Education		
Seventh and eighth	0.64	0.64
Ninth through twelfth	3.62	3.62
Total Extended Year Special Education	<u>4.26</u>	<u>4.26</u>
Special Education, Nonpublic, Nonsectarian Schools		
Ninth through twelfth	<u>27.97</u>	<u>27.30</u>
Extended Special Education, Nonpublic, Nonsectarian Schools		
Ninth through twelfth	2.29	2.64
Total ADA	<u>9,114.74</u>	<u>9,023.47</u>
CALIFORNIA MILITARY INSTITUTE		
Regular ADA		
Fifth through sixth	172.86	172.82
Seventh and eighth	286.86	287.48
Ninth through twelfth	514.19	513.10
Total Regular ADA	<u>973.91</u>	<u>973.40</u>
Classroom based ADA		
Fourth through sixth	172.86	172.82
Seventh and eighth	286.86	287.48
Ninth through twelfth	514.19	513.10
Total Classroom Based ADA	<u>973.91</u>	<u>973.40</u>

The California Military Institute did not operate a non-classroom based instruction program.

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2018**

District

<u>Grade Level</u>	<u>1986-87 Minutes Requirement</u>	<u>2017-18 Actual Minutes</u>	<u>Number of Days</u>		<u>Status</u>
			<u>Traditional Calendar</u>	<u>Multitrack Calendar</u>	
Grades 7 - 8	54,000				
Grade 7		61,990	180	N/A	Complied
Grade 8		61,990	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		66,646	180	N/A	Complied
Grade 10		66,646	180	N/A	Complied
Grade 11		66,646	180	N/A	Complied
Grade 12		66,646	180	N/A	Complied

California Military Institute

<u>Grade Level</u>	<u>1986-87 Minutes Requirement</u>	<u>2017-18 Actual Minutes</u>	<u>Number of Days</u>		<u>Status</u>
			<u>Traditional Calendar</u>	<u>Multitrack Calendar</u>	
Grades 5 - 6	54,000				
Grade 5		66,271	180	N/A	Complied
Grade 6		66,271	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		66,271	180	N/A	Complied
Grade 8		66,271	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		66,271	180	N/A	Complied
Grade 10		66,271	180	N/A	Complied
Grade 11		66,271	180	N/A	Complied
Grade 12		66,271	180	N/A	Complied

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2018.

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

	(Budget) 2019 ¹	2018	2017	2016
GENERAL FUND				
Revenues	\$ 127,745,084	\$ 120,060,192	\$ 119,830,387	\$ 113,176,545
Expenditures	127,476,880	122,141,371	117,364,784	109,900,841
Other uses and transfers out	-	(38,541)	-	(62,904)
Total Expenditures and Other Sources	127,476,880	122,179,912	117,364,784	109,963,745
INCREASE (DECREASE) IN FUND BALANCE	\$ 268,204	\$ (2,119,720)	\$ 2,465,603	\$ 3,212,800
ENDING FUND BALANCE	\$ 12,627,998	\$ 12,359,794	\$ 14,479,514	\$ 12,013,911
AVAILABLE RESERVES ²	\$ 6,995,379	\$ 5,467,426	\$ 3,520,944	\$ 7,527,009
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	5.49%	4.47%	3.00%	6.84%
LONG-TERM OBLIGATIONS ³	N/A	\$ 140,810,256	\$144,703,927	\$149,196,446
K-12 AVERAGE DAILY ATTENDANCE AT P-2	9,227	9,115	9,069	9,062

The General Fund balance has increased by \$345,883 over the past two years. The fiscal year 2018-2019 budget projects a further increase of \$268,204 (2.17 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating surplus during the 2018-2019 fiscal year. Total long-term obligations have decreased by \$8,386,190 over the past two years.

Average daily attendance has increased by 53 over the past two years. Additional growth/decline of 112 ADA is anticipated during fiscal year 2018-2019.

¹ Budget 2019 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.

³ Long-term obligations for 2017 have been restated due to implementation of GASB Statement No. 75.

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Name of Charter School</u>	<u>Included in Audit Report</u>
California Military Institute	Yes

See accompanying note to supplementary information.

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PERRIS UNION HIGH SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018**

	Adult Education Fund	Cafeteria Fund	County School Facilities Fund
ASSETS			
Deposits and investments	\$ 78,199	\$ 603,789	\$ 2,159,785
Receivables	7,082	613,351	18,846
Due from other funds	42,534	-	-
Stores inventories	-	30,636	-
Total Assets	<u>\$ 127,815</u>	<u>\$ 1,247,776</u>	<u>\$ 2,178,631</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 8,755	\$ 22,397	\$ 467,922
Due to other funds	5,592	2,550	-
Unearned revenue	-	13,302	-
Total Liabilities	<u>14,347</u>	<u>38,249</u>	<u>467,922</u>
Fund Balances:			
Nonspendable	-	33,551	-
Restricted	98,399	1,175,976	1,710,709
Assigned	15,069	-	-
Total Fund Balances	<u>113,468</u>	<u>1,209,527</u>	<u>1,710,709</u>
Total Liabilities and Fund Balances	<u>\$ 127,815</u>	<u>\$ 1,247,776</u>	<u>\$ 2,178,631</u>

See accompanying note to supplementary information.

QZAB Fund	Debt Service Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
\$ 5,105,873	\$ 1,102	\$ 629,545	\$ 8,578,293
-	4	-	639,283
-	-	-	42,534
-	-	-	30,636
<u>\$ 5,105,873</u>	<u>\$ 1,106</u>	<u>\$ 629,545</u>	<u>\$ 9,290,746</u>
\$ -	\$ -	\$ -	\$ 499,074
-	-	-	8,142
-	-	-	13,302
-	-	-	520,518
-	-	-	33,551
5,105,873	1,106	629,545	8,721,608
-	-	-	15,069
<u>5,105,873</u>	<u>1,106</u>	<u>629,545</u>	<u>8,770,228</u>
<u>\$ 5,105,873</u>	<u>\$ 1,106</u>	<u>\$ 629,545</u>	<u>\$ 9,290,746</u>

PERRIS UNION HIGH SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018**

	Adult Education Fund	Cafeteria Fund	County School Facilities Fund	QZAB Fund
REVENUES				
Federal sources	\$ -	\$ 4,037,256	-	\$ -
Other State sources	237,213	292,389	-	-
Other local sources	12,978	516,260	105,038	187,646
Total Revenues	<u>250,191</u>	<u>4,845,905</u>	<u>105,038</u>	<u>187,646</u>
EXPENDITURES				
Current				
Instruction	71,814	-	-	-
Instruction-related activities:				
School site administration	125,001	-	-	-
Pupil services:				
Food services	-	4,962,587	-	-
Administration:				
All other general administration	14,828	248,230	-	-
Plant services	7,276	82,896	-	-
Facility acquisition and construction	-	-	8,363,402	-
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total Expenditures	<u>218,919</u>	<u>5,293,713</u>	<u>8,363,402</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>31,272</u>	<u>(447,808)</u>	<u>(8,258,364)</u>	<u>187,646</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	38,541	-	-	-
Transfers out	-	-	-	-
Net Financing Sources (Uses)	<u>38,541</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	69,813	(447,808)	(8,258,364)	187,646
Fund Balances - Beginning	43,655	1,657,335	9,969,073	4,918,227
Fund Balances - Ending	<u>\$ 113,468</u>	<u>\$ 1,209,527</u>	<u>\$ 1,710,709</u>	<u>\$ 5,105,873</u>

See accompanying note to supplementary information.

Debt Service Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
\$ -	\$ -	\$ 4,037,256
-	-	529,602
610,884	3,878	1,436,684
<u>610,884</u>	<u>3,878</u>	<u>6,003,542</u>
-	-	71,814
-	-	125,001
-	-	4,962,587
-	-	263,058
-	-	90,172
-	-	8,363,402
-	345,000	345,000
-	265,194	265,194
<u>-</u>	<u>610,194</u>	<u>14,486,228</u>
610,884	(606,316)	(8,482,686)
-	610,194	648,735
<u>(610,194)</u>	<u>-</u>	<u>(610,194)</u>
(610,194)	610,194	38,541
690	3,878	(8,444,145)
416	625,667	17,214,373
<u>\$ 1,106</u>	<u>\$ 629,545</u>	<u>\$ 8,770,228</u>

PERRIS UNION HIGH SCHOOL DISTRICT

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of Medi-Cal Billing Option and Medi-Cal Administrative Activities Program funds that have been recorded in the current period as revenues that have not been expended as of June 30, 2018. These unspent balances are reported as legally restricted ending balances within the General Fund.

Description	<u>CFDA Number</u>	<u>Amount</u>
Total Federal Revenues Statement of Revenues, Expenditures, and Changes in Fund Balance:		\$ 12,021,894
Medi-Cal Billing Option	93.778	(30,607)
Medi-Cal Administrative Activities Program	97.036	(418,139)
Total Schedule of Expenditures of Federal Awards		<u>\$ 11,573,148</u>

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

PERRIS UNION HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with 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.

Schedule of Charter Schools

This schedule lists all charter schools chartered by the District, and displays information for each charter school on whether or not the charter school is included in the District's audit.

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances

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

INDEPENDENT AUDITOR'S REPORTS



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

Governing Board
Perris Union High School District
Perris, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Perris Union High School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Perris Union High School District's basic financial statements, and have issued our report thereon dated November 28, 2018.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and 16 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
November 28 2018



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

Governing Board
Perris Union High School District
Perris, California

Report on Compliance for Each Major Federal Program

We have audited Perris Union High School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Perris Union High School District's (the District) major Federal programs for the year ended June 30, 2018. Perris Union High School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Perris Union High School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Perris Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Perris Union High School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of Perris Union High School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Perris Union High School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Perris Union High 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
November 28, 2018



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Perris Union High School District
Perris, California

Report on State Compliance

We have audited Perris Union High School District's (the District) compliance with the types of compliance requirements as identified in the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Perris Union High School District's State government programs as noted below for the year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Perris Union High School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards 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 applicable government programs noted below. An audit includes examining, on a test basis, evidence about Perris Union High 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 opinions. Our audit does not provide a legal determination of Perris Union High School District's compliance with those requirements.

Unmodified Opinion

In our opinion, Perris Union High School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2018.

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

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No, see below
Independent Study	Yes
Continuation Education	Yes, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	Yes
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	Yes
Charter School Facility Grant Program	No, see below

The District does not offer education services to K-6 students due to the District being a high school district; therefore, we did not perform procedures related to Kindergarten Attendance or K-3 Grade Span Adjustment.

The District does not offer a Work Experience Program; therefore, we did not perform procedures related to the Work Experience Program within the Continuation Education Attendance Program.

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not offer a Middle or Early College High School Program; therefore, we did not perform any procedures related to Middle or Early College High School Program.

The District does not offer an Apprenticeship Program; therefore, we did not perform any procedures for the Apprenticeship Program.

The District does not offer a Before School Education and Safety Program; therefore, we did not perform any procedures related to the Before School Education and Safety Program.

The District does not offer an Independent Study – Course Based Program; therefore, we did not perform any related procedures to the Independent Study – Course Based Program.

The District does not offer Non Classroom-Based Instruction for Charter Schools; therefore, we did not perform any procedures related to Non Classroom-Based Instruction/Independent Study for Charter Schools or Determination of Funding for Non Classroom-Based Instruction.

The District did not receive any funding for the Charter School Facility Grant Program; therefore, we did not perform any procedures related to the Charter School Facility Grant Program.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
November 28, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PERRIS UNION HIGH SCHOOL DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2018**

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>

Identification of major Federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>10.555, 10.553</u>	<u>Child Nutrition Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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PERRIS UNION HIGH SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

PERRIS UNION HIGH SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

PERRIS UNION HIGH SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

None reported.

PERRIS UNION HIGH SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

There were no audit findings reported in the prior year's schedule of financial statement findings.

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APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Perris Union High School District (the “District”) in connection with the execution and delivery of its \$41,160,000 2019 Certificates of Participation (School Financing Project) (the “Certificates”). The Certificates are being executed pursuant to a Trust Agreement, dated as of May 1, 2019, by and among the District, U.S. Bank National Association, as trustee (the “Trustee”) and the Perris Valley Schools Capital Facilities Corporation (the “Corporation”). The District covenants as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Certificates and in order to assist the Participating Underwriter in complying with the Rule.

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

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

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

“Disclosure Representative” shall mean the Superintendent of the District, the Deputy Superintendent, Business Services of the District, or their designee, or such other officer or employee as the District shall designate in writing from time to time.

“Dissemination Agent” shall mean initially Koppel & Gruber Public Finance, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“Financial Obligation” means: (a) a debt obligation; (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b). The term “Financial Obligation” does not include municipal securities as to which a final official statement has been provided to the Repository consistent with the Rule.

“Holder” or “Certificate holder” shall mean the registered owner of the Certificates, as reflected on the registration books maintained by the Trustee.

“Listed Events” shall mean any of the events listed in Section 5(a) and 5(b) of this Disclosure Certificate.

“Official Statement” shall mean the Official Statement relating to the Certificates, dated May 7, 2019.

“Participating Underwriter” shall mean any of the original underwriters of the Certificates required to comply with the Rule in connection with offering of the Certificates.

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

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

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District’s fiscal year (presently ending June 30), commencing with the report for the 2018-19 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

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

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

SECTION 4. Content of Annual Reports.

(a) The District’s Annual Report shall contain or include by reference the following:

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

- (ii) The District's approved annual budget for the then-current fiscal year.
- (iii) Financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District's audited financial statements):
 - (A) State funding received by the District for the last completed fiscal year;
 - (B) Average Daily Attendance of the District for the last completed fiscal year; and
 - (C) summary financial information on revenues, expenditures and fund balances for the District's general fund for last completed fiscal year and summary financial information on any adopted budget for the current fiscal year.
 - (D) Assessed Value of taxable property in CFD No. 92-1 for the current fiscal year;
 - (E) Top twenty property owners in CFD No. 92-1 for the current fiscal year, as measured by special tax levy, the number of levied parcels, the amount of their respective special tax levy, and their percentage of total special tax levy;
 - (F) Special Tax Levies, Delinquencies, and Delinquency Rates for CFD No. 92-1 for the most recently completed fiscal year;
 - (G) Assessed value of taxable property in the District as shown on the most recent equalized assessment roll; and
 - (H) Top twenty property owners in the District for the current fiscal year, as measured by secured assessed valuation, the amount of their respective taxable assessed value, and their percentage of total secured assessed value.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

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

SECTION 5. Reporting of Significant Events.

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

1. principal and interest payment delinquencies.
2. tender offers.
3. defeasances.

4. optional, contingent or unscheduled bond calls.
5. rating changes.
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).
7. unscheduled draws on the debt service reserves reflecting financial difficulties.
8. unscheduled draws on credit enhancement reflecting financial difficulties.
9. substitution of the credit or liquidity providers or their failure to perform.
10. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.
11. bankruptcy, insolvency, receivership or similar event of the District. For the purposes of the event identified in this Section 5(a)(11), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(b) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates, if material:

1. non-payment related defaults.
2. modifications to rights of Certificate holders.
3. unless described under Section 5(a)(5) above, adverse tax opinions, material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates.
4. release, substitution or sale of property securing repayment of the Certificates.
5. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

6. Appointment of a successor or additional Trustee with respect to the Certificates or the change of name of such a Trustee.
7. Incurrence of a Financial Obligation of the District, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation, any of which affect Certificate holders.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The 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 Dissemination Agent may resign by providing thirty days written notice to the District and the Trustee. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the District and shall have no duty to review any information provided to it by the District. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the District in a timely manner and in a form suitable for filing.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule; provided, the Dissemination Agent shall have first consented to any amendment that modifies or increases its duties or obligations hereunder. In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a), and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Certificates 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 Trust Agreement, 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.

No Certificate holder or Beneficial Owner may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the District satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the District shall have refused to comply therewith within a reasonable time.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees, to the extent permitted by law, 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 attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. In performing its duties hereunder, the Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, the Certificate holders, or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates.

The Dissemination Agent may conclusively rely upon the Annual Report provided to it by the District as constituting the Annual Report required of the District in accordance with this Disclosure Agreement and shall have no duty or obligation to review such Annual Report. The Dissemination Agent shall have no duty to prepare the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the District in a timely manner in a form suitable for filing with the Repository. No provision of this Disclosure Agreement shall require the Dissemination Agent to risk or advance or expend its own funds or incur any financial liability. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Certificates, and shall create no rights in any other person or entity.

SECTION 13. Signature. This Disclosure Certificate has been executed by the undersigned on the date hereof, and such signature binds the District to the undertaking herein provided.

Dated: May 22, 2019

PERRIS UNION HIGH SCHOOL DISTRICT

By: _____

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: Perris Union High School District
Name of Certificate Issue: \$41,160,000 Perris Union High School District
2019 Certificates of Participation (School Financing Project)
Date of Delivery: May 22, 2019

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Certificates as required by the Continuing Disclosure Certificate executed by the District on the date of delivery of the Certificates. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

PERRIS UNION HIGH SCHOOL DISTRICT

By: [form only; no signature required] _____

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

General

The information under this caption concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but neither the District nor the Underwriter take and responsibility for the accuracy or completeness thereof. The District and the Underwriter cannot and do 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 2019 Certificates, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2019 Certificates, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2019 Certificates, 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.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2019 Certificates. The 2019 Certificates 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 2019 Certificate will be issued for each of maturity of the 2019 Certificates, each in the aggregate principal amount of such 2019 Certificate, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. However, the information presented on such website is not incorporated herein by any reference to such website.

Purchases of 2019 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2019 Certificates on DTC's records. The Beneficial Owner is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will

not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2019 Certificates 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 2019 Certificates, except in the event that use of the book-entry system for the 2019 Certificates is discontinued.

To facilitate subsequent transfers, all 2019 Certificates 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 2019 Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2019 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2019 Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2019 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2019 Certificates, such as redemptions, tenders, defaults, and proposed amendments to the 2019 Certificate documents. For example, Beneficial Owners of 2019 Certificates may wish to ascertain that the nominee holding the 2019 Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2019 Certificates within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2019 Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2019 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds or distributions on the 2019 Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds or distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of

DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2019 Certificates at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, physical 2019 Certificates are required to be printed and delivered. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2019 Certificates will be printed and delivered to DTC.

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

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APPENDIX F

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR RIVERSIDE COUNTY, THE CITY OF MENIFEE AND THE CITY OF PERRIS

The District covers approximately 182 square miles in the northwestern part of Riverside County (the “County”). A majority of the City of Perris (“Perris”) and all of the City of Menifee (“Menifee”) and, together with Perris, the “Cities”) lies within the District’s boundaries. The following economic data for the Cities and the County are presented for information purposes only, to describe the general economic health of the region. However, the Bonds are not a debt of the Cities nor of the County.

General

The County is the fourth largest county in the State of California (the “State”), encompassing approximately 7,243 square miles. It is located in the southern portion of the State and is bordered by San Bernardino County on the north, Los Angeles and Orange Counties on the west, the State of Arizona and the Colorado River on the east, and San Diego and Imperial Counties on the south. The County, incorporated in 1893, is a general law county with its County seat located in the city of Riverside. Perris is bordered by the Interstate 215 freeway and Highway 74. Menifee is located in the south central portion of the County north of Murrieta, west of Hemet, east of Canyon Lake and southeast of Perris.

Population

The following table summarizes population estimates for the Cities, County and State of California (the “State”) for the past ten years.

POPULATION ESTIMATES City of Menifee, City of Perris, County of Riverside, and State of California 2009-2018

<u>Year⁽¹⁾</u>	<u>City of Menifee</u>	<u>City of Perris</u>	<u>County of Riverside</u>	<u>State of California</u>
2009	75,707	65,422	2,140,626	36,966,713
2010 ⁽²⁾	77,519	68,386	2,189,641	37,253,956
2011	78,836	69,400	2,212,675	37,529,913
2012	80,793	71,097	2,240,166	37,874,977
2013	82,476	72,002	2,265,789	38,234,391
2014	83,968	73,351	2,291,262	38,568,628
2015	85,801	74,866	2,317,895	38,912,464
2016	87,608	76,070	2,346,717	39,179,627
2017	89,552	77,311	2,382,640	39,500,973
2018	91,902	77,837	2,415,955	39,809,693

⁽¹⁾ As of January 1.

⁽²⁾ As of April 1.

Source: 2010: U.S. Department of Commerce, Bureau of the Census, for April 1.
2009, 2011-18. California Department of Finance for January 1.

Personal Income

The following tables summarize personal income and per capita personal income for the County, State and United States from 2008 through 2017.

PER CAPITA PERSONAL INCOME Riverside County, State of California, and United States of America 2008-2017

<u>Year</u>	<u>Riverside County</u>	<u>State of California</u>	<u>United States of America</u>
2008	\$31,627	\$43,895	\$40,904
2009	30,451	42,050	39,284
2010	30,685	43,609	40,545
2011	32,179	46,145	42,727
2012	32,707	48,751	44,582
2013	33,383	49,173	44,826
2014	34,732	52,237	47,025
2015	36,603	55,679	48,940
2016	37,827	57,497	49,831
2017	39,261	59,796	51,640

Note: Per capita personal income was computed using Census Bureau midyear population estimates. All dollar estimates are in current dollars (not adjusted for inflation).

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

Retail Trade

The following tables show summaries of annual taxable sales for the Cities and the Counties from 2013 through 2017.

ANNUAL TAXABLE SALES 2013 through 2017 City of Menifee (Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Taxable Transactions</u>
2013	673	\$429,966	919	\$474,050
2014	761	461,310	987	516,679
2015	823	518,584	1,251	580,358
2016	872	553,479	1,342	628,923
2017	938	608,682	1,426	683,385

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 are not comparable to that of prior years.

Source: 2013-2016 "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization; 2017 California Department of Tax and Fee Administration.

**ANNUAL TAXABLE SALES
2013 through 2017
City of Perris
(Dollars in Thousands)**

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Taxable Transactions</u>
2013	720	\$438,784	987	\$738,592
2014	711	467,283	976	791,955
2015	795	510,100	1,164	815,256
2016	797	651,022	1,178	980,763
2017	858	1,091,918	1,245	1,462,211

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 are not comparable to that of prior years.

Source: 2013-2016 "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization; 2017 California Department of Tax and Fee Administration.

**ANNUAL TAXABLE SALES
2013 through 2017
County of Riverside
(Dollars in Thousands)**

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Taxable Transactions</u>
2013	33,391	\$21,306,774	46,805	\$30,065,467
2014	34,910	22,646,343	48,453	32,035,687
2015	38,184	23,281,724	56,846	32,910,910
2016	38,445	24,022,135	57,771	34,231,143
2017	38,967	25,581,948	58,969	36,132,814

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 are not comparable to that of prior years.

Source: 2013-2016 "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization; 2017 California Department of Tax and Fee Administration.

Employment

The following table summarizes the civilian labor force, employment and unemployment for the Cities, County and State during calendar years 2014 through 2018.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT City of Menifee, City of Perris, County of Riverside, and State of California 2014-2018

<u>Year</u>	<u>Area</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
2014	City of Menifee	35,700	32,200	3,400	9.6
	City of Perris	28,900	25,500	3,400	11.8
	County of Riverside	1,011,100	928,300	82,900	8.2
	State of California	18,714,700	17,310,900	1,403,800	7.5
2015	City of Menifee	36,700	33,800	2,900	7.8
	City of Perris	29,400	26,500	2,900	9.7
	County of Riverside	1,034,200	965,000	69,300	6.7
	State of California	18,851,100	17,681,800	1,169,200	6.2
2016	City of Menifee	37,000	34,800	2,200	5.9
	City of Perris	29,500	27,400	2,200	7.4
	County of Riverside	1,052,400	988,100	64,300	6.1
	State of California	19,044,500	18,002,800	1,041,700	5.5
2017	City of Menifee	38,000	36,100	1,900	5.0
	City of Perris	30,200	28,300	1,800	6.1
	County of Riverside	1,073,400	1,017,100	56,300	5.2
	State of California	19,205,300	18,285,500	919,800	4.8
2018	City of Menifee	38,700	37,100	1,600	4.2
	City of Perris	30,600	29,100	1,500	4.9
	County of Riverside	1,092,400	1,044,600	47,800	4.4
	State of California	19,398,200	18,582,800	815,400	4.2

Note: Data is based on annual averages, unless otherwise specified, and is not seasonally adjusted.

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department, March 2018.

Industry

Employment data by industry is not separately reported on an annual basis for the Cities but is compiled for the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (the “MSA”), which includes all of the County and San Bernardino County. The following table represents the Annual Average Labor Force and Industry Employment for the County for the period from 2014 through 2018.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES Riverside-San Bernardino-Ontario Metropolitan Statistical Area 2014-2018

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Total Farm	14,400	14,800	14,600	14,500	14,500
Mining and Logging	1,300	1,300	900	1,000	1,200
Construction	77,600	85,700	92,000	97,400	104,800
Manufacturing	91,400	96,200	98,700	99,200	101,300
Wholesale Trade	58,100	60,500	61,600	62,600	64,900
Retail Trade	169,600	174,400	178,300	180,900	180,800
Transportation, Warehousing & Utilities	87,100	98,100	108,000	122,100	132,600
Information	11,300	11,400	11,500	11,300	11,200
Financial Activities	42,900	44,000	44,600	44,200	43,700
Professional and Business Services	138,700	147,400	144,900	146,900	150,600
Education and Health Services	195,900	206,300	215,700	226,700	240,000
Leisure and Hospitality	144,800	151,700	160,200	166,300	170,000
Other Services	43,000	44,000	44,600	45,400	45,600
Government	<u>228,800</u>	<u>233,300</u>	<u>242,300</u>	<u>251,000</u>	<u>257,500</u>
Total All Industries	1,304,800	1,369,100	1,417,900	1,469,400	1,518,700

Note: Items may not add to total due to independent rounding.

Source: California Employment Development Department, Labor Market Information Division. March 2018 Benchmark.

Largest Employers

The following tables list the largest employers in the County and Menifee as of June 30, 2017, and Perris as of June 30, 2018.

LARGEST EMPLOYERS County of Riverside June 30, 2018

<u>Employer</u>	<u>Number of Employees</u>
1. County of Riverside	22,038
2. March Air Reserve Base	9,000
3. University of California at Riverside	8,829
4. Kaiser Permanente Riverside Med. Center	5,500
5. Corona-Norco Unified School District	5,478
6. Pechanga Resort & Casino	4,750
7. Riverside Unified School District	4,500
8. Hemet Unified School District	4,058
9. Riverside University Health Systems - Medical Center	3,965
10. Morongo Casino, Resort & Spa	3,800

Source: County of Riverside 'Comprehensive Annual Financial Report' for the year ending June 30, 2018.

LARGEST EMPLOYERS

City of Menifee

June 30, 2018

<u>Employer</u>	<u>Employees</u>
1. Menifee Union School District	2,400
2. Mt. San Jacinto Community Coll. District	2,100
3. Romoland Elementary School District	411
4. Menifee Valley Medical Center	365
5. Sodexo	315
6. Target Corporation	262
7. CAR Enterprises	260
8. United Parcel Service	235
9. Perris Union School District ⁽¹⁾	220
10. Southern California Edison	185

⁽¹⁾ For updated information regarding the District's employees, see "PERRIS UNION HIGH SCHOOL DISTRICT – Labor Relations" in the front part of this Official Statement.

Source: *City of Menifee 'Comprehensive Annual Financial Report' for the year ending June 30, 2018.*

LARGEST EMPLOYERS

City of Perris

June 30, 2018

<u>Employer</u>	<u>Employees</u>
1. Ross Stores Inc.	1,921
2. Perris Union High School District ⁽¹⁾	938
3. Perris Elementary School District	780
4. Lowe's CA Regional Distribution Center	762
5. Eastern Municipal Water District	611
6. NFI Industries ⁽²⁾	560
7. National Stores Inc (aka Fallas, Factory 2 U) ⁽³⁾	485
8. California Trus CO Inc	375
9. Home Depot Distribution Center	263
10. CR&R Waste	262

⁽¹⁾ For updated information regarding the District's employees, see "PERRIS UNION HIGH SCHOOL DISTRICT – Labor Relations" in the front part of this Official Statement.

⁽²⁾ Supply chain management for Hanes, Whirlpool and Amazon.

⁽³⁾ Includes sub-contracted employees from temp services.

Source: *City of Perris 'Comprehensive Annual Financial Report' for the year ending June 30, 2018.*

Construction Activity

Provided below are the building permits and valuations for the County and Cities for years 2013 through 2017.

BUILDING PERMITS AND VALUATIONS County of Riverside 2013-2017 (Dollars in Thousands)

<u>Valuation (\$000's)</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Residential	\$1,375,593	\$1,621,751	\$1,536,742	\$1,759,535	\$1,903,417
Non-residential	<u>873,977</u>	<u>814,990</u>	<u>911,465</u>	<u>1,346,020</u>	<u>1,433,691</u>
Total	\$2,251,583	\$2,436,741	\$2,448,207	\$3,105,555	\$3,337,108
<u>Residential Units:</u>					
Single family	4,716	5,007	5,007	5,662	714
Multiple family	<u>1,427</u>	<u>1,931</u>	<u>1,189</u>	<u>1,039</u>	<u>0</u>
Total	6,143	6,938	6,196	6,701	714

Note: Columns may not add to totals due to rounding.

Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS City of Menifee 2013-2017 (Dollars in Thousands)

<u>Valuation (\$000's)</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Residential	\$156,025	\$161,274	\$137,783	\$183,833	\$220,269
Non-residential	<u>18,148</u>	<u>5,971</u>	<u>33,163</u>	<u>38,953</u>	<u>17,705</u>
Total	\$174,173	\$167,245	\$170,946	\$222,786	\$237,974
<u>Residential Units:</u>					
Single family	517	465	404	564	714
Multiple family	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	517	465	404	564	714

Note: Columns may not add to totals due to rounding.

Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
City of Perris
2013-2017
(Dollars in Thousands)

<u>Valuation (\$000's)</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Residential	\$21,422	42,466	\$43,065	\$31,831	\$22,785
Non-residential	<u>47,499</u>	<u>95,310</u>	<u>102,682</u>	<u>307,126</u>	<u>299,732</u>
Total	\$68,921	137,776	\$145,747	\$338,957	\$322,517
<u>Residential Units:</u>					
Single family	112	207	170	120	71
Multiple family	<u>75</u>	<u>126</u>	<u>0</u>	<u>104</u>	<u>0</u>
Total	187	233	170	224	71

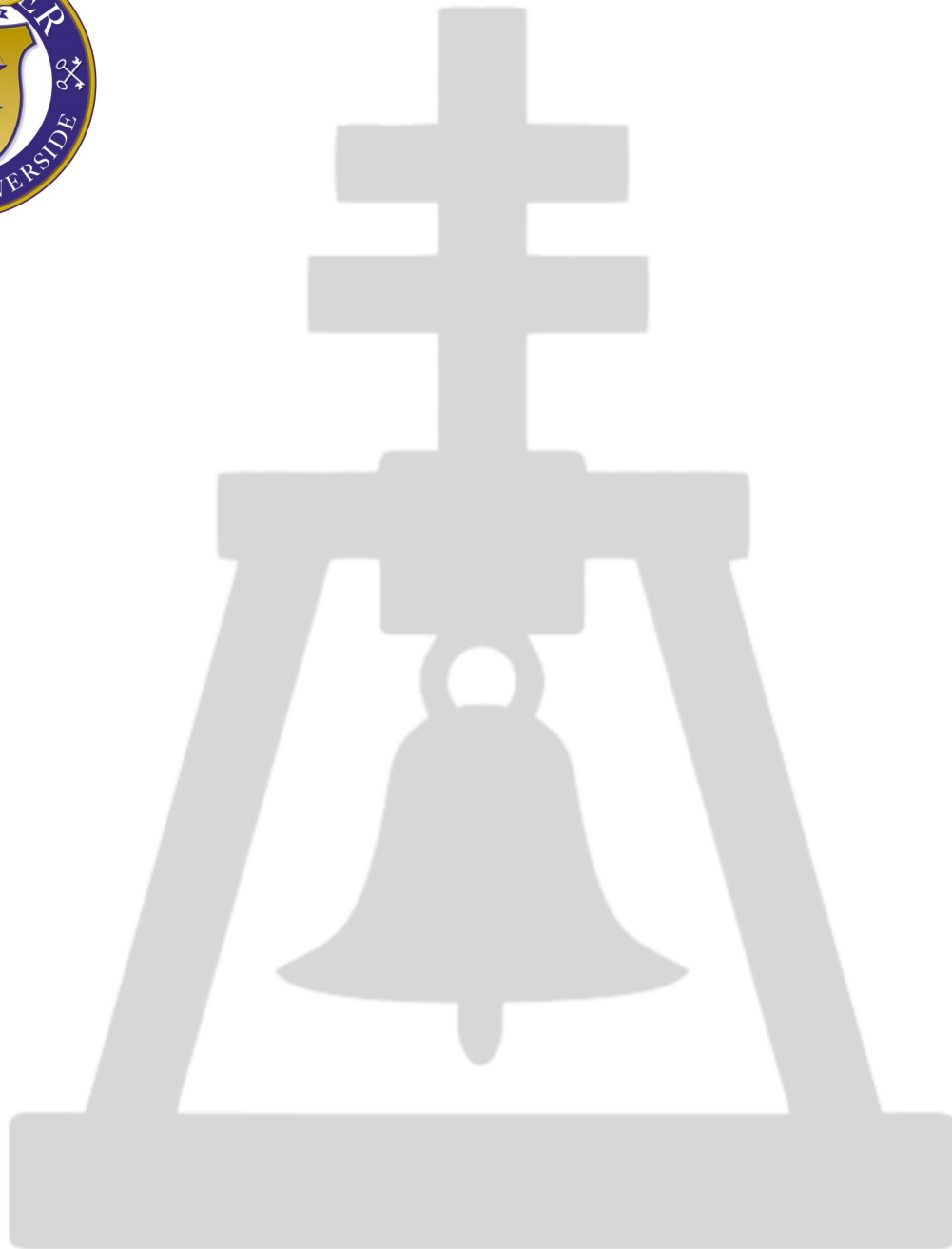
Note: Columns may not add to totals due to rounding.
Source: *Construction Industry Research Board.*

APPENDIX G

RIVERSIDE COUNTY POOLED INVESTMENT FUND

The information on the following pages concerning the Riverside County Investment Pool (the “Investment Pool”) has been provided by the Treasurer-Tax Collector of Riverside County and has not been confirmed or verified by the District or the Underwriter. No representation is made by the District or Underwriter as to the accuracy or adequacy of such information, or as to the absence of material adverse changes in such information subsequent to the date hereof, or that any information contained or incorporated therein by reference is correct as of any time subsequent to its date.

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County of Riverside

Treasurer's Pooled Investment Fund

March 2019

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3 | Economy

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6 | Portfolio Data

8 | Compliance Report

9 | Month End Holdings



See the digital copy of our monthly TPIF report at countytreasurer.org to view video of the Federal Open Market Committee's March 20 press conference.

JEROME POWELL
Chairman, Federal Reserve Board

Treasurer's Pooled Investment Fund

Monthly Commentary

More Signs of Cooling in the Economy

Dampened prospects of economic growth, U.S.-China trade policy, and Brexit continue to weigh on central banks and fixed income markets globally.

In March, U.S. Federal Reserve Bank officials announced that they would likely keep interest rates on hold through 2019. Chairman Jerome Powell cited weakness in U.S. consumer spending and business investment, which suggest, "Growth is slowing somewhat more than expected."

European Central Bank (ECB) President Mario Draghi announced a third injection of bank stimulus to be launched this September as result of near-recession growth levels in most of the euro area. Manufacturing indices and negative yields in various European fixed income markets signal that economic activity may continue to be subdued. In light of recent economic developments, the ECB kept interest rates unchanged at 0-0.25% and similarly expects to keep rates at their present levels through the end of 2019.

Brexit continued to cause uncertainties, with the British Parliament rejecting Prime Minister Theresa May's Brexit deal for the third time, further deepening their crisis. May's officials aim to push her deal through for a fourth vote in Parliament in the days ahead. May has offered to resign as prime minister in

a bid to complete the deal before the April 12 deadline, when the U.K. is due to exit the European Union.

Headline-dominating trade talks between the U.S. and China continue to be constructive; however, there is still no timeline for reaching a definitive agreement.

Economic activity across the United States showed moderate to flat growth in late January and throughout February, says the FED's Beige Book. This news comes after GDP for 4Q18 was revised from 2.6% down to 2.2%. Measures of core inflation remain near the FED's two-percent target.

Overall, economic indicators came in mixed. The labor market is showing resilience with strong wage gains, low unemployment, and low initial jobless claims, yet only 20,000 jobs were added in February – versus 311,000 added in January.

Harsh winter weather and the government shutdown distorted economic activity in the first quarter of 2019.

In housing, sales of new and existing homes in February showed some resurgence by outperforming sales of recent months. On the other hand, housing price growth continues to moderate. Home prices posted 6.7% annual growth in March 2018, and have since moderated to 3.5% annual growth in

January 2019.

Leading manufacturing indicators point to a continued slowdown in growth. The ISM manufacturing index has been trending downward since reaching a multi-year high in August 2018 and new orders for durable goods have been showing mixed signals on a month-to-month basis.

The Treasury yield curve inverted in March for the first time since 2007. An inverted yield curve has preceded every recession since the 1960's by 12 to 18 months.

March saw dramatic moves in interest rates, with the 2 year treasury yield dropping from 2.55% to 2.27% and the 5 year treasury yield dropping from 2.56% to 2.23%. Stock prices were also volatile during the month, but ended up finishing unchanged with the Dow Jones Industrial Average starting at 25,900 and ending at 25,900. The surprise drop in interest rates was blamed mostly on the new market perception that the FED will be cutting the funds rate at least once over the next twelve months, instead of the previous thinking that they would keep the funds rate stable for the foreseeable future.

Jon Christensen

Treasurer-Tax Collector

Treasurer's Statement

The Treasurer's Pooled Investment Fund is comprised of contributions from the county, schools, special districts, and other discretionary depositors throughout the County of Riverside. The primary objective of the treasurer shall be to **safeguard the principal** of the funds under the treasurer's control, meet the **liquidity needs** of the depositor, and to maximize a **return on the funds** within the given parameters.

The Treasurer-Tax Collector and the Capital Markets team are committed to maintaining the highest credit ratings. The Treasurer's Pooled Investment Fund is currently rated **Aaa-bf** by **Moody's Investor Service** and **AAAf/S1** by **Fitch Ratings**, two of the nation's most trusted bond credit rating services.

Since its inception, the Treasurer's Pooled Investment Fund has been in **full compliance** with the Treasurer's Statement of Investment Policy, which is more restrictive than California Government Code 53646.

Capital Markets Team

Jon Christensen

Treasurer-Tax Collector

Giovane Pizano

Chief Investment Manager

Steve Faeth

Senior Investment Manager

Isela Licea

Assistant Investment Manager

Jake Nieto

Administrative Services Assistant

6-Month Pool Performance

	Month End Market Value (\$)*	Month End Book Value (\$)	Paper Gain or Loss (\$)	Paper Gain or Loss (%)	Book Yield (%)	WAM (Yrs)
Mar-19	7,525,389,587.99	7,522,791,418.69	2,598,169.30	0.35%	2.35	1.04
Feb-19	6,837,521,658.62	6,846,174,413.16	(8,652,754.54)	-0.13%	2.32	1.06
Jan-19	6,985,230,147.03	6,993,292,063.97	(8,061,916.94)	-0.12%	2.31	1.05
Dec-18	7,490,825,981.43	7,504,164,940.07	(13,338,958.64)	-0.17%	2.27	1.00
Nov-18	6,126,655,569.85	6,157,254,222.68	(30,598,652.83)	-0.50%	2.18	1.16
Oct-18	5,810,376,697.47	5,848,258,037.08	(38,077,575.20)	-0.66%	2.09	1.16

*Market values do not include accrued interest.

Economy

National Economy

Amid a historically tight labor market, wages grew 3.4% in 2018, the most since 2009. [[WaPo](#); 04/01/2019]

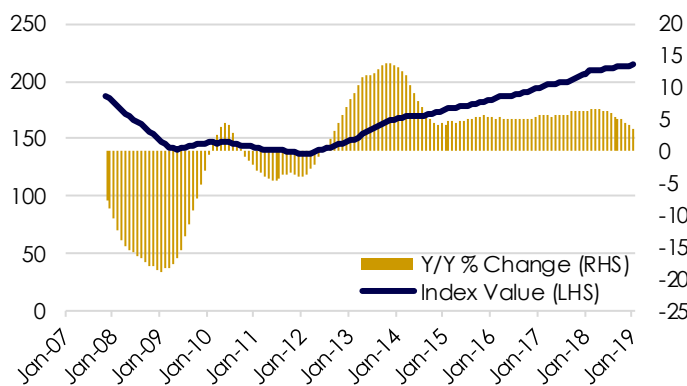
- Estimates for real GDP and consumer spending for 4Q18 were both revised downward in February. Real GDP was revised down from 2.6% to 2.2% and consumer spending was revised down from 2.8% to 2.2%. [[Econoday](#); 04/01/2019]
- New and existing home sales show some resurgence in February, but home price growth across major cities nationwide continues to slow down. [[Econoday](#); 04/01/2019]

State Economy

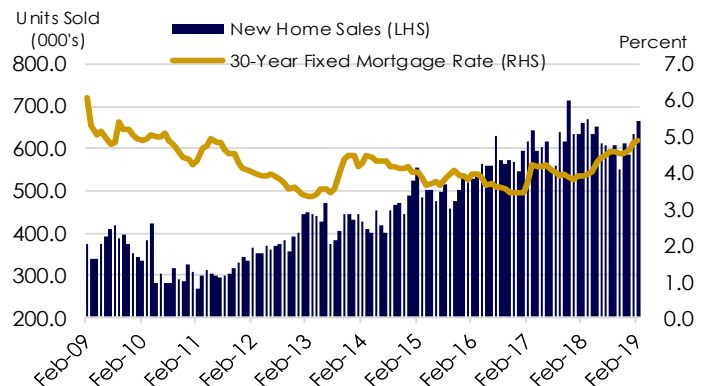
Out of 20,000 nonfarm jobs added nationwide in February, California contributed 14,600. [[LATimes](#); 04/01/2019]

- The California housing market is forecasted to continue softening through 2020. [[UCLA Anderson](#); 04/01/2019]
- Despite trade tensions, activity in the Ports of Los Angeles and Long Beach grew 5.8% in 2018 YoY. [[UCR](#); 04/01/2019]
- Inland Empire economic activity is growing at a “healthy clip”, but has slowed down from recent years. [[UCR](#); 04/01/2019]

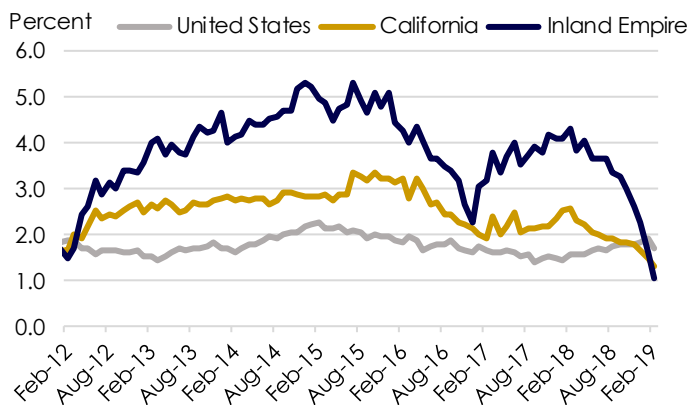
Case-Shiller 20-City Composite Home Price Index



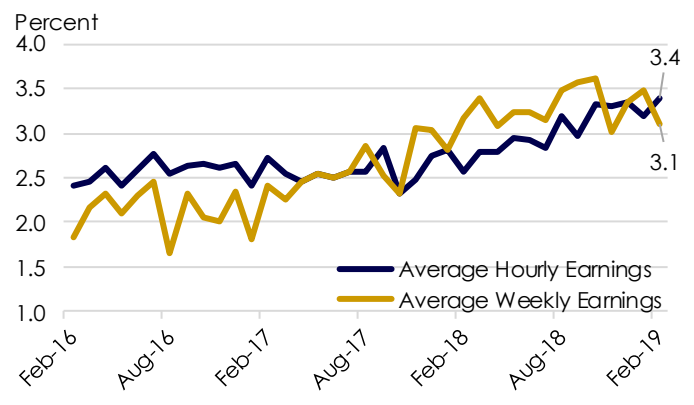
U.S. New Home Sales



Nonfarm Jobs Added - Y/Y



Wage Growth - Y/Y



Key Economic Indicators

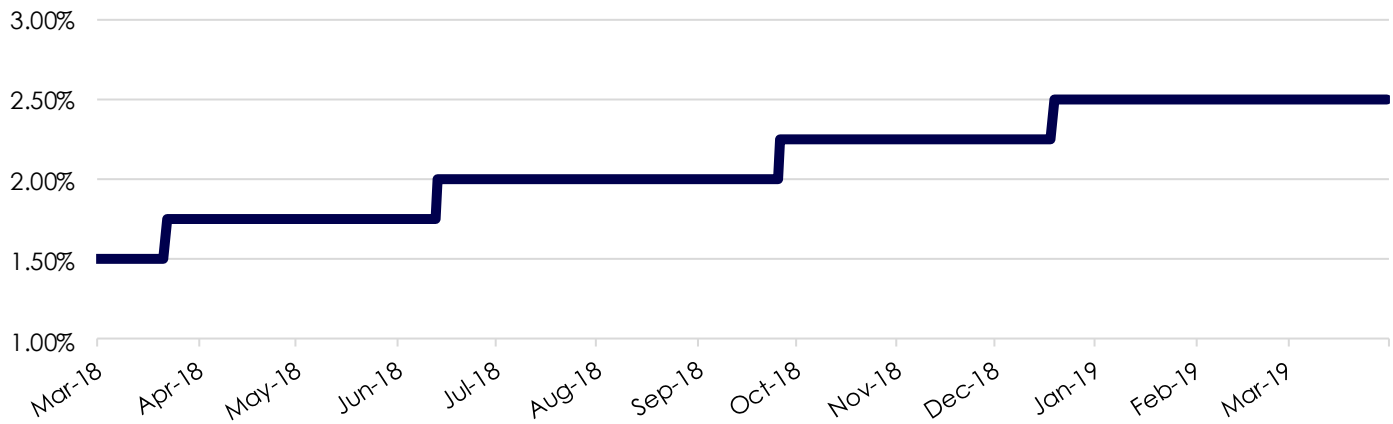
Release Date	Indicator	Actual	Consensus	Difference
03/28/2019	Real GDP - Q/Q Change - SAAR - 4Q18 (2nd estimate)	2.20%	2.20%	0.00%
03/08/2019	Unemployment Rate - Seasonally Adjusted	3.80%	3.90%	-0.10%
03/08/2019	Non-Farm Payrolls - M/M Change	20,000	175,000	-155,000
03/12/2019	CPI - Y/Y Change	1.50%	1.50%	0.00%
03/12/2019	CPI Ex Food and Energy - Y/Y Change	2.10%	2.20%	-0.10%
03/05/2019	Non-Manufacturing Index (> 50 indicates growth)	59.7	57.2	2.50
03/29/2019	New Home Sales - SAAR - Thousands of units	621.00	615.00	6.00
03/19/2019	Factory Orders - M/M Change	0.10%	0.00%	0.10%
03/13/2019	Durable Goods Orders - New Orders - M/M Change	0.40%	-0.60%	1.00%

Market Data

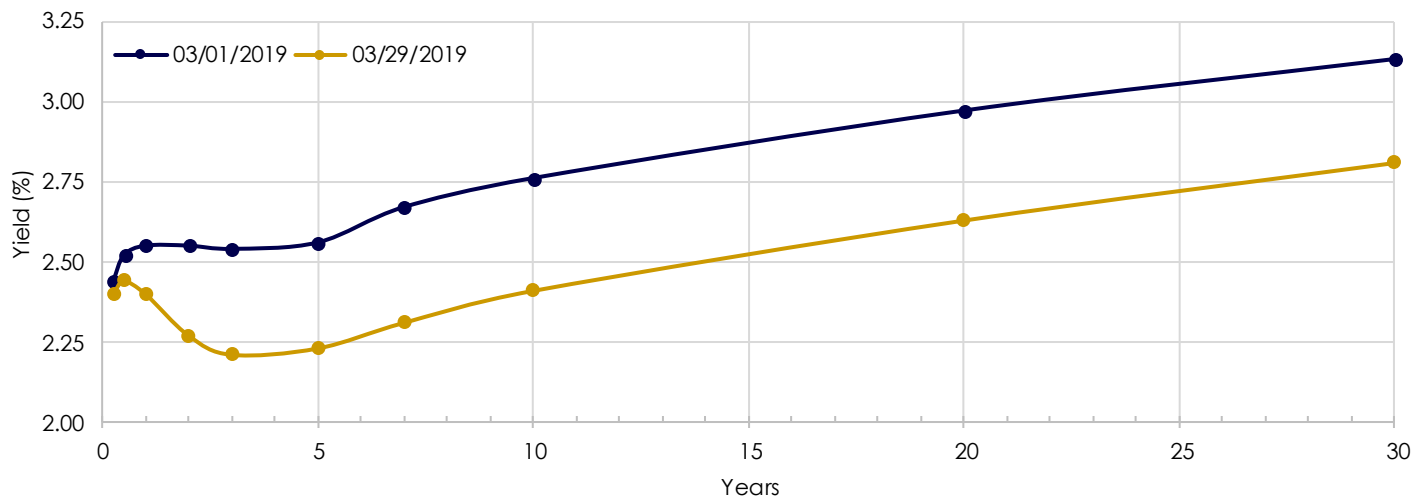
FOMC Meeting 03/20/2019

- The FOMC stated that data received since their last meeting in January “indicates that the labor market remains strong but that growth of economic activity has slowed from its solid rate in the fourth quarter [of 2018].”
- The Federal Open Market Committee maintained the Fed Funds Target Rate at 2.25–2.50%.
- “The Committee continues to view sustained expansion of economic activity, strong labor market conditions, and inflation near the Committee’s symmetric 2 percent objective as the most likely outcomes,” stated the FOMC in their March 20 press release.

Fed Funds Target Rate (Upper Limit)



U.S. Treasury Curve

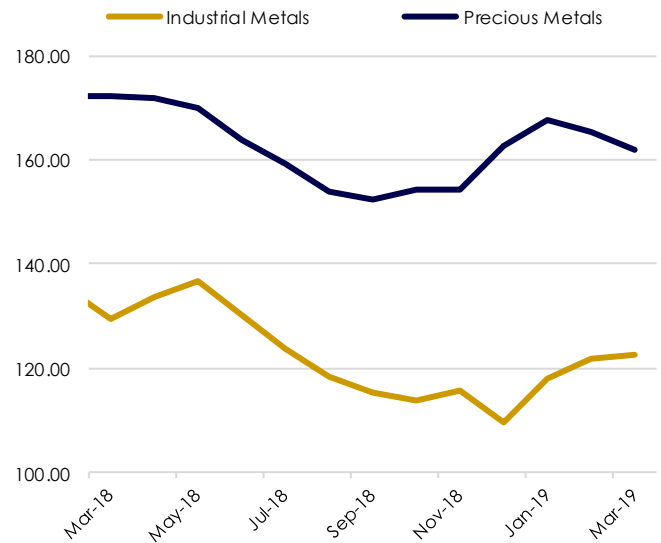
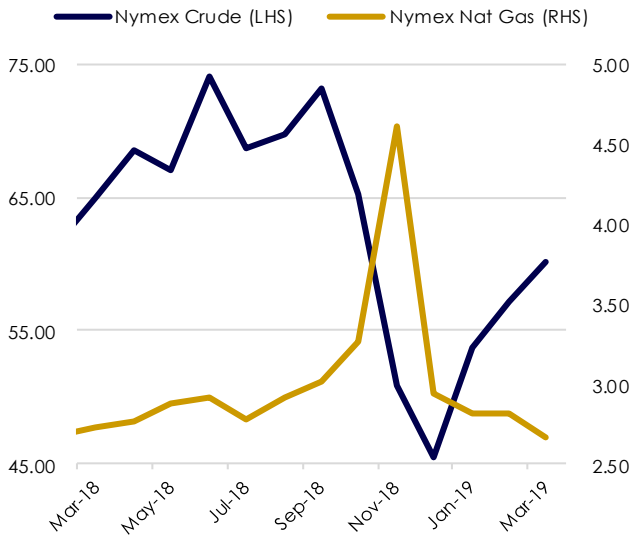


Treasury Curve Differentials	3 Mo	6 Mo	1 Yr	2 Yr	3 Yr	5 Yr	10 Yr	30 Yr
03/29/2019 - 03/01/2019	-0.04	-0.08	-0.15	-0.28	-0.33	-0.33	-0.35	-0.32
03/29/2019	2.40	2.44	2.40	2.27	2.21	2.23	2.41	2.81
03/01/2019	2.44	2.52	2.55	2.55	2.54	2.56	2.76	3.13

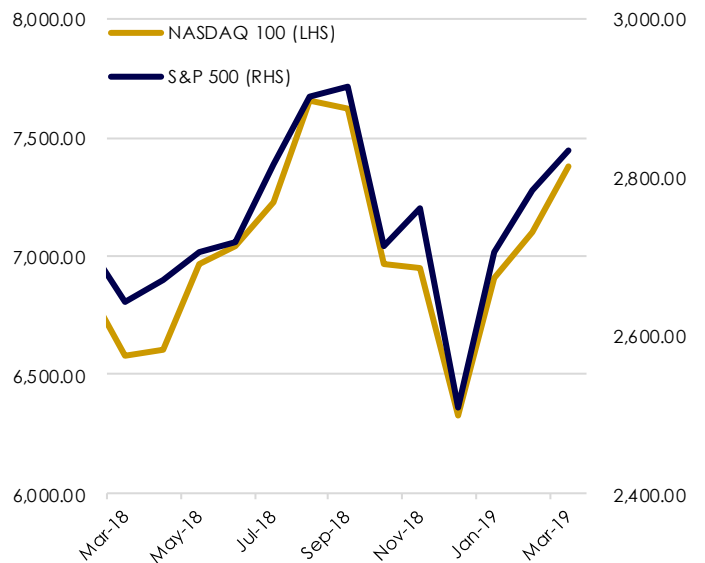
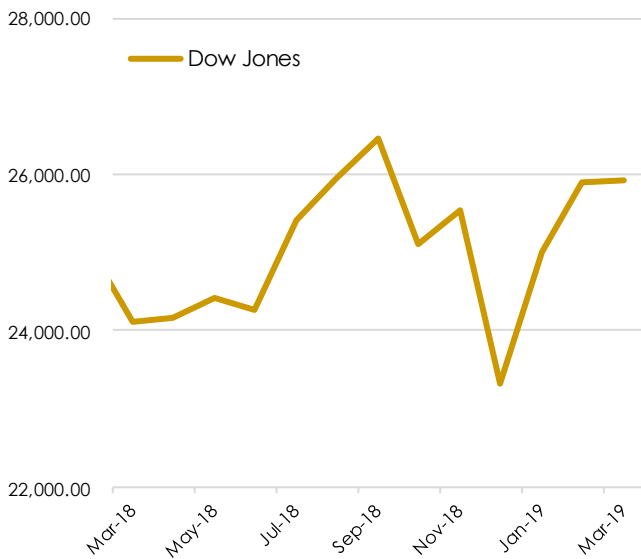
The US Treasury Curve and its forecasted values are subject to frequent change and will be updated monthly with each issued TPIF report.

Market Data cont'd

Commodities



Stocks



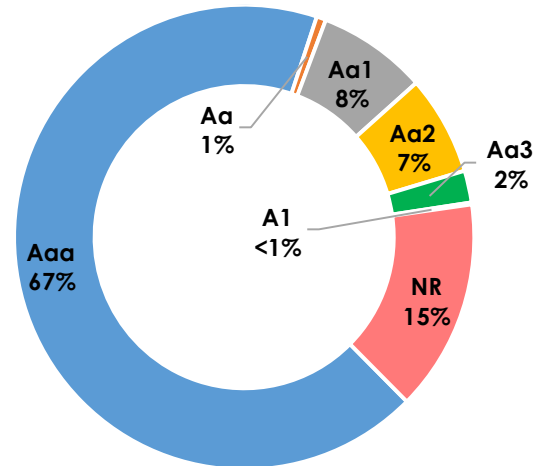
* Values listed on this page are in US dollars and are based on the final business day of each month.

Portfolio Data

The County of Riverside's Treasurer's Pooled Investment Fund is currently rated **AAA-bf** by **Moody's Investor Service** and **AAAf/S1** by **Fitch Ratings**.

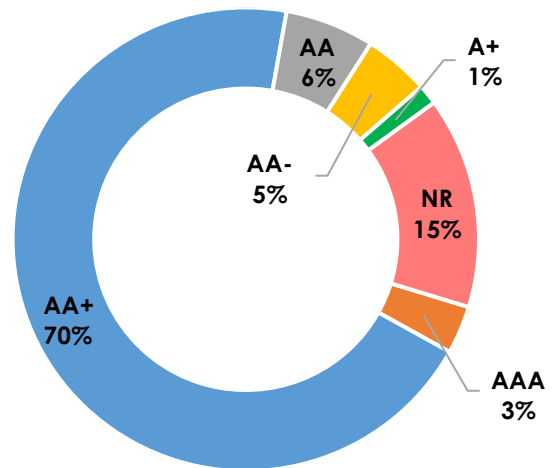
Moody's Asset Rating (000's)

	Book	MKT/Book	% Book	Yield
Aaa	5,086,611.16	100.01%	67.62%	2.26%
Aa	49,696.88	100.22%	0.66%	2.44%
Aa1	576,991.85	100.10%	7.67%	2.60%
Aa2	521,983.84	100.11%	6.94%	2.53%
Aa3	167,383.19	100.36%	2.23%	2.80%
A1	10,000.00	100.00%	0.13%	2.59%
NR	1,110,124.50	100.03%	14.76%	2.51%
Totals:	7,522,791.42	100.03%	100.00%	2.35%



S&P Asset Rating (000's)

	Book	MKT/Book	% Book	Yield
AAA	252,001.83	100.69%	3.35%	2.36%
AA+	5,246,298.06	99.99%	69.74%	2.27%
AA	466,276.04	100.22%	6.20%	2.52%
AA-	343,091.00	100.05%	4.56%	2.78%
A+	105,000.00	100.00%	1.40%	2.72%
NR	1,110,124.50	100.03%	14.76%	2.51%
Totals:	7,522,791.42	100.03%	100.00%	2.35%



12-Month Projected Cash Flow

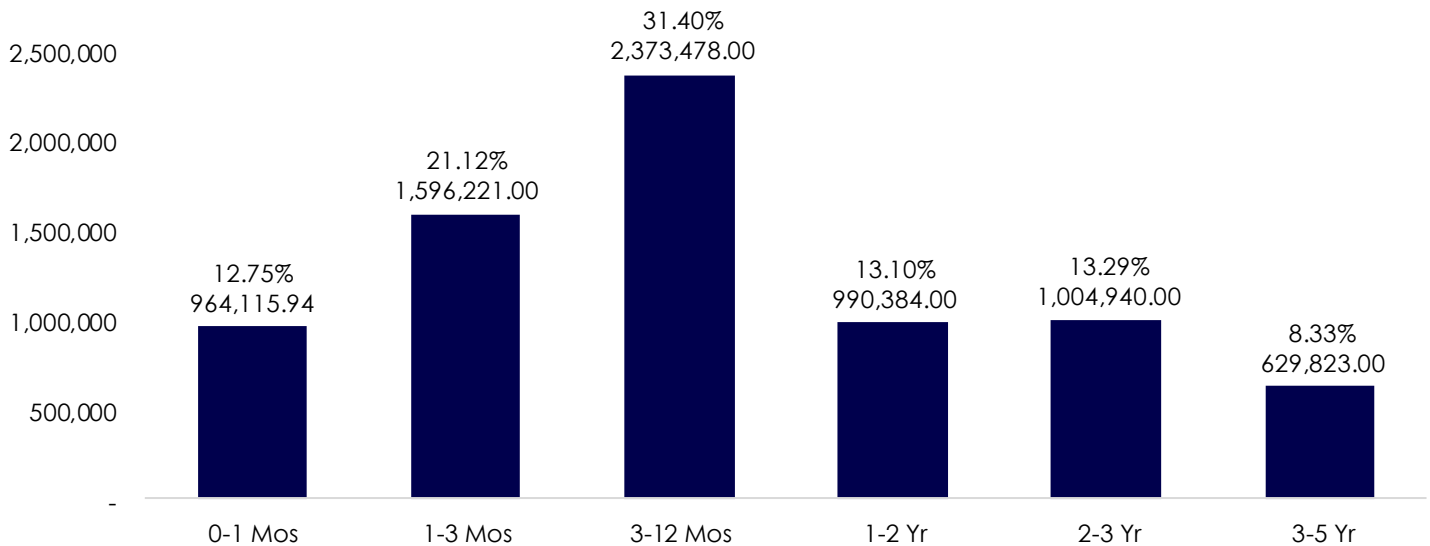
Month	Monthly Receipts	Monthly Disbursements	Difference	Required Maturesd Investments	Balance	Actual Investments Maturing	Available to Invest > 1 Year
04/2019					226.17		
04/2019	2,000.00	1,300.00	700.00		926.17	964.12	
05/2019	1,200.00	2,050.00	(850.00)		76.17	1,132.13	
06/2019	1,050.00	1,850.00	(800.00)	723.83	-	504.09	
07/2019	969.28	1,250.00	(280.72)	280.72	-	441.58	
08/2019	900.00	1,200.00	(300.00)	300.00	-	354.04	
09/2019	1,100.00	1,200.00	(100.00)	100.00	-	416.73	
10/2019	1,100.00	1,300.00	(200.00)	200.00	-	419.28	
11/2019	1,300.00	1,200.00	100.00		100.00	355.00	
12/2019	2,375.13	1,200.00	1,175.13		1,275.13	20.00	
01/2020	1,100.00	2,200.00	(1,100.00)		175.13	132.50	
02/2020	1,100.00	1,500.00	(400.00)	224.87	-	123.27	
03/2020	1,350.00	1,200.00	150.00		150.00	81.08	
TOTALS	15,544.41	17,450.00	(1,905.59)	1,829.42	2,928.77	4,943.81	5,695.97
				24.31%		65.70%	75.69%

* Values listed in Cash Flow Table are in millions of USD.

Based on historic and current financial conditions within the County, the Pool is expected to maintain sufficient liquidity of funds to cover County expenses for the next twelve months.

Portfolio Data cont'd

Asset Maturity Distribution (Par Value, 000's)

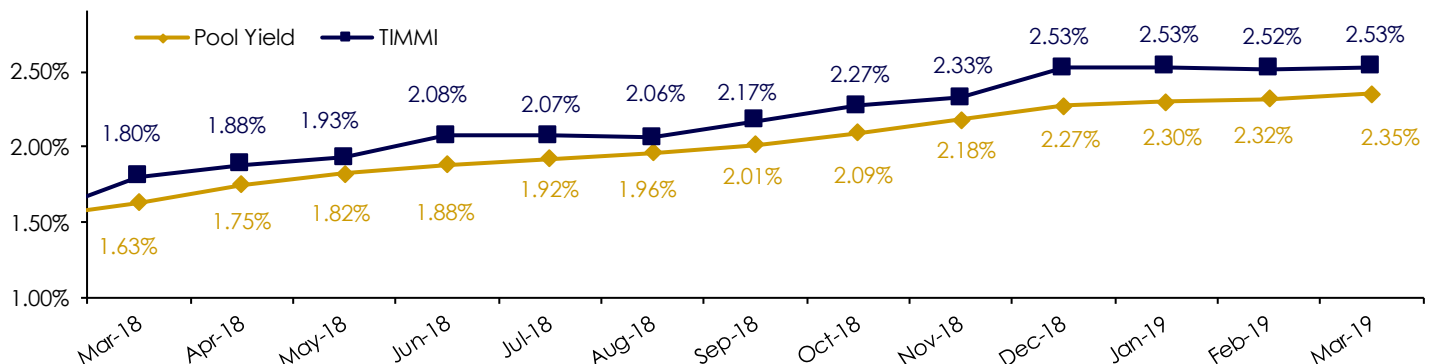


Asset Allocation (000's)

Assets	Scheduled Book	Scheduled Market	Mkt/Book	Yield	WAL (Yr.)	Mat (Yr.)
TREAS	668,465.92	670,494.60	100.30%	2.46%	0.50	0.50
AGENCIES	3,949,986.69	3,944,735.74	99.87%	2.18%	1.32	1.67
MMKT	4,000.00	4,000.00	100.00%	2.33%	0.00	0.00
CASH	920,000.00	920,000.00	100.00%	2.55%	0.00	0.00
CALTRUST FND	4,023.98	4,023.98	100.00%	2.40%	0.00	0.00
COMM PAPER	1,119,402.18	1,123,038.38	100.32%	2.54%	0.24	0.24
NCDS	330,000.00	330,000.00	100.00%	2.77%	0.20	0.20
MEDIUM TERM NOTES	278,870.61	281,054.86	100.78%	2.60%	0.84	0.85
MUNI	247,922.04	247,922.04	100.00%	2.36%	1.40	1.40
LOCAL AGCY OBLIG	120.00	120.00	100.00%	2.80%	1.21	1.21
Totals:	7,522,791.42	7,525,389.59	100.03%	2.35%	0.86	1.04

* For details on the Pool's composition see Month End Portfolio Holdings, pages 9 to 13.

TIMMI



The Treasurer's Institutional Money Market Index (TIMMI) is a composite index of four AAA rated prime institutional money market funds. Their aggregate yield is compared to the yield of the Treasurer's Pooled Investment Fund in the above graph.

Compliance Report

Compliance Status: Full Compliance

The Treasurer's Pooled Investment Fund was in full compliance with the County of Riverside's Treasurer's Statement of Investment Policy. The County's Statement of Investment Policy is more restrictive than California Government Code 53646. The County's Investment Policy is reviewed annually by the County of Riverside's Oversight Committee and approved by the Board of Supervisors.

Investment Category	GOVERNMENT CODE			COUNTY INVESTMENT POLICY			Actual %
	Maximum Remaining Maturity	Authorized % Limit	S&P/ Moody's	Maximum Remaining Maturity	Authorized % Limit	S&P/ Moody's	
MUNICIPAL BONDS (MUNI)	5 YEARS	NO LIMIT	NA	4 YEARS	15%	AA-/Aa3/AA-	3.30%
U.S. TREASURIES	5 YEARS	NO LIMIT	NA	5 YEARS	100%	NA	8.89%
LOCAL AGENCY OBLIGATIONS (LAO)	5 YEARS	NO LIMIT	NA	3 YEARS	2.50%	INVESTMENT GRADE	<0.01%
FEDERAL AGENCIES	5 YEARS	NO LIMIT	AAA	5 YEARS	100%	NA	52.51%
COMMERCIAL PAPER (CP)	270 DAYS	40%	A1/P1	270 DAYS	40%	A1/P1/F1	14.88%
CERTIFICATE & TIME DEPOSITS (NCD & TCD)	5 YEARS	30%	NA	1 YEAR	25% Combined	A1/P1/F1	4.39%
INT'L BANK FOR RECONSTRUCTION AND DEVELOPMENT AND INT'L FINANCE CORPORATION	NA	NA	NA	4 YEARS	20%	AA/Aa/AA	0.00%
REPURCHASE AGREEMENTS (REPO)	1 YEARS	NO LIMIT	NA	45 DAYS	40% max, 25% in term repo over 7 days	A1/P1/F1	0.00%
REVERSE REPOS	92 DAYS	20%	NA	60 DAYS	10%	NA	0.00%
MEDIUM TERM NOTES (MTNO)	5 YEARS	30%	A	3 YEARS	20%	AA/Aa2/AA	3.71%
CALTRUST SHORT TERM FUND	NA	NA	NA	DAILY LIQUIDITY	1.00%	NA	0.05%
MONEY MARKET MUTUAL FUNDS (MMF)	60 DAYS ⁽¹⁾	20%	AAA/Aaa ⁽²⁾	DAILY LIQUIDITY	20%	AAA by 2 Of 3 RATINGS AGC.	0.05%
LOCAL AGENCY INVESTMENT FUND (LAIF)	NA	NA	NA	DAILY LIQUIDITY	Max \$50 million	NA	0.00%
CASH/DEPOSIT ACCOUNT	NA	NA	NA	NA	NA	NA	12.23%

¹ Money Market Mutual Funds maturity may be interpreted as a weighted average maturity not exceeding 60 days.

² Or must have an investment advisor with no fewer than 5 years experience and with assets under management of \$500,000,000 USD.

THIS COMPLETES THE REPORT REQUIREMENTS OF CALIFORNIA GOVERNMENT CODE 53646.

Month End Portfolio Holdings

CUSIP	Description	Maturity Date	Coupon	Yield To Mat	Par Value	Book Value	Market Price	Market Value	Unrealized Gain/Loss	Modified Duration	Years To Maturity
1060: MMKT ACCTS-A/365-6											
FRGX	FIDELITY GOV	04/01/2019	2.336	2.336	1,000,000.00	1,000,000.00	100.000000	1,000,000.00	0.00	.003	.003
GOFXX	FEDERATED GOV	04/01/2019	2.324	2.324	1,000,000.00	1,000,000.00	100.000000	1,000,000.00	0.00	.003	.003
FGTXX	GOLDMAN SACHS GOV	04/01/2019	2.331	2.331	1,000,000.00	1,000,000.00	100.000000	1,000,000.00	0.00	.003	.003
WFFXX	WELLS FARGO GOV	04/01/2019	2.335	2.335	1,000,000.00	1,000,000.00	100.000000	1,000,000.00	0.00	.003	.003
			2.332	2.332	4,000,000.00	4,000,000.00	100.000000	4,000,000.00	0.00	.003	.003
1065: CLTR-A/365-6											
CLTR	CALTRUST SHT TERM FUND	04/01/2019	2.549	2.549	0.00	0.00	.000000	0.00	0.00	.000	.003
CLTR	CALTRUST SHT TERM FUND	04/01/2019	2.415	2.404	4,015,944.14	4,023,976.03	100.200000	4,023,976.03	0.00	.003	.003
			2.415	2.404	4,015,944.14	4,023,976.03	100.200000	4,023,976.03	0.00	.003	.003
1080: MGD RATE-A/365-6											
CASH	BANK OF THE WEST	04/01/2019	2.592	2.592	300,000,000.00	300,000,000.00	100.000000	300,000,000.00	0.00	.003	.003
			2.592	2.592	300,000,000.00	300,000,000.00	100.000000	300,000,000.00	0.00	.003	.003
1170: MGD RATE-A/360											
CASH	UB MANAGED RATE	04/01/2019	2.490	2.490	400,000,000.00	400,000,000.00	100.000000	400,000,000.00	0.00	.003	.003
CASH	PACIFIC PREMIER BANK	04/01/2019	2.490	2.490	20,000,000.00	20,000,000.00	100.000000	20,000,000.00	0.00	.003	.003
CASH	FIRST REPUBLIC BANK	04/01/2019	2.590	2.590	200,000,000.00	200,000,000.00	100.000000	200,000,000.00	0.00	.003	.003
			2.522	2.522	620,000,000.00	620,000,000.00	100.000000	620,000,000.00	0.00	.003	.003
1175: LAO-SINKING FND-A/360											
LAO	US DIST COURTHOUSE	06/15/2020	2.805	2.805	120,000.00	120,000.00	100.000000	120,000.00	0.00	.442	1.211
			2.805	2.805	120,000.00	120,000.00	100.000000	120,000.00	0.00	.442	1.211
1300: U.S. TREASURY BILL											
912796QH5	U.S. TREASURY BILL	05/23/2019	2.370	2.408	20,000,000.00	19,687,950.00	99.661000	19,932,200.00	244,250.00	.142	.145
912796RQ4	U.S. TREASURY BILL	05/16/2019	2.350	2.366	25,000,000.00	24,828,645.83	99.705000	24,926,250.00	97,604.17	.123	.126
912796SF7	U.S. TREASURY BILL	08/29/2019	2.458	2.488	40,000,000.00	39,503,038.80	99.018000	39,607,200.00	104,161.20	.403	.414
			2.405	2.433	85,000,000.00	84,019,634.63	99.371353	84,465,650.00	446,015.37	.259	.266
1310: U.S. TREASURY BOND											
912828K5	U.S. TREASURY BOND	07/31/2019	1.375	1.428	25,000,000.00	24,975,585.94	99.633000	24,908,250.00	-67,335.94	.332	.334
912828K5	U.S. TREASURY BOND	07/31/2019	1.375	1.418	25,000,000.00	24,980,468.75	99.633000	24,908,250.00	-72,218.75	.332	.334
912828R44	U.S. TREASURY BOND	05/15/2019	.875	2.297	15,000,000.00	14,819,531.25	99.808000	14,971,200.00	151,668.75	.122	.123
912828W55	U.S. TREASURY BOND	06/30/2019	1.625	2.591	40,000,000.00	39,787,500.00	99.777000	39,910,800.00	123,300.00	.246	.249
912828K5	U.S. TREASURY BOND	07/31/2019	1.375	2.608	25,000,000.00	24,811,523.44	99.633000	24,908,250.00	96,726.56	.330	.334
912828TH3	U.S. TREASURY BOND	07/31/2019	.875	2.601	25,000,000.00	24,736,328.13	99.465000	24,866,250.00	129,921.87	.330	.334
912828U32	U.S. TREASURY BOND	11/15/2019	1.000	2.628	75,000,000.00	73,939,453.13	99.098000	74,323,500.00	384,046.87	.612	.627
912828TV2	U.S. TREASURY BOND	10/31/2019	1.250	2.606	50,000,000.00	49,449,218.75	99.301000	49,650,500.00	201,281.25	.573	.586
912828TN0	U.S. TREASURY BOND	08/31/2019	1.000	2.603	50,000,000.00	49,480,468.75	99.387000	49,693,500.00	213,031.25	.414	.419
912828F62	U.S. TREASURY BOND	10/31/2019	1.500	2.557	50,000,000.00	49,611,328.13	99.441000	49,720,500.00	109,171.87	.572	.586
912828UB4	U.S. TREASURY BOND	11/30/2019	1.000	2.541	40,000,000.00	39,528,125.00	99.063000	39,625,200.00	97,075.00	.656	.668
912828T59	U.S. TREASURY BOND	10/15/2019	1.000	2.529	45,000,000.00	44,569,335.94	99.215000	44,646,750.00	77,414.06	.530	.542
912828U32	U.S. TREASURY BOND	11/15/2019	1.000	2.534	40,000,000.00	39,565,625.00	99.098000	39,639,200.00	73,575.00	.612	.627
912828U32	U.S. TREASURY BOND	11/15/2019	1.000	2.524	35,000,000.00	34,652,734.38	99.098000	34,684,300.00	31,565.62	.612	.627
912828UL2	U.S. TREASURY BOND	01/31/2020	1.375	2.462	50,000,000.00	49,539,062.50	99.145000	49,572,500.00	33,437.50	.820	.838
			1.177	2.463	590,000,000.00	584,446,289.09	99.326941	586,028,950.00	1,582,660.91	.518	.528
1425: FHLMC-Fxd-S 30/360											
3134G8TG4	FHLMC 3.5YrNc6MoE	10/11/2019	1.500	1.500	15,000,000.00	15,000,000.00	99.478000	14,921,700.00	-78,300.00	.520	.532
3134G9Q75	FHLMC 3YrNc3MoB	07/26/2019	1.250	1.250	10,000,000.00	10,000,000.00	99.592000	9,959,200.00	-40,800.00	.318	.321
3134GABZ6	FHLMC 3.5YrNc1YrE	02/25/2020	1.250	1.250	10,000,000.00	10,000,000.00	98.924000	9,892,400.00	-107,600.00	.891	.907
3134GAVF8	FHLMC 3.5YrNc1YrE	05/08/2020	1.200	1.200	15,000,000.00	15,000,000.00	98.702000	14,805,300.00	-194,700.00	1.087	1.107
3134GAXZ2	FHLMC 4YrNc6MoE	11/25/2020	1.370	1.370	25,000,000.00	25,000,000.00	98.365000	24,591,250.00	-408,750.00	1.619	1.658
3134GAYK4	FHLMC 4YrNc1YrE	11/30/2020	1.440	1.440	10,000,000.00	10,000,000.00	98.465000	9,846,500.00	-153,500.00	1.634	1.671
3134GBWH1	FHLMC 2.25YrNc6MoB	09/27/2019	1.500	1.509	6,250,000.00	6,248,750.00	99.526000	6,220,375.00	-28,375.00	.489	.493
3134GBYS5	FHLMC 2YrNc3MoB	07/26/2019	1.600	1.600	5,000,000.00	5,000,000.00	99.709000	4,985,450.00	-14,550.00	.318	.321
3134GBK35	FHLMC 3YrNc3MoB	09/29/2020	1.800	1.800	15,000,000.00	15,000,000.00	99.016000	14,852,400.00	-147,600.00	1.468	1.501
3137EAE55	FHLMC 2.75Yr	01/17/2020	1.500	1.602	25,000,000.00	24,942,750.00	99.249000	24,812,250.00	-130,500.00	.784	.800
3134GBTX0	FHLMC 2.75YrNc2MoB	06/29/2020	1.750	1.780	20,000,000.00	19,983,860.00	99.077000	19,815,400.00	-168,460.00	1.221	1.249
3134GBG30	FHLMC 2YrNc5MoB	09/27/2019	1.500	1.620	20,000,000.00	19,953,600.00	99.533000	19,906,600.00	-47,000.00	.489	.493
3134GBG30	FHLMC 2YrNc6MoB	09/27/2019	1.500	1.621	25,000,000.00	24,942,500.00	99.533000	24,883,250.00	-59,250.00	.489	.493
3134G9NH6	FHLMC 1.5YrNc5MoE	05/24/2019	1.080	1.809	10,000,000.00	9,895,000.00	99.802000	9,980,200.00	85,200.00	.147	.148
3134G9W37	FHLMC 2.5YrNc3MoB	08/10/2020	1.450	2.421	10,000,000.00	9,769,000.00	98.617000	9,861,700.00	92,700.00	1.331	1.364
3134GBX80	FHLMC 4.5YrNc7MoB	11/14/2022	2.300	2.755	12,628,000.00	12,381,754.00	99.134000	12,518,641.52	136,887.52	3.415	3.627
3134GSMF9	FHLMC 5YrNc3YrE	05/26/2023	3.000	3.000	15,000,000.00	15,000,000.00	100.860000	15,129,000.00	129,000.00	3.839	4.156
3134GSQL2	FHLMC 5YrNc2YrE	06/29/2023	3.100	3.100	5,000,000.00	5,000,000.00	100.781000	5,039,050.00	39,050.00	3.919	4.249
3134GSB53	FHLMC 3YrNc1YrE	10/29/2021	3.100	3.100	5,000,000.00	5,000,000.00	100.336000	5,016,800.00	16,800.00	2.428	2.584
3134GSA96	FHLMC 3YrNc1YrE	11/15/2021	3.150	3.150	10,000,000.00	10,000,000.00	100.419000	10,041,900.00	41,900.00	2.469	2.630
3134GSA96	FHLMC 3YrNc1YrE	11/15/2021	3.150	3.150	5,000,000.00	5,000,000.00	100.419000	5,020,950.00	20,950.00	2.469	2.630
3134GSA96	FHLMC 3YrNc1YrE	11/15/2021	3.150	3.150	5,000,000.00	5,000,000.00	100.419000	5,020,950.00	20,950.00	2.469	2.630
3134GSD44	FHLMC 3YrNc1YrE	11/26/2021	3.150	3.150	25,000,000.00	25,000,000.00	100.435000	25,108,750.00	108,750.00	2.499	2.660
3134GSC45	FHLMC 3YrNc1YrE	11/26/2021	3.160	3.160	10,000,000.00	10,000,000.00	100.453000	10,045,300.00	45,300.00	2.499	2.660
3134GBXV9	FHLMC 1.67YrNc1Yr	07/13/2020	1.850	2.870	15,000,000.00	14,758,950.00	99.265000	14,889,750.00	130,800.00	1.252	1.288
3134GSH40	FHLMC 2YrNc6MoB	12/20/2021	3.150	3.150	10,000,000.00	10,000,000.00	100.144000	10,014,400.00	14,400.00	2.565	2.726
3134GSN68	FHLMC 2.7YrNc6MoB	09/21/2021	3.030	3.030	15,000,000.00	15,000,000.00	100.078000	15,011,700.00	11,700.00	2.377	2.479
3134GSQ57	FHLMC 3YrNc3MoB	01/18/2022	3.000	3.000	15,000,000.00	15,000,000.00	100.010000	15,001,000.00	1,000.00	2.649	2.805
3134GS4E2	FHLMC 4.75YrNc3MoB	05/28/2019	3.020	3.020	15,000,000.00	15,000,000.00	100.045000	15,006,750.00	6,750.00	.156	.159
3134GS4E2	FHLMC 4.67YrNc2MoB	11/28/2023	3.020	3.011	10,000,000.00	10,004,000.00	100.045000	10,004,500.00	500.00	4.436	4.666
3134GS6Q3	FHLMC 5YrNc3MoB	03/14/2024	3.030	3.020	26,445,000.00	26,456					

Month End Portfolio Holdings

CUSIP	Description	Maturity Date	Coupon	Yield To Mat	Par Value	Book Value	Market Price	Market Value	Unrealized Gain/Loss	Modified Duration	Years To Maturity
3134G95W3	FHLMC 5YrNc3MoB	08/25/2021	1.500	1.500	10,000,000.00	10,000,000.00	97.964000	9,796,400.00	-203,600.00	2.345	2.405
3134G96A0	FHLMC 5YrNc3MoB	08/25/2021	1.375	1.375	15,000,000.00	15,000,000.00	98.478000	14,771,700.00	-228,300.00	2.350	2.405
3134GAEB6	FHLMC 4.25YrNc3MoB	12/08/2020	1.500	1.500	20,000,000.00	20,000,000.00	98.764000	19,752,800.00	-247,200.00	1.655	1.693
3134GAEG5	FHLMC 5YrNc6MoB	08/24/2021	1.500	1.500	20,000,000.00	20,000,000.00	99.203000	19,840,600.00	-159,400.00	2.349	2.403
3134GADP6	FHLMC 5YrNc3MoB	09/13/2021	1.500	1.500	16,500,000.00	16,500,000.00	98.658000	16,278,570.00	-221,430.00	2.395	2.458
3134GAET7	FHLMC 5YrNc3MoB	09/30/2021	1.500	1.500	20,000,000.00	20,000,000.00	98.528000	19,705,600.00	-294,400.00	2.445	2.504
3134GAKY9	FHLMC 5YrNc6MoB	09/30/2021	1.450	1.450	15,000,000.00	15,000,000.00	98.885000	14,832,750.00	-167,250.00	2.447	2.504
3134GANB6	FHLMC 5YrNc6MoB	09/30/2021	1.500	1.500	15,000,000.00	15,000,000.00	98.841000	14,826,150.00	-173,850.00	2.448	2.504
3134GAPM0	FHLMC 5YrNc3MoB	10/25/2021	1.500	1.500	10,000,000.00	10,000,000.00	98.661000	9,866,100.00	-133,900.00	2.497	2.573
3134GAPM0	FHLMC 5YrNc3MoB	10/25/2021	1.500	1.500	6,705,000.00	6,705,000.00	98.661000	6,615,220.05	-89,779.95	2.497	2.573
3134GAPA6	FHLMC 5YrNc3MoB	10/27/2020	1.500	1.500	10,000,000.00	10,000,000.00	99.175000	9,917,500.00	-82,500.00	1.542	1.578
3134GAQV9	FHLMC 5YrNc6MoB	10/27/2021	1.400	1.400	15,000,000.00	15,000,000.00	98.253000	14,737,950.00	-262,050.00	2.503	2.578
3134GAQV9	FHLMC 5YrNc6MoB	10/27/2021	1.400	1.400	15,000,000.00	15,000,000.00	98.253000	14,737,950.00	-262,050.00	2.503	2.578
3134GARL0	FHLMC 5YrNc6MoB	10/28/2021	1.500	1.500	10,000,000.00	10,000,000.00	99.547000	9,954,700.00	-45,300.00	2.510	2.581
3134GASF2	FHLMC 5YrNc3MoB	10/27/2021	1.500	1.500	15,000,000.00	15,000,000.00	98.418000	14,762,700.00	-237,300.00	2.498	2.578
3134GASF2	FHLMC 5YrNc3MoB	10/27/2021	1.500	1.500	15,000,000.00	15,000,000.00	98.418000	14,762,700.00	-237,300.00	2.498	2.578
3134GATA2	FHLMC 5YrNc3MoB	10/27/2021	1.500	1.500	10,000,000.00	10,000,000.00	98.735000	9,873,500.00	-126,500.00	2.502	2.578
3134GATB0	FHLMC 5YrNc3MoB	11/10/2021	1.550	1.550	17,000,000.00	17,000,000.00	98.324000	16,715,080.00	-284,920.00	2.532	2.616
3134GATA2	FHLMC 5YrNc3MoB	10/27/2021	1.500	1.500	14,000,000.00	14,000,000.00	98.735000	13,822,900.00	-177,100.00	2.502	2.578
3134GAUA0	FHLMC 5YrNc3MoB	11/30/2021	1.500	1.500	4,500,000.00	4,500,000.00	98.259000	4,421,655.00	-78,345.00	2.592	2.671
3134GAYF5	FHLMC 5YrNc3MoB	11/26/2021	1.550	1.550	20,000,000.00	20,000,000.00	98.278000	19,655,600.00	-344,400.00	2.576	2.660
3134GAYG3	FHLMC 5YrNc3MoB	12/09/2021	1.750	1.750	10,000,000.00	10,000,000.00	99.077000	9,907,700.00	-92,300.00	2.611	2.696
3134GAYR9	FHLMC 5YrNc3MoB	12/09/2021	1.650	1.650	20,000,000.00	20,000,000.00	99.300000	19,860,000.00	-140,000.00	2.607	2.696
3134GAA87	FHLMC 5YrNc3MoB	12/30/2021	1.900	1.900	10,000,000.00	10,000,000.00	99.097000	9,909,700.00	-90,300.00	2.655	2.753
3134GAA87	FHLMC 5YrNc3MoB	12/30/2021	1.900	1.900	10,000,000.00	10,000,000.00	99.097000	9,909,700.00	-90,300.00	2.655	2.753
3134G7577	FHLMC 3.5Yr	10/29/2020	1.500	1.615	7,125,000.00	7,108,968.75	99.733000	7,105,976.25	-2,992.50	1.548	1.584
3134GBGB2	FHLMC 3.5YrNc6MoB	10/27/2020	2.000	2.000	15,000,000.00	15,000,000.00	99.984000	14,977,600.00	-2,400.00	1.536	1.578
3134GBHN5	FHLMC 3YrNc3MoB	04/27/2020	1.750	1.750	10,000,000.00	10,000,000.00	99.810000	9,981,000.00	-19,000.00	1.052	1.077
3134GBKC5	FHLMC 3YrNc3MoB	04/27/2020	1.650	1.650	20,000,000.00	20,000,000.00	99.153000	19,830,600.00	-169,400.00	1.052	1.077
3134GBMP4	FHLMC 3YrNc3MoB	05/22/2020	1.750	1.750	10,000,000.00	10,000,000.00	99.681000	9,968,100.00	-31,900.00	1.121	1.145
3134GBPJ5	FHLMC 3YrNc6MoB	05/22/2020	1.700	1.700	20,000,000.00	20,000,000.00	99.441000	19,888,200.00	-111,800.00	1.120	1.145
3134GBSE3	FHLMC 4YrNc6MoB	02/24/2021	1.750	1.750	15,000,000.00	15,000,000.00	99.618000	14,942,700.00	-57,300.00	1.857	1.907
3134GBSD5	FHLMC 3YrNc6MoB	11/24/2020	1.700	1.700	15,000,000.00	15,000,000.00	99.294000	14,894,100.00	-105,900.00	1.610	1.655
3134GBTD4	FHLMC 5YrNc3MoB	06/29/2022	2.050	2.050	20,000,000.00	20,000,000.00	99.508000	19,901,600.00	-98,400.00	3.108	3.249
3134GBTE2	FHLMC 5YrNc6MoB	06/22/2022	2.000	2.000	15,000,000.00	15,000,000.00	99.102000	14,865,300.00	-134,700.00	3.092	3.230
3134GBYK2	FHLMC 5YrNc3MoB	07/05/2022	2.000	2.000	20,000,000.00	20,000,000.00	99.493000	19,898,600.00	-101,400.00	3.128	3.266
3134GBWDD0	FHLMC 3.5YrNc3MoB	01/20/2021	1.750	1.750	10,000,000.00	10,000,000.00	99.732000	9,973,200.00	-26,800.00	1.765	1.811
3134GBWS7	FHLMC 5YrNc3MoB	07/27/2022	2.050	2.050	20,000,000.00	20,000,000.00	99.319000	19,863,800.00	-136,200.00	3.185	3.326
3134GBYN6	FHLMC 5YrNc3MoB	07/27/2022	2.100	2.100	20,000,000.00	20,000,000.00	99.616000	19,923,200.00	-76,800.00	3.182	3.326
3134G92T3	FHLMC 5YrNc3MoB	08/08/2023	1.500	2.399	5,000,000.00	4,790,170.00	98.324000	4,916,200.00	-126,030.00	4.168	4.359
3134GBZQ8	FHLMC 5YrNc2MoB	07/27/2022	2.250	2.732	3,000,000.00	2,946,600.00	99.585000	2,987,550.00	-40,450.00	3.163	3.326
3134GBRW4	FHLMC3YrNc2MoB	06/15/2022	2.000	2.603	10,000,000.00	9,799,500.00	99.815000	9,981,500.00	-182,000.00	3.068	3.211
1.655 1.671 803,830,000.00 803,347,238.75 99.040338 796,115,951.30 -7,231,287.45 2.227 2.295											
1525: FNMA-Fxd-S 30/360											
3136G3RL1	FNMA 3.5YrNc6MoB	12/16/2019	1.500	1.500	5,000,000.00	5,000,000.00	99.322000	4,966,100.00	-33,900.00	.699	.712
3136G3WC5	FNMA 4YrNc6MoE	07/13/2020	1.350	1.350	10,000,000.00	10,000,000.00	98.696000	9,869,600.00	-130,400.00	1.265	1.288
3136G3S2Y	FNMA 3.25YrNc6MoB	09/30/2019	1.250	1.250	7,500,000.00	7,500,000.00	99.400000	7,455,000.00	-45,000.00	.498	.501
3135G0M26	FNMA 3YrNc6MoE	07/26/2019	1.000	1.000	10,000,000.00	10,000,000.00	99.540000	9,954,000.00	-46,000.00	.319	.321
3135G0M26	FNMA 3YrNc6MoE	07/26/2019	1.000	1.000	10,000,000.00	10,000,000.00	99.540000	9,954,000.00	-46,000.00	.319	.321
3136G3A62	FNMA 3YrNc1YrE	07/26/2019	1.050	1.050	15,000,000.00	15,000,000.00	99.553000	14,932,950.00	-67,050.00	.319	.321
3136G3P25	FNMA 3.5YrNc1YrE	07/26/2019	1.125	1.125	25,000,000.00	25,000,000.00	99.576000	24,894,000.00	-106,000.00	.319	.321
3135G0R39	FNMA 3Yr	10/24/2019	1.000	1.091	10,000,000.00	9,973,200.00	99.183000	9,918,300.00	-54,900.00	.558	.567
3136G4GU1	FNMA 3YrNc6MoB	11/25/2019	1.400	1.400	10,000,000.00	10,000,000.00	99.267000	9,926,700.00	-73,300.00	.642	.655
3135G0T60	FNMA 3Yr	07/30/2020	1.500	1.604	10,000,000.00	9,969,700.00	98.845000	9,884,500.00	-85,200.00	1.309	1.334
3136G0YK1	FNMA 2Yr	08/28/2019	1.500	1.400	10,000,000.00	10,019,600.00	99.604000	9,960,400.00	-59,200.00	.408	.411
3135G0S46	FNMA 2.16Yr2MoB	01/27/2020	1.650	1.800	5,000,000.00	4,983,850.00	99.355000	4,967,750.00	-16,100.00	.811	.827
3136G1MC1	FNMA 1.4YrNc5MoB	05/29/2019	1.300	1.833	10,000,000.00	9,922,200.00	99.812000	9,981,200.00	59,000.00	.160	.162
3135G0A78	FNMA 2Yr	01/21/2020	1.625	1.911	15,000,000.00	14,910,900.00	99.355000	14,903,250.00	-7,650.00	.794	.811
3135G0UJ5	FNMA 2.25Yr	03/06/2020	1.750	1.913	11,082,000.00	11,042,326.44	99.682000	11,046,759.24	4,432.80	.917	.934
3135G0T78	FNMA 4.83Yr	10/05/2022	2.000	2.322	15,000,000.00	14,782,200.00	99.057000	14,858,550.00	76,350.00	3.335	3.518
3135G0T94	FNMA 5Yr	01/19/2023	2.375	2.495	10,000,000.00	9,944,100.00	100.269000	10,026,900.00	82,800.00	3.594	3.808
3135G0P49	FNMA 8Mo	08/28/2019	1.000	2.655	28,799,000.00	28,472,995.32	99.403000	28,627,069.97	154,074.65	.405	.411
1.361 1.668 217,381,000.00 216,521,071.76 99.423146 216,127,029.21 -394,042.55 .890 .920											
1560: FNMA-STEP%-Q 30/360											
3136G3SG1	FNMA 4.25YrNc6MoB	09/09/2020	1.625	1.625	15,000,000.00	15,000,000.00	98.671000	14,800,650.00	-199,350.00	1.420	1.447
1.625 1.625 15,000,000.00 15,000,000.00 98.671000 14,800,650.00 -199,350.00 1.420 1.447											
1565: FNMA-STEP%-S 30/360											
3136G3BX2	FNMA 4YrNc6MoB	03/09/2020	2.000	2.000	15,000,000.00	15,000,000.00	99.808000	14,971,200.00	-28,800.00	.926	.942
3136G3EH4	FNMA 4YrNc6MoB	03/30/2020	2.500	2.500	10,000,000.00	10,000,000.00	100.027000	10,002,700.00	2,700.00	.985	1.000
3136G3DV4	FNMA 5YrNc6MoB	03/30/2021	2.000	2.000	15,000,000.00	15,000,000.00	98.739000	14,810,850.00	-189,150.00	1.960	2.000
3136G3PB5	FNMA 5YrNc6MoB	06/09/2021	1.550	1.550	15,000,000.00	15,000,000.00	98.917000	14,837,550.00	-162,450.00	2.134	2.195
3136G3TG0	FNMA 4YrNc6MoB	06/30/2020	1.500	1.500	20,000,000.00	20,000,000.00	99.219000	19,843,800.00	-156,200.00	1.232	1.252
3136G3XT7	FNMA 5YrNc6MoB	07/27/2021	1.400	1.400	15,000,000.00	15,000,000.00	98.157000	14,723,550.00	-276,450.00	2.275	2.326
3136G3ZW8	FNMA 5YrNc6MoB	07/27/2021	1.375	1.375	20,000,000.00	20,000,000.00	98.391000	19,678,200.00	-321,800.00	2.276	2.326
3136G3Y74	FNMA 4YrNc6MoB	11/24/2020	1.375	1.375	15,000,000.00	15,000,000.00	98.495000	14,774,250.00	-225,750.00	1.619	1.655
1.659 1.661 125,											

Month End Portfolio Holdings

CUSIP	Description	Maturity Date	Coupon	Yield To Mat	Par Value	Book Value	Market Price	Market Value	Unrealized Gain/Loss	Modified Duration	Years To Maturity
3130ADG48	FHLB 2.83YrNc1.33YrE	01/29/2021	2.250	2.553	20,000,000.00	19,833,600.00	99.733000	19,946,600.00	113,000.00	1.772	1.836
3130ADG48	FHLB 2.75YrNc1.25YrE	01/29/2021	2.250	2.513	10,000,000.00	9,928,600.00	99.733000	9,973,300.00	44,700.00	1.772	1.836
313382AX1	FHLB 4.9Yr	03/10/2023	2.125	2.716	11,750,000.00	11,432,397.50	99.291000	11,666,692.50	234,295.00	3.745	3.945
3130A8DB6	FHLB 1.167Yr	06/21/2019	1.125	2.263	10,620,000.00	10,480,240.80	99.716000	10,589,839.20	109,598.40	.222	.225
3130AE6U9	FHLB 3Yr	05/07/2021	2.700	2.725	7,650,000.00	7,644,492.00	100.805000	7,711,582.50	67,090.50	2.007	2.104
3130AE6U9	FHLB 3Yr	05/07/2021	2.700	2.703	10,000,000.00	9,999,100.00	100.805000	10,080,500.00	81,400.00	2.007	2.104
3133XYT6	FHLB 11Mo	06/14/2019	4.375	2.373	5,000,000.00	5,092,350.00	100.392000	5,019,600.00	-72,750.00	.203	.205
3130A9M40	FHLB 4.17Yr	09/29/2022	1.650	2.929	15,730,000.00	14,940,350.00	97.725000	15,372,142.50	431,788.50	3.358	3.501
3130A8R54	FHLB 4.9YrNc1Mo	07/28/2023	1.800	2.965	3,700,000.00	3,504,196.00	96.294000	3,562,878.00	58,682.00	4.102	4.329
3130A9EP2	FHLB 11MoB	09/26/2019	1.000	2.687	20,180,000.00	19,877,300.00	99.305000	20,039,749.00	162,449.00	.484	.490
3130AFCU9	FHLB 3YrNc1YrE	11/26/2021	3.125	3.150	10,000,000.00	9,992,900.00	100.362000	10,036,200.00	43,300.00	2.500	2.660
3130AFFA0	FHLB 3YrNc1YrB	11/29/2021	3.200	3.200	15,000,000.00	15,000,000.00	100.117000	15,017,550.00	17,550.00	2.505	2.668
3130AFER4	FHLB 3 YrNc6MoB	12/06/2021	3.220	3.220	10,000,000.00	10,000,000.00	100.137000	10,013,700.00	13,700.00	2.524	2.688
3130A8CK7	FHLB 4.5Yr	06/09/2023	2.050	3.147	10,000,000.00	9,540,100.00	98.741000	9,874,100.00	334,000.00	3.943	4.195
3130AFXN2	FHLB 2YrNc3MoB	03/11/2021	2.650	2.700	15,000,000.00	14,985,495.00	100.024000	15,003,600.00	18,105.00	1.880	1.948
3130AFY50	FHLB 1.75YrNc6MoB	12/11/2020	2.600	2.600	21,135,000.00	21,135,000.00	100.000000	21,135,000.00	0.00	1.644	1.701
3130AFZ67	FHLB 2YrNc6MoB	03/26/2021	2.650	2.650	10,000,000.00	10,000,000.00	100.074000	10,007,400.00	7,400.00	1.922	1.989
3130AFZK6	FHLB 3YrNc3MoB	03/28/2022	2.900	2.900	15,000,000.00	15,000,000.00	100.046000	15,006,900.00	6,900.00	2.845	2.995
			2.120	2.382	389,090,000.00	386,424,866.55	99.630446	387,652,102.45	1,227,235.90	1.741	1.816
1765: FHLB-STEP%-S 30/360											
3130A9DH1	FHLB 5YrNc3MoB	09/30/2021	1.750	1.750	15,000,000.00	15,000,000.00	99.236000	14,885,400.00	-114,600.00	2.445	2.504
3130A9DA6	FHLB 5YrNc3MoB	09/30/2021	1.750	1.750	15,000,000.00	15,000,000.00	99.209000	14,881,350.00	-118,650.00	2.445	2.504
3130AAZT4	FHLB 5YrNc6MoB	12/09/2021	1.600	1.600	10,000,000.00	10,000,000.00	98.786000	9,878,600.00	-121,400.00	2.609	2.696
3130AAZT4	FHLB 5YrNc6MoB	12/09/2021	1.600	1.600	10,000,000.00	10,000,000.00	98.786000	9,878,600.00	-121,400.00	2.609	2.696
3130AA5A2	FHLB 5YrNc1YrB	12/08/2021	1.700	1.700	15,000,000.00	15,000,000.00	99.278000	14,891,700.00	-108,300.00	2.601	2.693
3130ABQV1	FHLB 5YrNc6MoB	07/26/2022	2.000	2.000	15,000,000.00	15,000,000.00	99.536000	14,930,400.00	-69,600.00	3.185	3.323
3130ABVZ6	FHLB 5YrNc6MoB	02/09/2022	1.850	1.850	20,000,000.00	20,000,000.00	99.748000	19,949,600.00	-50,400.00	2.766	2.866
3130ABZW9	FHLB 5YrNc3MoB	08/24/2022	2.000	2.000	10,000,000.00	10,000,000.00	99.119000	9,911,900.00	-88,100.00	3.262	3.403
3130AC6H2	FHLB 5YrNc3MoB	08/24/2022	2.000	2.000	15,000,000.00	15,000,000.00	99.137000	14,870,550.00	-129,450.00	3.262	3.403
3130AC4T8	FHLB 5YrNc3MoB	05/24/2022	2.000	2.000	20,000,000.00	20,000,000.00	99.763000	19,952,600.00	-47,400.00	3.024	3.151
3130A9TV3	FHLB 3.4YrNc2MoB	11/08/2021	1.500	2.579	10,000,000.00	9,690,500.00	98.811000	9,881,100.00	190,600.00	2.523	2.611
3130AA5Y0	FHLB 4.16YrNc2MoB	11/25/2022	1.750	2.436	5,100,000.00	4,967,400.00	98.763000	5,036,913.00	69,513.00	3.511	3.658
			1.817	1.906	160,100,000.00	159,657,900.00	99.280895	158,948,713.00	-709,187.00	2.828	2.933
1767: FHLB-Var-M A/360											
3130A9FU0	FHLB 4Yr	09/22/2020	2.641	2.641	10,000,000.00	10,000,000.00	100.181000	10,018,100.00	18,100.00	1.464	1.482
3130A9FM8	FHLB 4Yr	09/22/2020	2.641	2.641	15,000,000.00	15,000,000.00	100.181000	15,027,150.00	27,150.00	1.464	1.482
3130A9FR7	FHLB 4Yr	09/28/2020	2.646	2.646	10,000,000.00	10,000,000.00	100.259000	10,025,900.00	25,900.00	1.481	1.499
3130A9FR7	FHLB 4Yr	09/28/2020	2.646	2.646	15,000,000.00	15,000,000.00	100.259000	15,038,850.00	38,850.00	1.481	1.499
			2.644	2.644	50,000,000.00	50,000,000.00	100.220000	50,110,000.00	110,000.00	1.473	1.491
1770: FHLB-Var-Q A/360											
3130ABNF6	FHLB 3Yr	07/01/2020	2.922	2.922	25,000,000.00	25,000,000.00	100.267000	25,066,750.00	66,750.00	1.482	1.255
			2.922	2.922	25,000,000.00	25,000,000.00	100.267000	25,066,750.00	66,750.00	1.482	1.255
1900: FFCB-DISC NOTE											
313312MJ6	FFCB DISC NTE	09/30/2019	2.570	2.622	75,000,000.00	73,511,541.67	98.782000	74,086,500.00	574,958.33	.488	.501
313312LX6	FFCB DISC NTE	09/19/2019	2.570	2.620	25,000,000.00	24,525,263.89	98.855000	24,713,750.00	188,486.11	.459	.471
313312KZ2	FFCB DISC NTE	08/28/2019	2.440	2.467	24,000,000.00	23,736,480.00	99.003000	23,760,720.00	24,240.00	.401	.411
			2.545	2.592	124,000,000.00	121,773,285.56	98.839492	122,560,970.00	787,684.44	.465	.478
1925: FFCB-Fxd-S 30/360											
3133EF5D5	FFCB 4YrNc1YrA	04/27/2020	1.420	1.420	7,700,000.00	7,700,000.00	99.003000	7,623,231.00	-76,769.00	1.054	1.077
3133EGSA4	FFCB 4YrNc1YrA	08/24/2020	1.320	1.320	10,000,000.00	10,000,000.00	98.587000	9,858,700.00	-141,300.00	1.378	1.403
3133EGVK8	FFCB 4YrNc1YrA	09/21/2020	1.350	1.350	10,000,000.00	10,000,000.00	98.579000	9,857,900.00	-142,100.00	1.452	1.479
3133EGXX8	FFCB 4YrNc1YrA	10/13/2020	1.340	1.340	15,000,000.00	15,000,000.00	98.473000	14,770,950.00	-229,050.00	1.503	1.540
3133EGC94	FFCB 4YrNc3MoA	11/02/2020	1.380	1.380	10,000,000.00	10,000,000.00	98.512000	9,851,200.00	-148,800.00	1.555	1.595
3133EGR49	FFCB 4YrNc1YrA	12/07/2020	1.770	1.770	10,000,000.00	10,000,000.00	99.067000	9,906,700.00	-93,300.00	1.643	1.690
3133EHAJ2	FFCB 3YrNc1YrE	02/27/2020	1.710	1.710	10,000,000.00	10,000,000.00	99.390000	9,939,000.00	-61,000.00	.894	.912
3133EHRK1	FFCB 2.5Yr	01/17/2020	1.520	1.520	10,000,000.00	10,000,000.00	99.327000	9,932,700.00	-67,300.00	.785	.800
3133EHUL5	FFCB 3Yr	08/10/2020	1.550	1.550	5,000,000.00	5,000,000.00	98.920000	4,946,000.00	-54,000.00	1.336	1.364
3133EHWN9	FFCB 2Yr	08/28/2019	1.400	1.400	5,000,000.00	5,000,000.00	99.612000	4,980,600.00	-19,400.00	.408	.411
3133EEZ60	FFCB 2Yr	06/24/2019	1.520	1.400	5,000,000.00	5,010,640.00	99.818000	4,990,900.00	-19,740.00	.231	.233
3133EHWN9	FFCB 2Yr	08/28/2019	1.400	1.410	10,000,000.00	9,998,000.00	99.612000	9,961,200.00	-36,800.00	.408	.411
3133EHZN6	FFCB 3Yr	03/20/2020	1.450	1.511	20,000,000.00	19,970,400.00	99.105000	19,821,000.00	-149,400.00	.959	.973
3133EHJ95	FFCB 3Yr	10/26/2020	1.750	1.760	20,000,000.00	19,994,000.00	99.106000	19,821,200.00	-172,800.00	1.530	1.575
3133EHP98	FFCB 2Yr	11/06/2019	1.600	1.667	25,000,000.00	24,967,247.50	99.556000	24,889,000.00	-78,247.50	.588	.603
3133EH6X6	FFCB 4Yr	01/12/2022	2.200	2.365	10,000,000.00	9,938,000.00	99.676000	9,967,600.00	29,600.00	2.668	2.789
3133EJEM7	FFCB 3Yr	03/01/2021	2.500	2.501	10,000,000.00	9,999,700.00	100.298000	10,029,800.00	30,100.00	1.857	1.921
3133EJCE7	FFCB 2.8Yr	02/12/2021	2.350	2.474	15,000,000.00	14,948,670.00	99.899000	14,984,850.00	36,180.00	1.807	1.874
3133EJKN8	FFCB 5Yr	04/11/2023	2.700	2.721	10,000,000.00	9,990,300.00	101.417000	10,141,700.00	151,400.00	3.744	4.033
3133EJNS4	FFCB 3Yr	05/10/2021	2.700	2.747	10,000,000.00	9,986,600.00	100.709000	10,070,900.00	84,300.00	2.015	2.112
3133EHFDO	FFCB 4.5Yr	04/11/2023	2.400	3.160	5,000,000.00	4,839,900.00	99.449000	4,972,450.00	132,550.00	3.757	4.033
3133EJD48	FFCB 5Yr	10/02/2023	3.050	3.095	10,000,000.00	9,979,300.00	103.023000	10,302,300.00	323,000.00	4.114	4.510
3133EJP52	FFCB4 4YrNc1YrA	11/01/2022	3.330	3.330	5,000,000.00	5,000,000.00	100.316000				

Month End Portfolio Holdings

CUSIP	Description	Maturity Date	Coupon	Yield To Mat	Par Value	Book Value	Market Price	Market Value	Unrealized Gain/Loss	Modified Duration	Years To Maturity
3133EGF67	FFCB 3Yr	11/14/2019	2.659	2.659	15,000,000.00	15,000,000.00	100.107000	15,016,050.00	16,050.00	.617	.625
3133EG4C6	FFCB 3.9Yr	01/18/2022	2.722	2.383	15,000,000.00	15,139,095.00	100.262000	15,039,300.00	-99,795.00	2.720	2.805
3133EJDG1	FFCB 5Yr	02/21/2023	2.557	2.557	15,000,000.00	15,000,000.00	99.293000	14,893,950.00	-106,050.00	3.753	3.899
3133EJJE0	FFCB 3.5Yr	10/04/2021	2.515	2.515	15,000,000.00	15,000,000.00	100.000000	15,000,000.00	0.00	2.440	2.515
3133EHY8	FFCB 1.4Yr	05/26/2020	2.499	2.511	1,680,000.00	1,679,769.44	99.972000	1,679,529.60	-239.84	1.134	1.156
3133EHY8	FFCB 1.4Yr	05/26/2020	2.499	2.511	1,710,000.00	1,709,765.32	99.972000	1,709,521.20	-244.12	1.134	1.156
3133EHAE3	FFCB 1.1Yr	02/21/2020	2.537	2.474	7,940,000.00	7,944,501.98	100.034000	7,942,699.60	-1,802.38	.877	.896
			2.656	2.636	261,330,000.00	261,470,691.74	100.113076	261,625,500.40	154,808.66	1.248	1.266
1950: FMAC-Fxd-S 30/360											
3132X0WK3	FAMCA 2Yr	08/20/2019	1.440	1.442	5,000,000.00	4,999,800.00	99.639000	4,981,950.00	-17,850.00	.386	.389
3132X0WY3	FAMCA 2Yr	09/26/2019	1.420	1.420	10,000,000.00	10,000,000.00	99.551000	9,955,100.00	-44,900.00	.487	.490
3132X0A50	FAMCA 1.4Yr	05/15/2019	1.810	1.810	10,000,000.00	10,000,000.00	99.928000	9,992,800.00	-7,200.00	.122	.123
3132X0C41	FAMCA 1.5Yr	06/24/2019	1.860	1.860	20,000,000.00	20,000,000.00	99.890000	19,978,000.00	-22,000.00	.231	.233
3132X0C74	FAMCA 2.08Yr	02/03/2020	1.970	1.970	15,000,000.00	15,000,000.00	99.628000	14,944,200.00	-55,800.00	.826	.847
3132X02Y6	FAMCA 1.58Yr	01/02/2020	2.530	2.530	20,000,000.00	20,000,000.00	100.095000	20,019,000.00	19,000.00	.737	.759
3132X03B5	FAMCA 4.9Yr	06/30/2023	2.850	2.964	10,000,000.00	9,947,900.00	101.995000	10,199,500.00	251,600.00	3.947	4.252
3132X04F5	FAMCA 2.91Yr	07/23/2021	2.840	2.864	10,000,000.00	9,993,300.00	101.079000	10,107,900.00	114,600.00	2.212	2.315
31422BBR0	FAMCA 1.16Yr	03/16/2020	2.640	2.640	15,000,000.00	15,000,000.00	100.164000	15,024,600.00	24,600.00	.939	.962
			2.203	2.218	115,000,000.00	114,941,000.00	100.176565	115,203,050.00	262,050.00	1.011	1.057
1965: FMAC-Var-M A/360											
3132X0AT8	FAMCA 2.5 Yr	06/02/2020	2.630	2.424	25,000,000.00	25,063,500.00	100.189000	25,047,250.00	-16,250.00	1.157	1.175
3132X0S77	FAMCA 3Yr	04/23/2021	2.536	2.536	25,000,000.00	25,000,000.00	100.074000	25,018,500.00	18,500.00	2.016	2.066
3132X0U90	FAMCA 3Yr	05/10/2021	2.513	2.513	10,000,000.00	10,000,000.00	100.007000	10,000,700.00	700.00	2.060	2.112
			2.571	2.485	60,000,000.00	60,063,500.00	100.110750	60,066,450.00	2,950.00	1.665	1.702
1975: FMAC-Var-Q A/360											
3132X0EV9	FAMCA 3Yr	07/26/2019	2.905	2.905	15,000,000.00	15,000,000.00	100.096000	15,014,400.00	14,400.00	.317	.321
			2.905	2.905	15,000,000.00	15,000,000.00	100.096000	15,014,400.00	14,400.00	.317	.321
2350: MUNIS-S 30/360											
882723A33	TEXAS STATE	10/01/2019	1.497	1.497	5,000,000.00	5,000,000.00	100.000000	5,000,000.00	0.00	.495	.504
419792JG2	HAWAII STATE	04/01/2019	1.380	1.380	4,990,000.00	4,990,000.00	100.000000	4,990,000.00	0.00	.003	.003
419792JH0	HAWAII STATE	04/01/2020	1.660	1.660	5,055,000.00	5,055,000.00	100.000000	5,055,000.00	0.00	.982	1.005
76222RUM2	RHODE ISLAND STATE	05/01/2020	1.625	1.520	2,660,000.00	2,670,719.80	100.403000	2,670,719.80	0.00	1.063	1.088
76222RUL4	RHODE ISLAND STATE	05/01/2019	1.375	1.220	2,625,000.00	2,636,838.75	100.451000	2,636,838.75	0.00	.084	.085
3733845L6	GEORGIA STATE	07/01/2020	3.000	1.370	6,825,000.00	7,254,770.25	106.297000	7,254,770.25	0.00	1.220	1.255
3733845K8	GEORGIA STATE	07/01/2019	3.000	1.110	6,580,000.00	6,943,874.00	105.530000	6,943,874.00	0.00	.250	.252
041042ZT2	ARKANSAS STATE	06/01/2019	2.000	1.024	13,470,000.00	13,837,192.20	102.726000	13,837,192.20	0.00	.169	.170
419792NE2	HAWAII STATE	10/01/2019	1.151	1.101	2,250,000.00	2,253,262.50	100.145000	2,253,262.50	0.00	.497	.504
419792NF9	HAWAII STATE	10/01/2020	1.370	1.319	2,250,000.00	2,254,320.00	100.192000	2,254,320.00	0.00	1.473	1.507
68609BXX8	OREGON STATE	05/01/2019	1.450	1.450	1,830,000.00	1,829,981.70	99.999000	1,829,981.70	0.00	.084	.085
68609BYC5	OREGON STATE	04/01/2019	1.440	1.441	1,750,000.00	1,749,982.50	99.999000	1,749,982.50	0.00	.003	.003
93974DV39	WASHINGTON STATE	08/01/2019	1.500	1.541	8,745,000.00	8,738,703.60	99.928000	8,738,703.60	0.00	.334	.337
13063DAC2	STATE OF CALIFORNIA	04/01/2021	2.625	2.011	14,400,000.00	14,688,720.00	102.005000	14,688,720.00	0.00	1.920	2.005
01087BAL0	ALAMEDA COUNTY G.O.	08/01/2020	2.562	2.562	17,600,000.00	17,600,000.00	100.000000	17,600,000.00	0.00	1.298	1.340
76222RWT5	RHODE ISLAND ST & PROV PLANT	04/01/2020	2.750	2.451	3,065,000.00	3,082,378.55	100.567000	3,082,378.55	0.00	.972	1.005
76222RWS7	RHODE ISLAND ST & PROV PLANT	04/01/2019	5.000	2.253	2,330,000.00	2,390,020.80	102.576000	2,390,020.80	0.00	.003	.003
76222RWU2	RHODE ISLAND ST & PROV PLANT	04/01/2021	2.750	2.551	3,150,000.00	3,167,766.00	100.564000	3,167,766.00	0.00	1.914	2.005
13063DGA0	STATE OF CALIFORNIA	04/01/2021	2.800	2.799	16,000,000.00	16,000,640.00	100.004000	16,000,640.00	0.00	1.912	2.005
13063DAC2	STATE OF CALIFORNIA	04/01/2021	2.625	2.850	1,795,000.00	1,784,301.80	99.404000	1,784,301.80	0.00	1.911	2.005
13063DAB4	STATE OF CALIFORNIA	04/01/2019	1.593	2.351	7,030,000.00	6,990,842.90	99.443000	6,990,842.90	0.00	.003	.003
13063DAD0	STATE OF CALIFORNIA	04/01/2022	2.367	2.960	1,500,000.00	1,468,800.00	97.920000	1,468,800.00	0.00	2.839	3.005
544351MM8	CITY OF LOS ANGELES	09/01/2021	4.000	2.919	9,915,000.00	9,200,993.20	103.208000	9,200,993.20	0.00	2.289	2.425
93974D5L8	WASHINGTON STATE	08/01/2019	2.630	2.630	10,085,000.00	10,085,000.00	100.000000	10,085,000.00	0.00	.332	.337
13063DAD0	STATE OF CALIFORNIA	04/01/2022	2.367	3.120	17,695,000.00	17,256,340.95	97.521000	17,256,340.95	0.00	2.836	3.005
13063DAD0	STATE OF CALIFORNIA	04/01/2022	2.367	3.290	25,000,000.00	24,275,250.00	97.101000	24,275,250.00	0.00	2.833	3.005
13063DGA0	STATE OF CALIFORNIA	04/01/2021	2.800	2.680	10,825,000.00	10,852,170.75	100.251000	10,852,170.75	0.00	1.913	2.005
419792YK6	STATE OF HAWAII	01/01/2021	3.250	2.733	12,745,000.00	12,864,165.75	100.935000	12,864,165.75	0.00	1.686	1.759
419792YL4	STATE OF HAWAII	01/01/2022	2.770	2.770	3,500,000.00	3,500,000.00	100.000000	3,500,000.00	0.00	2.622	2.759
419792YJ9	STATE OF HAWAII	01/01/2020	2.650	2.650	7,500,000.00	7,500,000.00	100.000000	7,500,000.00	0.00	.736	.756
			2.475	2.339	227,165,000.00	227,922,036.00	100.333254	227,922,036.00	0.00	1.441	1.511
2360: MUNIS-A 30/360											
419792YM2	STATE OF HAWAII	04/01/2019	2.550	2.550	20,000,000.00	20,000,000.00	100.000000	20,000,000.00	0.00	.003	.003
			2.550	2.550	20,000,000.00	20,000,000.00	100.000000	20,000,000.00	0.00	.003	.003
3020: COMMERCIAL PAPER											
63763QSQ1	NATL SEC CLEARING CORP	05/24/2019	2.450	2.496	50,000,000.00	49,084,652.78	99.637833	49,818,916.67	734,263.89	.144	.148
63763QITQ0	NATL SEC CLEARING CORP	06/24/2019	2.610	2.662	35,000,000.00	34,314,875.00	99.407333	34,792,566.67	477,691.67	.227	.233
25214PMS9	DEXIA (GUARANTEE)	07/05/2019	2.790	2.843	50,000,000.00	49,066,125.00	99.324444	49,662,222.22	596,097.22	.256	.262
63763QIT31	NATL SEC CLEARING CORP	06/03/2019	2.780	2.819	30,000,000.00	29,585,316.67	99.555500	29,866,650.00	281,333.33	.170	.175
16677KS87	CHEVRON	05/08/2019	2.600	2.629	15,000,000.00	14,835,333.33	99.747167	14,962,075.00	126,741.67	.101	.104
03785ET38	APPLE	06/03/2019	2.680	2.715	30,000,000.00	29,609,166.67	99.555500	29,866,650.00	257,483.33	.171	.175
63763QW60	NATL SEC CLEARING CORP	09/06/2019	2.950	3.016	25,000,000.00	24,450,972.22	98.832556	24,708,138.89	257,166.67	.423	.436
16677KS20	CHEVRON	05/02/2019	2.440	2.454	25,000,000.00	24,859,361.11	99.788167	24,947,041.67	87,680.56	.086	.088
30229BS81	EXXON MOBIL	05/08/2019	2.440	2.455	25,000,000.00	24,849,194.44	99.747167	24,936,791.67	87,597.23	.102	.104
16677KS20	CHEVRON	05/02/2019	2.450	2.463	25,000,000.00	24,867,291.67	99.788167	24,947,041.67	79,750.00	.086	.088
16677KS20	CHEVRON	05/02/2019	2.470	2.483	15,000,000.00	14,921,783.33	99.788167	14,968,225.00	46,441.67	.085	.088
30229BS88	EX										

Month End Portfolio Holdings

CUSIP	Description	Maturity Date	Coupon	Yield To Mat	Par Value	Book Value	Market Price	Market Value	Unrealized Gain/Loss	Modified Duration	Years To Maturity
594918BV5	MICROSOFT CORP	02/06/2020	1.850	2.373	4,097,000.00	4,057,013.28	99.408000	4,072,745.76	15,732.48	.833	.855
594918BV5	MICROSOFT CORP	02/06/2020	1.850	2.388	8,000,000.00	7,920,160.00	99.408000	7,952,640.00	32,480.00	.833	.855
594918BN3	MICROSOFT CORP	08/08/2019	1.100	2.288	10,000,000.00	9,835,600.00	99.484000	9,948,400.00	112,800.00	.352	.356
594918BV5	MICROSOFT CORP	02/06/2020	1.850	2.414	16,000,000.00	15,832,480.00	99.408000	15,905,280.00	72,800.00	.833	.855
478160BS2	JOHNSON & JOHNSON	03/01/2021	1.650	2.646	12,000,000.00	11,663,160.00	98.399000	11,807,880.00	144,720.00	1.867	1.921
594918BV5	MICROSOFT CORP	02/06/2020	1.850	2.469	10,000,000.00	9,887,000.00	99.408000	9,940,800.00	53,800.00	.832	.855
478160BS2	JOHNSON & JOHNSON	03/01/2021	1.650	2.625	12,969,000.00	12,617,410.41	98.399000	12,761,366.31	143,955.90	1.867	1.921
594918BN3	MICROSOFT CORP	08/08/2019	1.100	2.481	14,772,000.00	14,527,818.84	99.484000	14,695,776.48	167,957.64	.352	.356
594918BN3	MICROSOFT CORP	08/08/2019	1.100	2.400	20,000,000.00	19,697,600.00	99.484000	19,896,800.00	199,200.00	.352	.356
594918AY0	MICROSOFT CORP	02/12/2020	1.850	2.691	16,880,000.00	16,654,820.80	99.524000	16,799,651.20	144,830.40	.848	.871
594918BN3	MICROSOFT CORP	08/08/2019	1.100	2.494	10,154,000.00	10,001,690.00	99.484000	10,101,605.36	99,915.36	.352	.356
037833CB4	APPLE	08/02/2019	1.100	2.570	12,500,000.00	12,339,000.00	99.494000	12,436,750.00	97,750.00	.335	.340
594918BN3	MICROSOFT CORP	08/08/2019	1.100	2.568	4,982,000.00	4,916,735.80	99.484000	4,956,292.88	39,557.08	.351	.356
166764BH2	CHEVRON CORP	05/16/2019	1.561	2.570	10,000,000.00	9,938,600.00	99.857000	9,985,700.00	47,100.00	.124	.126
931142DY6	WALMART	10/09/2019	1.750	2.824	25,000,000.00	24,752,750.00	99.507000	24,876,750.00	124,000.00	.511	.526
931142DY6	WALMART	10/09/2019	1.750	2.838	22,029,000.00	21,812,234.64	99.507000	21,920,397.03	108,162.39	.511	.526
037833CZ1	APPLE	09/12/2019	1.500	2.823	12,803,000.00	12,662,038.97	99.509000	12,740,137.27	78,098.30	.445	.452
478160BS2	JOHNSON & JOHNSON	03/01/2021	1.650	3.149	10,295,000.00	9,955,059.10	98.399000	10,130,177.05	175,117.95	1.863	1.921
594918BG8	MICROSOFT CORP	11/03/2020	2.000	2.912	10,100,000.00	9,929,411.00	99.335000	10,032,835.00	103,424.00	1.537	1.597
			1.609	2.603	282,931,000.00	278,870,612.34	99.336892	281,054,862.34	2,184,250.00	.829	.852
4500: NCD-Mat A/360											
78012UHD0	ROYAL BANK OF CANADA NY	06/07/2019	2.660	2.660	25,000,000.00	25,000,000.00	100.000000	25,000,000.00	0.00	.181	.186
90333VYZ7	US BANK NA	06/11/2019	2.590	2.590	10,000,000.00	10,000,000.00	100.000000	10,000,000.00	0.00	.192	.197
78012UHZ1	ROYAL BANK OF CANADA NY	06/21/2019	2.710	2.710	30,000,000.00	30,000,000.00	100.000000	30,000,000.00	0.00	.219	.225
06052TC32	BANK OF AMERICA NA	05/01/2019	2.620	2.620	25,000,000.00	25,000,000.00	100.000000	25,000,000.00	0.00	.083	.085
90333VZC7	US BANK NA	05/31/2019	2.580	2.580	30,000,000.00	30,000,000.00	100.000000	30,000,000.00	0.00	.163	.167
94989RY28	WELLS FARGO NA	05/13/2019	2.720	2.720	50,000,000.00	50,000,000.00	100.000000	50,000,000.00	0.00	.115	.118
94989RZ50	WELLS FARGO CD	06/28/2019	2.820	2.820	30,000,000.00	30,000,000.00	100.000000	30,000,000.00	0.00	.237	.244
90333VZR4	US BANK NA	06/21/2019	2.830	2.830	40,000,000.00	40,000,000.00	100.000000	40,000,000.00	0.00	.218	.225
89114MMK0	TORONTO DOMINION	08/16/2019	3.000	3.000	35,000,000.00	35,000,000.00	100.000000	35,000,000.00	0.00	.367	.378
78012UJY2	ROYAL BANK OF CANADA NY	06/28/2019	2.910	2.910	25,000,000.00	25,000,000.00	100.000000	25,000,000.00	0.00	.237	.244
89114MMT1	TORONTO DOMINION	05/31/2019	2.860	2.860	30,000,000.00	30,000,000.00	100.000000	30,000,000.00	0.00	.162	.167
			2.770	2.770	330,000,000.00	330,000,000.00	100.000000	330,000,000.00	0.00	.198	.203
Total Fund			2.177	2.355	7,558,961,944.14	7,522,791,418.69	99.555860	7,525,389,587.99	2,598,169.30	1.004	1.042
Grand Total			2.177	2.355	7,558,961,944.14	7,522,791,418.69	99.555860	7,525,389,587.99	2,598,169.30	1.004	1.042



The Mission Inn, Downtown Riverside. Digital Image. *The Mission Inn*. <http://www.missioninn.com/about-en.html>.



COUNTY OF RIVERSIDE
TREASURER-TAX COLLECTOR
CAPITAL MARKETS

COUNTY ADMINISTRATIVE CENTER
4080 LEMON STREET,
4TH FLOOR,
RIVERSIDE, CA 92502-2205

WWW.COUNTYTREASURER.ORG

APPENDIX H
SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____
Member Surplus Contribution: \$ _____
Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the “Trustee”) or paying agent (the “Paying Agent”) for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner’s right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner’s rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner’s right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. “Business Day” means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer’s Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. “Due for Payment” means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. “Nonpayment” means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. “Nonpayment” shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “Notice” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. “Owner” means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that “Owner” shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN



CALIFORNIA
ENDORSEMENT TO
MUNICIPAL BOND
INSURANCE POLICY
NO.

This Policy is not covered by the California Insurance Guaranty Association established pursuant to Article 15.2 of Chapter 1 of Part 2 of Division 1 of the California Law.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language.

IN WITNESS WHEREOF, BUILDAMERICA MUTUAL ASSURANCE COMPANY has caused this policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By

Authorized Officer