SUPPLEMENT DATED SEPTEMBER 17, 2019
TO
OFFICIAL STATEMENT DATED AUGUST 22, 2019

$21,500,000
LAKE ELSINORE UNIFIED SCHOOL DISTRICT
GENERAL OBLIGATION BONDS, 2016 ELECTION, SERIES B

The Official Statement is amended as follows to reflect the correct Base CUSIP® No. 50964E for the Term Bonds maturing August 1, 2044 and August 1, 2049:

$6,050,000 4.00% Term Bonds due August 1, 2044 – Yield 2.35% Price 111.793% [C] CUSIP® No. † 50964EBK3
$12,830,000 4.00% Term Bonds due August 1, 2049 – Yield 2.40% Price 111.412% [C] CUSIP® No. † 50964EBL1

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NEW ISSUE – FULL BOOK-ENTRY

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

*In the opinion of Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Irvine, California, Bond Counsel, subject, however, to certain qualifications described herein, under existing laws, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (as defined herein) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended ("**Code**"). In the further opinion of Bond Counsel, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income taxation. Bond Counsel expresses no opinion regarding or concerning any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.*

$21,500,000
LAKE ELSINORE UNIFIED SCHOOL DISTRICT
GENERAL OBLIGATION BONDS, 2016 ELECTION, SERIES B
(Riverside County, California)

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

The Lake Elsinore Unified School District General Obligation Bonds, 2016 Election, Series B (the "**Bonds**") in the aggregate principal amount of $21,500,000 are being issued by the Lake Elsinore Unified School District (the "**District**"), (i) to finance school facilities projects, including, but not limited to, the construction of Alberhill Elementary School, and improvements at Terra Cotta Middle School, Luiseño School, and Temescal Canyon High School, (ii) to fund a deposit to the Debt Service Fund (as defined herein) to pay interest on the Bonds for a period of time, and (iii) to pay certain costs of issuing the Bonds. On November 8, 2016, at least 55% of District voters approved the election to authorize up to $105,000,000 principal amount of general obligation bonds (the "**2016 Authorization**"). On May 11, 2017, the County of Riverside (the "**County**"), on behalf of the District, issued the first series of bonds pursuant to the 2016 Authorization in the aggregate amount of $32,415,000. The District will issue the second series of bonds pursuant to the 2016 Authorization, leaving $51,085,000 of the 2016 Authorization authorized but unissued.

The Bonds are general obligation bonds of the District, payable solely from *ad valorem* property taxes to be levied on all taxable property within the District pursuant to the California Constitution and other California State law. The Board of Supervisors of the County has the power and is obligated to annually levy *ad valorem* taxes upon property within the boundaries of the District subject to taxation, without limitation of rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds. See "THE BONDS – Security" herein.

The Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co., as nominee of The Depository Trust Company (collectively referred to herein as "**DTC**"). Purchasers of the Bonds (the "**Beneficial Owners**") will not receive physical certificates representing their interests in the Bonds. Interest accrues from their date of issuance and is payable semiannually by check mailed on February 1 and August 1 of each year, commencing February 1, 2020. The Bonds are issuable as fully-registered bonds in denominations of $5,000 or any integral multiple thereof. Payment to registered Owners of $1,000,000 or more in principal amount of the Bonds, at the registered Owner's written request, will be by wire transfer to an account in the United States of America.

Payments of principal of and interest on the Bonds will be made by U.S. Bank National Association, as the designated paying agent, bond registrar, authenticating agent and transfer agent (the "**Paying Agent**"), to DTC for subsequent disbursement to DTC Participants (described herein) who will remit such payments to the Beneficial Owners of the Bonds. (See "THE BONDS – Book-Entry Only System.")

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **Build America Mutual Assurance Company**.

BAM

This cover page contains information for general reference only. It is not a summary of all the provisions of the Bonds. Potential investors must read the entire official statement to obtain information essential in making an informed investment decision.

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to the approval as to their legality by Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Irvine, California, Bond Counsel to the District and subject to certain other conditions. James F. Anderson Law Firm, A Professional Corporation, Laguna Hills, California, is acting as Disclosure Counsel to the District. Certain legal matters will be passed on for the Underwriter by its counsel, Kutak Rock LLP, Irvine, California. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC on or about September 17, 2019.

STIFEL

The date of this Official Statement is August 22, 2019.

$21,500,000
LAKE ELSINORE UNIFIED SCHOOL DISTRICT
GENERAL OBLIGATION BONDS, 2016 ELECTION, SERIES B
(Riverside County, California)

MATURITY SCHEDULE
Base CUSIP® No. 50964E†

Maturity (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP® No.†
2021	$1,015,000	3.00%	0.93%	103.832%	BB3
2022	835,000	4.00	0.94	108.650	BC1
2035	75,000	4.00	2.05	114.107 C	BE7
2036	110,000	4.00	2.09	113.795 C	BF4
2037	150,000	4.00	2.13	113.485 C	BG2
2038	195,000	4.00	2.17	113.175 C	BH0
2039	240,000	4.00	2.21	112.866 C	BJ6

$6,050,000 4.00% Term Bonds due August 1, 2044 – Yield 2.35% Price 111.793% C CUSIP® No. † 50964BK3
$12,830,000 4.00% Term Bonds due August 1, 2049 – Yield 2.40% Price 111.412% C CUSIP® No. † 50964BL1

C Priced to optional call date on August 1, 2027 at par.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP® data is provided by CUSIP Global Services ("CGS") which is managed on behalf of the American Bankers Association by S&P Capital IQ. CUSIP® data is not intended to create a database and does not serve in any way as a substitute for the CGS database. The District and the Underwriter are not responsible for the selection, correctness or uses of the CUSIP® numbers, and no representation is made as to their correctness on the Bonds or as set forth herein. CUSIP® numbers have been assigned by an independent company not affiliated with the District or the Underwriter and CUSIP® numbers are provided for convenience of reference only. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions, including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

LAKE ELSINORE UNIFIED SCHOOL DISTRICT

GOVERNING BOARD

Stan Crippen, *President of the Governing Board, Trustee Area 1*
Heidi Matthies Dodd, *Clerk of the Governing Board, Trustee Area 3*
Christopher J. McDonald, *Member, Trustee Area 5*
Juan I. Saucedo, *Member, Trustee Area 4*
Susan E. Scott, *Member, Trustee Area 2*

SCHOOL DISTRICT ADMINISTRATORS

Dr. Douglas Kimberly, *Superintendent*
Dr. Gregory J. Bowers, *Assistant Superintendent, Facilities & Operations Support Services*
James Judziewicz, *Director of School Operations / Facilities & Operations Support Services*
Dr. Alain Guevara, *Assistant Superintendent, Administrative & Instructional Technology Support Services*
Dr. Kip Meyer, *Assistant Superintendent, Student & Instructional Support Services*
Arleen Sanchez, *Chief Business Official, Administrative & Fiscal Support Services*
Tracy Sepulveda, *Assistant Superintendent, Personnel Support Services*

PROFESSIONAL SERVICES

BOND COUNSEL

Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation
Irvine, California

DISCLOSURE COUNSEL

James F. Anderson Law Firm, A Professional Corporation
Laguna Hills, California

MUNICIPAL ADVISOR

Piper Jaffray & Co.
El Segundo, California

PAYING AGENT

U.S. Bank National Association
Los Angeles, California

No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representation with respect to the Bonds, other than as contained in this Official Statement, and if given or made, any such information or representation must not be relied upon as having been authorized by the District or the Underwriter. This Official Statement does not constitute an offer of any securities other than those described on the cover page or an offer to sell or a solicitation of an offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. This Official Statement is not to be construed as a contract with the purchasers of the Bonds.

Statements contained in this Official Statement which involve time 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 information set forth herein has been furnished by the District, or other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness. The Underwriter has provided the following sentence for inclusion in this Official Statement. "The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information." The information and expressions of opinion herein are subject to change without notice and neither the 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 securities referred to herein and may not be reproduced or used, as a whole or in part, for any other purpose. All information for investors regarding the District and the Bonds is contained in this Official Statement. While the District maintains an internet website and social media accounts for various purposes, the information presented on the website and social media accounts is not part of this Official Statement and none of the information on such website or social media accounts is intended to assist investors in making any investment decision or to provide any continuing information with respect to the Bonds or any other bonds or obligations of the District and such information should not be relied upon to make investment decisions with respect to the Bonds.

In connection with offering the Bonds, the Underwriter may overallot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Bonds to certain securities dealers and dealer banks and banks acting as agent and others at prices lower than the public offering prices stated on the inside cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

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

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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$21,500,000
LAKE ELSINORE UNIFIED SCHOOL DISTRICT
GENERAL OBLIGATION BONDS, 2016 ELECTION, SERIES B
(Riverside County, California)

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. The offering of Bonds to potential investors is made only by means of the entire Official Statement.

This Official Statement, which includes the cover page, inside cover page and appendices hereto, provides information in connection with the sale of the Lake Elsinore Unified School District General Obligation Bonds, 2016 Election, Series B (the "**Bonds**") in the principal amount of $21,500,000.

The District

The Lake Elsinore Unified School District (the "**District**") provides public education within an approximately 140-square mile incorporated and unincorporated area in Riverside County (the "**County**"). In addition to unincorporated areas of the County, the District boundaries encompass the southern region of the City of Corona, the western region of the City of Perris, and the Cities of Wildomar, Lake Elsinore and Canyon Lake. The District was established in November 1988, through a merger of the Elsinore Elementary District and the Elsinore Union High School District, each of which had been in existence for approximately 100 years. On July 1, 1989, the District completed proceedings to reorganize as a unified school district utilizing the same boundaries as the predecessor districts under the name "Lake Elsinore Unified School District." The District currently operates 12 elementary schools, 4 middle schools, 3 comprehensive high schools, 4 alternative schools and 2 K-8 schools.

The District is governed by a five-member Governing Board (the "**District Board**"), whose members are elected based on specified geographic trustee areas to overlapping four-year terms. Elections for positions to the District Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Superintendent appointed by the District Board who is responsible for day-to-day District operations, as well as the supervision of the District's other key personnel. Dr. Doug Kimberly is the current District Superintendent.

For more complete information concerning the District, including certain financial information, see APPENDIX A – "INFORMATION RELATING TO THE LAKE ELSINORE UNIFIED SCHOOL DISTRICT'S OPERATIONS AND BUDGET" and APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDING JUNE 30, 2018" herein. The District's audited financial statements for the Fiscal Year ending June 30, 2018, are included as APPENDIX B and should be read in their entirety. See "TAX BASE FOR REPAYMENT OF BONDS" herein for more information regarding the District's assessed valuation.

Authority for Issuance

The Bonds are authorized to be issued by the District pursuant to provisions of the California Government Code ("**Government Code**") Sections 53506 *et seq*. and, to the extent applicable, California Education Code ("**Education Code**") Sections 15100 *et seq*., Resolution No. 2019-20-028, adopted by the District Board on August 1, 2019 (the "**Bond Resolution**"), pursuant to provisions of the California Constitution (the "**State Constitution**"), and the 2016 Authorization (as herein defined). The District received authorization at an election held on November 8, 2016, by at least 55% of the votes cast by eligible voters in the District, to authorize the issuance of $105,000,000 maximum principal amount of general obligation bonds of the District (the "**2016 Authorization**"). County Resolution No. 2018-209 authorizing the governing boards of certain school districts and community college districts within the County to issue and sell bonds on their own behalf was adopted by the Board of Supervisors of Riverside County (the "**County Board**") on December 4, 2018. See "THE BONDS – Authority for Issuance" herein. The Bonds will be the second series of bonds to be issued pursuant to the 2016 Authorization.

Sources of Payment for the Bonds

The Bonds are general obligation bonds of the District, payable solely from *ad valorem* property taxes levied and collected by the County on taxable property located within the boundaries of the District pursuant to law. The County Board is obligated to annually levy *ad valorem* taxes for the payment of the principal of and interest on the Bonds upon all taxable property within the boundaries of the District subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates). Although the County is obligated to levy an *ad valorem* tax for the payment of the Bonds, the Bonds are not a debt of the County. See "THE BONDS – Security" herein.

Purpose of Issue

The Bonds are being issued to (i) finance school facilities projects, including, but not limited to, the construction of Alberhill Elementary School, and improvements at Terra Cotta Middle School, Luiseño School, and Temescal Canyon High School, (ii) fund a deposit to the Debt Service Fund (as defined below) to pay interest on the Bonds for a period of time, and (iii) pay certain costs of issuance for the Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" and "APPLICATION OF PROCEEDS OF BONDS" herein.

Description of the Bonds

Payments. The Bonds mature on August 1 in the years indicated on the inside cover page hereof. Interest on the Bonds is payable semiannually on February 1 and August 1 of each year, commencing on February 1, 2020.

Registration. The Bonds will be issued in fully-registered form only, registered in the name of Cede & Co., as nominee of The Depository Trust Company ("**DTC**"), and will be available to actual purchasers of the Bonds (the "**Beneficial Owners**") in the denominations set forth on the cover page hereof, under the book-entry only system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein ("**DTC Participants**"). Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See "THE BONDS – Book-Entry Only System" and APPENDIX H – "BOOK-ENTRY ONLY SYSTEM." In the event that the book-entry only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Bond Resolution. See "THE BONDS – Registration, Transfer and Exchange of Bonds."

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

Redemption. The Bonds are subject to optional redemption and mandatory sinking fund redemption prior to maturity. See "THE BONDS – Redemption."

Municipal Bond Insurance

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy (the "**Policy**") to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company ("**BAM**" or the "**Bond Insurer**"). See "BOND INSURANCE" below.

Other Matters Relating to Municipal Bond Insurance

In the event of a default in the payment of principal of or interest on the Bonds, when all or some becomes due, any Owner of such insured Bonds may have a claim under the Policy. However, in the event of any acceleration of the due date of such principal by reason of optional redemption or otherwise, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any, with respect to the Bonds. The payment of principal and interest in connection with optional redemption of the Bonds by the District which is recovered by the District from the Bond Owner as a voidable preference under applicable bankruptcy law is covered by the Policy, however, such payments will be made by the Bond Insurer at such time and in such amounts as would have been due absent such redemption by the District unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable Bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) of such Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claims paying ability. The Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See description of "RATINGS" and "BOND INSURANCE" below.

The obligations of the Bond Insurer are general obligations of the Bond Insurer and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the District nor the Underwriter have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "BOND INSURANCE" below for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

Tax Matters

In the opinion of Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Irvine, California, Bond Counsel ("**Bond Counsel**"), subject, however to certain qualifications described herein, under existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended ("**Code**"). In the further opinion of Bond Counsel, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California (the "**State**") personal income taxation. Bond Counsel expresses no opinion regarding or concerning any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. For additional detail, please see "TAX MATTERS" herein.

Set forth in APPENDIX D is the form of opinion Bond Counsel is expected to deliver in connection with the issuance of the Bonds. For a more complete discussion of such opinion and certain other tax consequences incident to the ownership of the Bonds, including certain exceptions to the tax treatment of interest, see "TAX MATTERS – Impact of Legislative Proposals, Clarifications of the Code and Court Decisions on Tax Exemption."

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to the approval as to their legality by Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Bond Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about September 17, 2019.

Professionals Involved in the Bond Offering

Several professional firms have provided services to the District with respect to the sale and delivery of the Bonds. Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Irvine, California, Bond Counsel, will deliver its legal opinion in substantially the form set forth in APPENDIX D. James F. Anderson Law Firm, A Professional Corporation, Laguna Hills, California, is serving as disclosure counsel ("**Disclosure Counsel**") to the District with respect to the Bonds. Piper Jaffray & Co. is acting as Municipal Advisor to the District. Kutak Rock LLP, Irvine, California, is acting as counsel to the Underwriter. U.S. Bank National Association will act as Paying Agent for the Bonds. The payment of fees and expenses of such firms with respect to the Bonds is contingent on the sale and delivery of the Bonds. The District's financial statements for the Fiscal Year ending June 30, 2018, which are included as APPENDIX B, have been audited by Vavrinek, Trine, Day & Co., LLP, Certified Public Accountants, Rancho Cucamonga, California.

For information concerning respects in which certain of the above-mentioned professionals, advisors, counsel and consultants may have a financial or other interest in the offering of the Bonds, see “FINANCIAL INTERESTS” herein.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from the Assistant Superintendent, Facilities & Operations Support Services of the Lake Elsinore Unified School District, 545 Chaney Street, Lake Elsinore, California 92530, telephone number (951) 243-7000 Attention: Assistant Superintendent, Facilities & Operations Support Services. There may be a charge for copying, mailing and handling.

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

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

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 Exchange Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or other similar words. 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.

All terms used in this Official Statement and not otherwise defined shall have the meanings given such terms in the Bond Resolution.

THE BONDS

Authority for Issuance

The Bonds are authorized to be issued by the District, pursuant to provisions of Government Code Sections 53506 *et seq*. and, to the extent applicable, Education Code Sections 15100 *et seq.* and other applicable law and pursuant to the Bond Resolution. At an election held on November 8, 2016, the District received the 2016 Authorization. On May 11, 2017, the County, on behalf of the District, issued the first series of bonds pursuant to the 2016 Authorization in the aggregate amount of $32,415,000. As indicated above, on December 4, 2018, the County Board approved County Resolution No. 2018-209 authorizing the governing boards of certain school districts and community college districts within the County to issue and sell general obligation bonds on their own behalf. The District will issue the second series of bonds (the Bonds) pursuant to the 2016 Authorization, leaving $51,085,000 of the 2016 Authorization authorized but unissued.

Security

The Bonds are general obligations of the District, payable solely from the proceeds of *ad valorem* property taxes. The County Board is empowered and is obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount, for the payment of the principal of and interest on the Bonds, upon all property within the District subject to taxation by the District (except certain personal property which is taxable at limited rates). Such taxes, when collected, shall be deposited and kept separate and apart in the funds established and held by the Treasurer and designated as the "Lake Elsinore Unified School District General Obligation Bonds, 2016 Election, Series A Bonds Debt Service Fund" (the "**Debt Service Fund**"). The Debt Service Fund shall be used by the County for the payment of the principal of and interest on the Bonds when due and for no other purpose. Although the County is obligated to levy an *ad valorem* tax for the payment of the Bonds, and the County will hold the Debt Service Fund, the Bonds are not a debt of the County. See "TAX BASE FOR REPAYMENT OF BONDS" herein.

The moneys in the Debt Service Fund, to the extent necessary to pay the principal of, interest on and redemption premium, if any, on the Bonds as the same become due and payable, shall be transferred by the County to the Paying Agent. The Paying Agent (defined herein) will in turn remit the funds to DTC for remittance of such principal of, interest on, and redemption premium, if any, on the Bonds, as applicable, to its Participants (as defined herein) for subsequent disbursement to the Beneficial Owners of the Bonds. Interest earnings on the investment of moneys held in the Debt Service Fund shall be retained in the Debt Service Fund and used by the District to pay principal of and interest on the Bonds when due (subject to compliance with applicable federal tax code requirements).

The rate of the annual *ad valorem* taxes levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds in any year. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate. Economic and other factors beyond the District's control, such as general market decline in land values, disruption in financial markets that may reduce the 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 educational, 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, wildfire, flood, drought or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the respective annual tax rate. The District expects to issue additional series of bonds pursuant to the 2016 Authorization in the future and may also refund bonds issued pursuant to the 2016 Authorization. For further information regarding the District's assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see APPENDIX A – "INFORMATION RELATING TO THE LAKE ELSINORE UNIFIED SCHOOL DISTRICT'S OPERATIONS AND BUDGET – CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the State Constitution" and "TAX BASE FOR REPAYMENT OF BONDS" herein.

Description of the Bonds; Payment

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

Payment of principal of and interest on any Bonds, shall be payable at maturity upon surrender at the office of the Paying Agent as designated by the Paying Agent to the District in writing. The principal of and interest on the Bonds shall be payable in lawful money of the United States of America.

Interest on the Bonds accrues from their date of issuance and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2020 (each an "**Interest Payment Date**"). Interest on the Bonds shall be computed on the basis of a 360-day year of twelve 30-day months. Each Bond shall be issued in denominations of $5,000 or integral multiples thereof and bear interest from the Interest Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Interest Payment Date to such Interest Payment Date, inclusive, in which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on or before January 15, 2020, in which event it shall bear interest from their date of issuance; *provided, however*, that if at the time of authentication of any Bond, interest is then in default on outstanding Bonds, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Interest payments on any Bond shall be paid on each Interest Payment Date by check mailed by first class mail to the person on whose name the Bond is registered, and to that person's address appearing on the Bond Register as of the close of business on the 15th day (whether or not such day is a business day) of the month immediately preceding such Interest Payment Date (each a "**Record Date**") immediately preceding such payment date. An Owner of an aggregate principal amount of Bonds of $1,000,000 or more may request, in writing, prior to the close of business on the Record Date preceding each Interest Payment Date, to the Paying Agent that such Owner be paid interest by wire transfer to the bank within the United States of America and account number on file with the Paying Agent as of the Record Date. Payments of principal and redemption premiums, if any, with respect to the Bonds shall be payable at maturity or redemption upon surrender at the office of the Paying Agent, or such other location as the Paying Agent designates to the District in writing. The principal of and interest on the Bonds shall be payable in lawful money of the United States of America.

See the Maturity Schedule on the inside cover page hereof and "DEBT SERVICE SCHEDULE" for the maturity schedule of the Bonds and see "AGGREGATE DEBT SERVICE SCHEDULE" for the debt service schedule for the Bonds and the District's other outstanding general obligation bonds.

Book-Entry Only System

The Depository Trust Company (defined above as "**DTC**") will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities in book-entry form only and will initially be issued and registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited through the facilities of DTC. Principal of, premium, if any, on the Bonds and payment of interest on the Bonds is payable by the Paying Agent to DTC. DTC is responsible for disbursing such payments to the Beneficial Owners in accordance with the DTC book-entry only system. See APPENDIX H – "BOOK-ENTRY ONLY SYSTEM."

Paying Agent

Pursuant to the Bond Resolution, the District has appointed U.S. Bank National Association as the initial authenticating agent, bond registrar, transfer agent and paying agent (collectively, the "**Paying Agent**") for the Bonds. As long as DTC is the registered Owner of the Bonds and DTC's book-entry method is used for the Bonds, the Paying Agent will send any notice of redemption or other notices to Owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the redemption of any Bonds called for redemption or of any other action covered by such notice.

The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity and to cancel all Bonds upon payment thereof. The Bonds are obligations of the District. No part of any fund of the County is pledged or obligated to the payment of the Bonds.

The Paying Agent, the District, the County and the Underwriter of the Bonds shall have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records related to beneficial ownership, of interests in the Bonds.

Redemption

Optional Redemption. The Bonds maturing on or before August 1, 2022, are not subject to optional redemption prior to their respective maturity dates. The Bonds maturing on or after August 1, 2035, are subject to redemption prior to maturity, at the option of the District, from any source of available funds, as a whole or in part as directed by the District, and if not so directed, in inverse order of maturities, and by lot within a maturity, on August 1, 2027, or on any date thereafter at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The Term Bonds maturing on August 1, 2044 (the "**2044 Term Bonds**"), are subject to mandatory sinking fund redemption, in part by lot, on August 1 of each year, commencing August 1, 2040, and on each August 1 thereafter in accordance with the schedule set forth below. The 2044 Term Bonds so called for mandatory sinking fund redemption will be redeemed at the principal amount of such 2044 Term Bonds to be redeemed, plus accrued but unpaid interest, without premium.

2044 TERM BONDS

Mandatory Sinking Fund Redemption Date (August 1)	Principal Amount
2040	$290,000
2041	340,000
2042	1,640,000
2043	1,805,000
2044 (maturity)	1,975,000

2049 TERM BONDS

The Term Bonds maturing on August 1, 2049 (the "**2049 Term Bonds**" and collectively with the 2044 Term Bonds, the "**Term Bonds**"), are subject to mandatory sinking fund redemption, in part by lot, on August 1 of each year, commencing August 1, 2045, and on each August 1 thereafter in accordance with the schedule set forth below. The 2049 Term Bonds so called for mandatory sinking fund redemption will be redeemed at the principal amount of such 2049 Term Bonds to be redeemed, plus accrued but unpaid interest, without premium.

Mandatory Sinking Fund Redemption Date (August 1)	Principal Amount
2045	$2,155,000
2046	2,345,000
2047	2,555,000
2048	2,770,000
2049 (maturity)	3,005,000

The principal amount of any Term Bond to be redeemed in each year shown above will be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000 of principal amount in respect of the portion of such term Bond optionally redeemed.

Purchase In Lieu of Redemption. In lieu of, or partially in lieu of, any mandatory sinking fund redemption of Bonds pursuant to the terms of the Bond Resolution, moneys in the Debt Service Fund may be used to purchase the Outstanding Bonds that were to be redeemed with such funds in the manner provided in the Bond Resolution. Purchases of Outstanding Bonds may be made by the District or the County Treasurer through the Paying Agent prior to the selection of Bonds for redemption at public or private sale as and when and at such prices as the District may in its discretion determine but only at prices (including brokerage or other expenses) not more than par, plus accrued interest.

Selection of Bonds for Redemption

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

Notice of Redemption

While the Bonds are subject to DTC's book-entry system, the Paying Agent will be required to give notice of redemption only to DTC as provided in the letter of representations executed by the District and received and accepted by DTC. DTC and the DTC Participants will have sole responsibility for providing any such notice of redemption to the Beneficial Owners of the Bonds to be redeemed. Any failure of DTC to notify any DTC Participant, or any failure of DTC Participants to notify the Beneficial Owner of any Bonds to be redeemed, of a notice of redemption or its content or effect will not affect the validity of the notice of redemption, or alter the effect of redemption set forth in the Bond Resolution.

The Paying Agent shall give notice (a "**Redemption Notice**") of the redemption of the Bonds. Such Redemption Notice shall specify: (a) that the Bonds or a designated portions thereof (in the case of redemption of the Bonds in part but not in whole) are to be redeemed, (b) if less than all of the then outstanding Bonds are to be called for redemption, will designate the numbers (or state that all Bonds between two stated numbers both inclusive have been called for redemption) and CUSIP® numbers, if any, of the Bonds to be redeemed; (c) the date of notice and the date of redemption; (d) the place or places where the redemption will be made; and (e) descriptive information regarding the Bonds and the specific Bonds to be redeemed, including the dated date, interest rate and stated maturity date of each. Such redemption notice shall further state that on the specified date there shall become due and payable upon each Bond to be redeemed, the portion of the principal amount of such Bonds to be redeemed, together with interest accrued, to the date of redemption, and redemption premium, if any, and that from and after such date interest with respect thereto shall cease to accrue.

Any redemption notice shall be mailed, first-class postage, to the registered Owners of any Bonds designated for redemption at their address appearing on the Bond Register required to be kept by the Paying Agent, and to a securities depository and to a national information service, in every case at least 20 days, but not more than 45 days, prior to the designated redemption date. Any such redemption or notice of such redemption shall be subject to the provisions regarding " – Contingent Redemption; Rescission of Redemption" described below.

Neither failure to receive such notice or failure to send such redemption notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of such Bonds nor entitle the Owner thereof to interest beyond the date given for redemption.

Contingent Redemption; Rescission of Redemption

Any redemption notice may specify that redemption of the Bonds designated for optional redemption on the specified date will be subject to the receipt by the District of moneys sufficient to cause such redemption (and will specify the proposed source of such moneys), and the District, the County and the Paying Agent will have no liability to the Owners of any Bonds, or any other party, as a result of the District's failure to redeem the Bonds designated for redemption as a result of insufficient moneys therefor.

Additionally, the District may rescind any optional redemption of the Bonds, and notice thereof, for any reason on any date prior to the date fixed for such redemption by causing written notice of the rescission to be given to the Owners of the Bonds so called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the Owner of any Bond of notice of such rescission shall not be a condition precedent to rescission and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission. The District, the County, and the Paying Agent will have no liability to the Owners of any

Bonds, or any other party, as a result of the District's decision to rescind a redemption of any Bonds pursuant to the provisions of the Bond Resolution.

Partial Redemption of Bonds

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

Effect of Notice of Redemption

Notice having been given pursuant to the Bond Resolution, and the moneys for the redemption (including the interest accrued, as applicable, to the applicable date of redemption) having been set aside in the Debt Service Fund or another dedicated fund or account, the Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Bonds to be redeemed as provided in the Bond Resolution, together with interest accrued, as applicable, to such redemption date, shall be available therefor on such redemption date, and if notice of redemption thereof shall have been given pursuant to the Bond Resolution (and not rescinded), then from and after such redemption date, interest with respect to the Bonds to be redeemed shall cease to accrue. All money held for the redemption of Bonds shall be held in trust for the account of the registered Owners of the Bonds to be redeemed. All unpaid interest payable at or prior to the designated redemption date shall continue to be payable to the respective Owners, but without interest thereon.

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

Defeasance

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

a. Cash. By irrevocably depositing with a bank or trust company in escrow, an amount of cash which, together with amounts then on deposit in, or transferred from, the Debt Service Fund, to be applied thereto, is sufficient to pay all Bonds outstanding and designated for defeasance, including all principal and interest and premium, if any; or

b. Defeasance Securities. By irrevocably depositing with a bank or trust company in escrow, noncallable Defeasance Securities (as defined below) together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon and moneys then on deposit in the Debt Service Fund for the Bonds to be applied thereto, together with the interest to accrue thereon, be fully sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all principal and interest represented thereby and redemption premiums, if any), at or before their maturity date;

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

"**Defeasance Securities**" shall mean direct and general obligations of the United States of America (including State and Local Government Series), or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including (in the case of direct and general obligations of the United States of America) evidence of direct ownership or proportionate interests in future interest or principal payments of such obligations. In the case of investments in such proportionate interests, such proportionate interests shall be limited to circumstances wherein: (a) a bank or trust company acts as custodian and holds the underlying Defeasance Securities; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying Defeasance Securities; and (c) the underlying Defeasance Securities are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; *provided* that such obligations are rated or assessed at the highest then-prevailing United States Treasury securities credit rating at the time of purchase.

Registration, Transfer and Exchange of Bonds

So long as any of the Bonds remain outstanding, if the book-entry only system is no longer in effect, the District will cause the Paying Agent to maintain and keep at its principal corporate trust office all books and records necessary for the registration, exchange and transfer of the Bonds as provided in the Bond Resolution (the "**Bond Register**"). Subject to the provisions of the Bond Resolution, the person in whose name a Bond is registered on the Bond Register shall be regarded as the absolute owner of that Bond for all purposes of the Bond Resolution. Payment of or on account of the principal of and premium, if any, and interest on any Bond, as applicable, shall be made only to or upon the order of the Owner thereof; the District, the County and the Paying Agent shall not be affected by any notice to the contrary, but the registration may be changed as provided in the Bond Resolution. All such payments shall be valid and effectual to satisfy and discharge the District's liability upon the Bonds, including interest, to the extent of the amount or amounts so paid.

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

Any Bond may be exchanged for Bonds of the same series of any other authorized denomination upon presentation and surrender at the principal corporate trust office of the Paying Agent, together with a request for exchange signed by the registered Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Any Bond may, in accordance with its terms (but only if the District determines no longer to maintain the book-entry only status of the Bonds, DTC determines to discontinue providing such services and no successor securities depository is named or DTC requests the District to deliver certificated securities to particular DTC Participants) be transferred, upon the Bond Register by the registered Owner, in person or by his or her duly authorized attorney, upon surrender of such Bond for cancellation at the office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed.

Upon exchange or transfer, the Paying Agent shall register, authenticate and deliver a new Bond or Bonds of like tenor and maturity and of authorized denominations equal in principal amount of the Bond surrendered and bearing or accruing interest at the same rate and maturing on the same date.

In all cases of exchanged or transferred Bonds, the District shall sign and the Paying Agent shall authenticate and deliver Bonds in accordance with the provisions of the Bond Resolution. All fees and costs of transfer shall be paid by the requesting party. Those charges may be required to be paid before the procedure is begun for the exchange or transfer. All Bonds issued upon any exchange or transfer shall be valid obligations of the District, evidencing the same debt, and entitled to the same security and benefit under the Bond Resolution as the Bonds surrendered upon that exchange or transfer.

Any Bond surrendered to the Paying Agent for payment, retirement, exchange, replacement or transfer shall be canceled by the Paying Agent. The District may at any time deliver to the Paying Agent for cancellation any previously authenticated and delivered Bonds that the District or the County may have acquired in any manner whatsoever, and those Bonds shall be promptly canceled by the Paying Agent. Written reports of the surrender and cancellation of Bonds shall be made to the District and the County by the Paying Agent and updated annually. The canceled Bonds shall be destroyed by the Paying Agent in accordance with its procedures as confirmed in writing to the District.

Neither the District nor the Paying Agent will not be required (a) to issue or transfer any Bonds during a period beginning with the opening of business on the 16th day (whether or not such day is a business day) of the month next preceding either any Interest Payment Date or any date of selection of Bonds to be redeemed and ending with the close of business on the Interest Payment Date or any day on which the applicable notice of redemption is given, or (b) to transfer any Bonds which have been selected or called for redemption in whole or in part.

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds	
Principal Amount of Bonds	$21,500,000.00
Plus Premium	2,391,310.30
Total Sources	$23,891,310.30
Uses of Funds	
Deposit to Building Fund	$21,310,000.00
Deposit to Debt Service Fund (1)	2,208,379.66
Costs of Issuance (2)	372,930.64
Total Uses	$23,891,310.30

(1) Deposit to the Debt Service Fund to fund interest on the Bonds through February 1, 2022, and a portion of the interest due on August 1. 2022.

(2) Includes, among other things, the fees and expenses of Bond Counsel, Disclosure Counsel, the Municipal Advisor, the Paying Agent, District consultants, Underwriter's discount, the rating fees, bond insurance premium, the cost of printing the preliminary and final Official Statements and other costs associated with issuing, selling and delivering the Bonds.

DEBT SERVICE SCHEDULE

The following table shows the debt service schedule with respect to the Bonds, assuming no optional redemptions.

TABLE 1

DEBT SERVICE SCHEDULE
Lake Elsinore Unified School District
General Obligation Bonds, 2016 Election, Series B
(Riverside County, California)

Year Ending August 1	Principal Payment	Interest Payment	Total Annual Debt Service
2020	–	$741,258.06	$741,258.06
2021	$1,015,000	849,850.00	1,864,850.00
2022	835,000	819,400.00	1,654,400.00
2023	–	786,000.00	786,000.00
2024	–	786,000.00	786,000.00
2025	–	786,000.00	786,000.00
2026	–	786,000.00	786,000.00
2027	–	786,000.00	786,000.00
2028	–	786,000.00	786,000.00
2029	–	786,000.00	786,000.00
2030	–	786,000.00	786,000.00
2031	–	786,000.00	786,000.00
2032	–	786,000.00	786,000.00
2033	–	786,000.00	786,000.00
2034	–	786,000.00	786,000.00
2035	75,000	786,000.00	861,000.00
2036	110,000	783,000.00	893,000.00
2037	150,000	778,600.00	928,600.00
2038	195,000	772,600.00	967,600.00
2039	240,000	764,800.00	1,004,800.00
2040	290,000	755,200.00	1,045,200.00
2041	340,000	743,600.00	1,083,600.00
2042	1,640,000	730,000.00	2,370,000.00
2043	1,805,000	664,400.00	2,469,400.00
2044	1,975,000	592,200.00	2,567,200.00
2045	2,155,000	513,200.00	2,668,200.00
2046	2,345,000	427,000.00	2,772,000.00
2047	2,555,000	333,200.00	2,888,200.00
2048	2,770,000	231,000.00	3,001,000.00
2049	3,005,000	120,200.00	3,125,200.00
	$21,500,000	$20,837,508.06	$42,337,508.06

AGGREGATE DEBT SERVICE SCHEDULE

The following table displays the annual debt service requirements of the District for all of its outstanding general obligation bonds (assuming no optional redemptions), which outstanding general obligation bonds consist of the general obligation bonds issued under the 2016 Authorization.

Lake Elsinore Unified School District
General Obligation Bonds, 2016 Election
Aggregate Debt Service of District General Obligation Bonds

	2016 Authorization		
Year Ending August 1	Series A Bonds Annual Debt Service	Series B Bonds Annual Debt Service	Aggregate General Obligation Bond Debt Service
2020	$2,271,618.76	$741,258.06	$3,012,876.82
2021	1,442,018.76	1,864,850.00	3,306,868.76
2022	1,463,818.76	1,654,400.00	3,118,218.76
2023	1,485,568.76	786,000.00	2,271,568.76
2024	1,545,318.76	786,000.00	2,331,318.76
2025	1,606,068.76	786,000.00	2,392,068.76
2026	1,667,568.76	786,000.00	2,453,568.76
2027	1,734,568.76	786,000.00	2,520,568.76
2028	1,806,568.76	786,000.00	2,592,568.76
2029	1,876,768.76	786,000.00	2,662,768.76
2030	1,952,768.76	786,000.00	2,738,768.76
2031	2,030,068.76	786,000.00	2,816,068.76
2032	2,110,068.76	786,000.00	2,896,068.76
2033	2,198,068.76	786,000.00	2,984,068.76
2034	2,283,318.76	786,000.00	3,069,318.76
2035	2,374,531.26	861,000.00	3,235,531.26
2036	2,473,781.26	893,000.00	3,366,781.26
2037	2,572,631.26	928,600.00	3,501,231.26
2038	2,670,912.50	967,600.00	3,638,512.50
2039	2,777,718.76	1,004,800.00	3,782,518.76
2040	2,892,637.50	1,045,200.00	3,937,837.50
2041	3,005,125.00	1,083,600.00	4,088,725.00
2042	–	2,370,000.00	2,370,000.00
2043	–	2,469,400.00	2,469,400.00
2044	–	2,567,200.00	2,567,200.00
2045	–	2,668,200.00	2,668,200.00
2046	–	2,772,000.00	2,772,000.00
2047	–	2,888,200.00	2,888,200.00
2048	–	3,001,000.00	3,001,000.00
2049	–	3,125,200.00	3,125,200.00
	$46,241,518.94	$42,337,508.06	$88,579,027.00

APPLICATION OF PROCEEDS OF BONDS

Building Fund

A portion of the proceeds from the sale of the Bonds, shall be paid to the County to the credit of the "Lake Elsinore Unified School District General Obligation Bonds, 2016 Election, Series B Bonds Building Fund" (the "**Building Fund**"). Moneys in the Building Fund may only be applied for the purposes for which the Bonds were authorized and for payment of permissible costs of issuance. The District intends to use the proceeds of the Bonds as described above in "INTRODUCTION – Purpose of Issue." Any excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued shall be transferred to the Debt Service Fund and applied to the payment of principal of and interest on the Bonds. Interest earned on the investment of moneys held in the Building Fund shall be retained in the Building Fund.

Debt Service Fund

Any tax revenues collected by the County pursuant to the Bond Resolution, and Section 15250 *et seq*. of the Education Code, with respect to the Bonds shall be deposited and kept separate and apart in the Debt Service Fund and shall be used only for payment of principal of and interest on the Bonds.

Permitted Investments

The Riverside County Treasurer ("**County Treasurer**") is authorized to invest the proceeds of the sale of the Bonds and all proceeds of taxes for payment of the Bonds in the County of Riverside Pooled Investment Fund (the "**County Pooled Investment Fund**") (or other investment pools of the County into which the District may lawfully invest its funds). Upon the written direction of the District, the County Treasurer may invest proceeds of taxes collected for payment of the Bonds in any investment permitted by law, including, but not limited to investment agreements which comply with the requirements of each rating agency then rating the Bonds necessary in order to maintain the then-current ratings on the Bonds or in the Local Agency Investment Fund established by the State Treasurer.

RIVERSIDE COUNTY TREASURY POOL

Unless the District provides the County Treasurer with other instructions, all amounts held in the Debt Service Fund will be invested in the County Pooled Investment Fund. In addition, in accordance with Education Code Section 41001, substantially all District operating funds are required to be held by the County Treasurer. See APPENDIX F and APPENDIX G for a description of the County Pooled Investment Fund and the current County of Riverside Office of the Treasurer Tax-Collector Statement of Investment Policy (the "**County Treasurer's Statement of Investment Policy**").

The information in APPENDIX F and APPENDIX G has been provided by the County Treasurer. Neither the District nor the Underwriter has made an independent investigation of the investments in the County Pooled Investment Fund and neither the District nor the Underwriter has made any assessment of the current County Treasurer's Statement of Investment Policy. The value of the various investments in the County Pooled Investment Fund will fluctuate on a daily basis as a result of a multitude of factors, including the investments in the County Pooled Investment Fund, generally prevailing interest rates and other economic conditions. The County Treasurer's Statement of Investment Policy is approved annually by the County Board as required by Government Code Section 53646 (a) (1) and reviewed annually by the Investment Oversight Committee, pursuant to the requirements of Government Code Section 27133. The County Treasurer, with the consent of the Investment Oversight Committee and the approval of the County

Board, may change the County Treasurer's Statement of Investment Policy at any time. Finally, there are proposed, from time to time in the State Legislature, bills which could modify the currently authorized investments and/or place restrictions on the ability of public agencies, including the County, to invest in various securities. Therefore, there can be no assurance that the values of the various investments in the County Pooled Investment Fund will not vary significantly from the values described herein.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (previously defined as "**BAM**") will issue its Municipal Bond Insurance Policy for the Bonds (previously defined as the "**Policy**"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix 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. The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

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

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

Capitalization of BAM.

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2019 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $525 million, $114 million and $411 million, respectively.

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

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

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

Additional Information Available from BAM.

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at 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 of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

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

TAX BASE FOR REPAYMENT OF BONDS

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

Ad Valorem Property Taxation

The collection of property taxes is significant to the Owners of the Bonds and the District in two respects. First, the County Board will levy and collect *ad valorem* taxes on all taxable parcels within the District which are pledged specifically to the repayment of the Bonds. Second, the general *ad valorem* property tax levy levied in accordance with Article XIIIA of the State Constitution ("**Article XIIIA**") and its implementing legislation is taken into account in connection with the State's Local Control Funding Formula ("**LCFF**") which determines the amount of funding received by the District from the State to operate the District's educational programs. The LCFF replaced revenue limit and most categorical program funding previously used to determine the amount of funding received by the District from the State. The LCFF consists primarily of base, supplemental and concentration funding formulas that focus resources based on a school district's student demographics. See APPENDIX A – "INFORMATION RELATING TO THE LAKE ELSINORE UNIFIED SCHOOL DISTRICT'S OPERATIONS AND BUDGET – THE DISTRICT – Allocation of State Funding to School Districts; Restructuring of the K-12 Funding System" and "DISTRICT FINANCIAL INFORMATION – Current State Education Funding – Local Control Funding Formula" and " – EFFECT OF STATE BUDGET ON DISTRICT REVENUES" below. As described below, the general *ad valorem* property tax levy and the additional *ad valorem* property tax levy pledged to repay the Bonds will be collected on the annual tax bills distributed by the County to the owners of parcels within the boundaries of the District.

Method of Property Taxation. On June 6, 1978, State voters approved Proposition 13 ("**Proposition 13**"), which added Article XIIIA. Beginning in Fiscal Year 1978-79, Article XIIIA and its implementing legislation permitted each county to levy and collect all property taxes (except for levies to support prior voter approved indebtedness) and prescribed the way in which levies on county-wide property values were to be shared with local taxing entities within each county. All property is assessed using "full cash value" as defined by Article XIIIA. State law, however, provides exemptions from *ad valorem* property taxation for certain classes of property, such as churches, colleges, non-profit hospitals and charitable institutions.

For purposes of allocating a county's 1% base property tax levy, future assessed valuation growth allowed under Article XIIIA (new construction, certain changes of ownership, up to 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of "base" sources from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. The availability of revenue from growth in the tax bases of such entities may be affected by the existence of redevelopment agencies (including their successor agencies) which, under certain circumstances, may be entitled to sources resulting from the increase in certain property values. See APPENDIX A – "INFORMATION RELATING TO THE LAKE ELSINORE UNIFIED SCHOOL DISTRICT'S OPERATIONS AND BUDGET – DISTRICT FINANCIAL INFORMATION – Other Funding Sources – *Redevelopment Revenues*" and " – *Dissolution of Redevelopment Agencies*" regarding dissolution of redevelopment agencies. State law exempts $7,000 of the assessed valuation of an owner-occupied principal residence. This exemption does not result in any loss of revenue to local agencies since an amount equivalent to the taxes that would have been payable on such exempt values is supplemented by the State.

Taxes are levied by the County for each fiscal year on taxable real and personal property within the boundaries of the District which is situated in the County as of the preceding January 1. The valuation of secured real property is established as of January 1 and is subsequently equalized in August. The valuation of secured real property which changes ownership or is newly constructed is revalued at the time the change in ownership occurs or the new construction is completed. The current year property tax rate will be applied to the reassessment, and the taxes will then be adjusted by a proration factor to reflect the portion of the remaining tax year for which taxes are due.

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 utility property and property (real or personal) for which there is a tax lien on such property sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll." Boats and airplanes are examples of unsecured property. Secured property assessed by the State Board of Equalization ("**SBE**") is commonly identified for taxation purposes as "utility" property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of delinquent taxes and the delinquency penalty, plus costs and redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County Treasurer.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll and if unsecured taxes are unpaid at 5 p.m. on October 31, an additional penalty of 1.5% per month begins to accrue on November 1 and a lien may be recorded against the assessee. The taxing authority has four ways of collecting delinquent unsecured personal property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county clerk and county recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements or possessory interests belonging or assessed to the assessee. See also " – Tax Levies, Collections and Delinquencies" herein.

Future assessed valuation growth allowed under Article XIIIA (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and K-14 school districts 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. The availability of revenue from growth in tax bases to such entities may be affected by the existence of successor agencies to redevelopment agencies or by similar entities which, under certain circumstances, may be entitled to revenues resulting from the increase in certain property values in the District.

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 SBE. See " – *Taxation of State-Assessed Utility Property*" below and APPENDIX A. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIIIA. For a discussion of how properties currently are assessed, see APPENDIX A – "INFORMATION RELATING TO THE LAKE ELSINORE UNIFIED SCHOOL DISTRICT'S OPERATIONS AND BUDGET."

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. Both the general *ad valorem* property tax levy and the additional *ad valorem* levy for the Bonds are based upon the assessed valuation of the parcels of taxable property in the District. Property taxes allocated to the District are collected by the County at the same time and on the same tax rolls as are county, city and special district taxes. The assessed valuation of each parcel of property is the same for both District and County taxing purposes. The valuation of secured property by the County Assessor is established as of January 1 and is subsequently equalized in September of each year.

Taxation of State-Assessed Utility Property. A portion of property tax revenue of the District is derived from utility property subject to assessment by the SBE. State-assessed property, or "unitary property," is property of a utility system with components located in many taxing jurisdictions that are assessed as part of a "going concern" rather than as individual pieces of real or personal property. This may include railways, telephone companies and companies transmitting or selling gas or electricity. The assessed value of unitary and certain other state-assessed property is allocated to the County by the 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. Except for unitary property of regulated railways and certain other excepted property, all unitary and operating non-unitary property is taxed at special county-wide rates and tax proceeds are distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

Taxes on privately owned railway cars, however, are levied and collected directly by the SBE. Property used in the generation of electricity by a company that does not also transmit or sell that electricity is taxed locally instead of by the SBE. Thus, the reorganization of regulated utilities and the transfer of electricity-generating property to non-utility companies, as occurred under electric power deregulation in California, affects how those assets are assessed and which local agencies benefit from the property taxes derived. In general, the transfer of State-assessed property located in the District to non-utility companies will increase the assessed value of property in the District since the property's value will no longer be divided among all taxing jurisdictions in the County. The transfer of property located and taxed in the District to a State-assessed utility will have the opposite effect: generally reducing the assessed value in the District, as the value is shared among the other jurisdictions in the County. The District is unable to predict future transfers of State-assessed property in the District and the County, the impact of such transfers on its utility property tax revenues or whether future legislation or litigation may affect ownership of utility assets, the State's methods of assessing utility property or the method by which tax revenues of utility property is allocated to local taxing agencies, including the District.

Tax Collections and Delinquencies. A school district's share of the 1% county-wide tax is based on the actual allocation of property tax revenues to each taxing jurisdiction in the county in Fiscal Year 1978-79, as adjusted according to statutes enacted since that time. Revenues derived from special *ad valorem* taxes for voter-approved indebtedness are reserved to the taxing jurisdiction that approved and issued the debt and may only be used to repay that debt.

The County only provides information for tax charges and corresponding delinquencies by local agencies with respect to debt service levies for voter-approved indebtedness. It does not provide such information for the 1% general tax levy. See " – Alternative Method of Tax Distribution – Teeter Plan" and " – Tax Levies, Collections and Delinquencies" below.

Assessed Valuation of Property Within the District. Property within the District had a total assessed valuation for Fiscal Year 2018-19 of $12,769,746,207. The following table sets forth the assessed valuations in the District from Fiscal Year 2006-07 through Fiscal Year 2018-19.

TABLE 2

ASSESSED VALUATIONS
Fiscal Years 2006-07 through 2018-19
Lake Elsinore Unified School District

Riverside County

Year	Local Secured	Utility	Unsecured	Total Before Rdv. Increment	Percentage Change
2006-07	$9,121,993,375	$516,126	$178,728,194	$9,301,237,695	-
2007-08	11,103,613,074	516,126	225,819,237	11,329,948,437	21.8%
2008-09	10,969,930,248	516,126	215,774,527	11,186,220,901	(1.3)
2009-10	9,226,440,859	516,126	201,171,625	9,428,128,610	(15.7)
2010-11	8,690,536,991	516,126	369,580,622	9,060,633,739	(3.9)
2011-12	8,604,084,180	516,126	241,933,380	8,846,533,686	(2.4)
2012-13	8,414,779,256	228,048	266,627,896	8,681,635,200	(1.9)
2013-14	8,713,896,315	228,048	239,416,820	8,953,541,183	3.1
2014-15	9,687,473,725	228,048	227,633,479	9,915,335,252	10.7
2015-16	10,344,065,491	228,048	224,261,245	10,568,554,784	6.6
2016-17	10,964,482,967	228,048	230,384,161	11,195,095,176	5.9
2017-18	11,615,236,074	228,048	214,300,094	11,829,764,216	5.6
2018-19	12,534,228,740	207,825	235,309,642	12,769,746,207	7.9

Source: California Municipal Statistics, Inc.

Adjustments to Assessed Values. As indicated above, assessments may be adjusted during the course of the year when real property changes ownership or new construction is completed. Assessments may also be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control, such as a general market decline in property values, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by a natural or manmade disaster, such as earthquake, flood, drought, fire, toxic contamination, dumping, etc. When necessitated by changes in assessed value in the course of a year, taxes are pro-rated for each portion of the tax year. Any such reduction would result in a corresponding increase in the annual tax rate levied by the County to pay the debt service with respect to the Bonds.

Effect of Natural Disaster on Assessed Value

As referenced under " – Assessed Valuations" herein, assessed valuations are subject to change in each year, and such changes may result from a variety of factors, including natural disasters.

The State recently experienced a 5-year drought; however, from October 1, 2016 through the spring of 2017, most of the State experienced above-average rainfall. On April 7, 2017, former Governor Brown issued an executive order which lifted the drought emergency in all State counties, except Fresno, Kings, Tulare and Tuolumne, where emergency drinking water projects will continue to help address diminished groundwater supplies. In a related action, State agencies on April 7, 2017, issued a plan to continue to make conservation a way of life in the State, as directed by former Governor Brown in May 2016. The framework requires new legislation to establish long-term water conservation measures and improved planning for more frequent and severe droughts. The State's five-year drought underscored the need for permanent improvements in long-term efficient water use and drought preparedness, as called for in a previous executive order made by former Governor Brown. On May 31, 2018, former Governor Brown signed Assembly Bill 1668 and Senate Bill 606, which impose new and expanded requirements on State water agencies and local water suppliers, including provisions for the establishment by the State Water Resources Control Board of long-term urban water use efficiency standards by June 30, 2022, and starting in 2027, authorization of fines for failure to comply with the State Water Resources Control Board's adopted long-term standards. The actions taken over the last several years were intended to help to ensure all communities have sufficient water supplies and are conserving water regardless of the conditions of any one year. From October 1, 2018 through June 1, 2019, most of the State experienced above-average rainfall. The District cannot predict if and when the State will experience drought conditions again in the future, what effect such conditions may have on property values or whether or to what extent any water reduction requirements may affect homeowners within the District or their ability or willingness to pay *ad valorem* taxes.

In addition, wildfires have occurred in 2019, and prior years, in different regions of the State. In August 2018, former Governor Brown declared a state of emergency for Riverside County because of wildfires threatening thousands of homes and necessitating evacuation of thousands of residents. The District did not sustain any property losses as a result of these fires but the fires resulted in a major cleanup effort based on ash fallout. There can be no assurance that the District or structures within the boundaries of the District will not be impacted by wildfires in the future. However, serious and significant property damage has resulted in other areas of the State due to fire damage. On September 21, 2018, former Governor Brown signed a number of measures into law addressing issues related to increased wildfire risk in the State, including forest management, mutual aid for fire departments, emergency alerts and safety mandates.

On August 27, 2018, the California Natural Resources Agency released its Fourth Climate Change Assessment, which included as key findings that the frequency of drought and the amount of acres burned by wildfire in the State would both increase in the future. This report details significant economic impact to the State as a result of these and other natural disasters. The report is publicly available at http://www.climateassessment.ca.gov/. The reference to this internet website is shown for reference and convenience only; the information contained within the website may not be current, has not been reviewed by the District or the Underwriter and is not incorporated herein by reference.

The District cannot predict or make any representations regarding the effects that natural disasters, such as fire, drought or extended drought conditions, earthquakes, or other related natural or man-made conditions, have or may have on the value of taxable property within the District, or to what extent the effects said natural disasters might have had on economic activity in the District or throughout the State. See above under the heading " – *Adjustments to Assessed Values*."

Appeals and Adjustments of Assessed Valuations

Appeals of Assessed Valuation; Blanket Reductions of Assessed Values. There are two basic types of property tax assessment appeals provided for under State law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the assessor immediately subsequent to an instance of a change in ownership or completion of new construction. If the base year value assigned by the assessor is reduced, the valuation of the property cannot increase in subsequent years more than 2% annually unless and until another change in ownership and/or additional new construction activity occurs.

The second type of appeal, commonly referred to as a Proposition 8 appeal (which Proposition 8 was approved by State-wide voters in 1978), can result if factors occur causing a decline in the market value of the property to a level below the property's then current taxable value (escalated base year value). Pursuant to State law, a property owner may apply for a Proposition 8 reduction of the property tax assessment for such owner's property by filing a written application, in the form prescribed by the SBE, with the appropriate county board of equalization or assessment appeals board. A property owner desiring a Proposition 8 reduction of the assessed value of such owner's property in any one year must submit an application to the county assessment appeals board (the "**Appeals Board**"). Following a review of the application by the county assessor's office, the county assessor may offer to the property owner the opportunity to stipulate to a reduced assessment, or may confirm the assessment. If no stipulation is agreed to, and the applicant elects to pursue the appeal, the matter is brought before the Appeals Board (or, in some cases, a hearing examiner) for a hearing and decision. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal's filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level (escalated to the inflation rate of no more than 2%) following the year for which the reduction application is filed. However, the county assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then-current year and any intervening years as well. In practice, such a reduced assessment may and often does remain in effect beyond the year in which it is granted.

In addition, Article XIIIA provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. This measure is computed based on an annual basis, and applied as the assessment roll inflation factor for the assessment roll for the calendar year commencing on the next succeeding January 1. According to representatives of the County assessor's office, the County has in the past, pursuant to Proposition 8, ordered blanket reductions of assessed property values and corresponding property tax bills on single-family residential properties when the value of the property has declined below the current assessed value as calculated by the County.

No assurance can be given that property tax appeals and/or blanket reductions of assessed property values will not significantly reduce the assessed valuation of property within the District in the future. See APPENDIX A – "INFORMATION RELATING TO THE LAKE ELSINORE UNIFIED SCHOOL DISTRICT'S OPERATIONS AND BUDGET – CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the State Constitution" for a discussion of other limitations on the valuation of real property with respect to *ad valorem* taxes.

Assembly Bill 102. On June 27, 2017, former Governor Brown 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 will continue to perform the duties assigned by the State Constitution related to property taxes, however, beginning 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 tax 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.

Assessed Valuation by Jurisdiction. The following table shows the assessed valuations by jurisdiction in Fiscal Year 2018-19 in the District.

TABLE 3

ASSESSED VALUATION BY JURISDICTION
Fiscal Year 2018-19
Lake Elsinore Unified School District

Jurisdiction:	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction within District Boundaries
City of Canyon Lake	$ 1,789,519,663	14.01%	$1,789,519,663	100.00%
City of Lake Elsinore	5,685,924,864	44.53	6,198,621,290	91.73
City of Wildomar	3,378,638,566	26.46	3,414,552,519	98.95
Unincorporated Riverside County	1,915,663,114	15.00	43,011,850,793	4.45
Total District	$12,769,746,207	100.00%		
Riverside County	$12,769,746,207	100.00%	$280,327,986,244	4.56%

Source: California Municipal Statistics, Inc.

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Largest Property Owners

The following table shows the 20 largest owners of taxable property in the District as determined by secured assessed valuation in Fiscal Year 2018-19. Each taxpayer listed below is a name listed on the tax rolls. Neither the District nor the Underwriter can make any representation as to whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below.

TABLE 4

LARGEST LOCAL SECURED PROPERTY OWNERS
Largest Fiscal Year 2018-19 Local Secured Taxpayers
Lake Elsinore Unified School District

	Property Owner	Primary Land Use	2018-19 Assessed Valuation	% of Total [1]
1.	Oak Springs Partners	Apartments	$78,686,881	0.63%
2.	MG Santa Rosa Apartments	Apartments	76,014,000	0.61
3.	Plaza Apartments Inv	Apartments	50,997,908	0.41
4.	Universal Health Realty Income Trust	Medical Facilities	45,630,928	0.36
5.	LG Oak Creek	Apartments	29,152,941	0.23
6.	Rivers Edge Apartments	Apartments	25,960,723	0.21
7.	Helf Canyon Hills Market Place I	Commercial	24,854,334	0.20
8.	HGEF Holding Co.	Apartments	24,495,797	0.20
9.	Mohr Affinity	Outlet Stores	24,392,474	0.19
10.	Castle & Cooke	Residential Development	22,468,040	0.18
11.	Lake Elsinore Marketplace	Commercial	21,998,645	0.18
12.	Wildomar Industrial Park	Industrial	20,092,072	0.16
13.	Costco Wholesale Corp.	Commercial	18,663,162	0.15
14.	Parker Equity Fund	Apartments	17,944,573	0.14
15.	Pardee Construction Co.	Residential Development	16,941,635	0.14
16.	CFT NV Dev	Commercial	16,845,300	0.13
17.	Walmart Stores Inc.	Commercial	16,353,989	0.13
18.	Beazer Homes Holdings Corp.	Residential Development	16,286,142	0.13
19.	Target Corp.	Commercial	15,947,983	0.13
20.	MCW RC CA Bear Creek Village Center	Commercial	15,519,079	0.12
			$579,246,606	4.62%

[1] Fiscal Year 2018-19 Local Secured Assessed Valuation: $12,534,228,740
Source: California Municipal Statistics, Inc.

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Assessed Valuations and Parcels by Land Use

The following table provides a distribution of taxable property located in the District on the Fiscal Year 2018-19 tax roll by principal purpose for which the land is used, as measured by assessed valuation and number of parcels.

TABLE 5

SECURED ASSESSED VALUATIONS AND PARCELS BY LAND USE
Fiscal Year 2018-19
Lake Elsinore Unified School District

Non-Residential:	2018-19 Assessed Valuation [1]	% of Total	No. of Parcels	% of Total
Agricultural	$ 181,490,267	1.45%	379	0.70%
Commercial & Industrial	1,346,431,113	10.74	1,393	2.57
Vacant Commercial & Industrial	263,182,013	2.10	1,004	1.85
Vacant Other/Unclassified	159,106,050	1.27	8,144	15.04
Subtotal Non-Residential	$1,950,209,443	15.56%	10,920	20.17%
Residential:				
Single Family Residence	$ 8,928,800,113	71.24%	30,206	55.80%
Condominium/Townhouse	237,208,904	1.89	1,238	2.29
Mobile Homes/Mobile Home Lots	691,038,110	5.51	5,124	9.47
2-3 Residential Units	103,811,507	0.83	392	0.72
4+ Residential Units/Apartments	393,562,608	3.14	184	0.34
Miscellaneous Residential	4,442,069	0.04	18	0.03
Vacant Residential	225,155,986	1.80	6,054	11.18
Subtotal Residential	$10,584,019,297	84.44%	43,216	79.83%
Total	$12,534,228,740	100.00%	54,136	100.00%

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

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Assessed Valuation of Single Family Homes

The following table shows the assessed valuation of single-family homes in the District for Fiscal Year 2018-19, including the median and mean assessed value per single-family parcel.

TABLE 6

ASSESSED VALUATION OF SINGLE FAMILY HOMES
Fiscal Year 2018-19
Lake Elsinore Unified School District

	No. of Parcels	2018-19 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	30,206	$8,928,800,113	$295,597	$292,748

2018-19 Assessed Valuation	No. of Parcels [(1)]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	91	0.301%	0.301%	$1,494,826	0.017%	0.017%
$25,000 - $49,999	245	0.811	1.112	9,454,076	0.106	0.123
$50,000 - $74,999	481	1.592	2.705	30,605,429	0.343	0.465
$75,000 - $99,999	765	2.533	5.237	67,234,752	0.753	1.218
$100,000 - $124,999	802	2.655	7.892	90,564,195	1.014	2.233
$125,000 - $149,999	978	3.238	11.130	135,223,889	1.514	3.747
$150,000 - $174,999	1,396	4.622	15.752	227,407,604	2.547	6.294
$175,000 - $199,999	1,919	6.353	22.105	361,446,069	4.048	10.342
$200,000 - $224,999	2,138	7.078	29.183	454,046,170	5.085	15.427
$225,000 - $249,999	2,437	8.068	37.251	578,686,238	6.481	21.908
$250,000 - $274,999	2,170	7.184	44.435	569,809,793	6.382	28.290
$275,000 - $299,999	2,295	7.598	52.033	659,307,271	7.384	35.674
$300,000 - $324,999	2,509	8.306	60.339	784,259,928	8.783	44.458
$325,000 - $349,999	2,559	8.472	68.811	863,931,519	9.676	54.133
$350,000 - $374,999	2,540	8.409	77.220	920,166,950	10.306	64.439
$375,000 - $399,999	2,115	7.002	84.222	818,897,398	9.171	73.611
$400,000 - $424,999	1,533	5.075	89.297	630,157,816	7.058	80.668
$425,000 - $449,999	914	3.026	92.323	398,205,938	4.460	85.128
$450,000 - $474,999	587	1.943	94.266	270,829,713	3.033	88.161
$475,000 - $499,999	451	1.493	95.759	219,655,218	2.460	90.621
$500,000 and greater	1,281	4.241	100.000	837,415,321	9.379	100.000
Total	30,206	100.000%		$8,928,800,113	100.000%	

[(1)] Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.

Source: California Municipal Statistics, Inc.

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Tax Levies, Collections and Delinquencies

Taxes are levied for each fiscal year on taxable real and certain personal property which is situated in the District as of the preceding January 1. A supplemental tax is levied when property changes hands or new construction is completed which produces additional revenue.

A 10% penalty attaches to any delinquent payment for secured roll taxes. In addition, property on the secured roll with respect to which taxes are delinquent becomes tax-defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty (i.e., interest) to the time of redemption and a redemption fee. If taxes are unpaid for a period of five years or more, the property is subject to auction sale by the County.

In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, an additional penalty of 1.5% per month begins to accrue beginning November 1 of the fiscal year, and a lien is recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on specific property of the taxpayer; (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 taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

On June 6, 1978, State voters approved Proposition 13, which added Article XIIIA to the State Constitution. Beginning in 1978-79, Proposition 13 and its implementing legislation provided for each county to levy and collect all property taxes, and prescribed how levies on county-wide property values (except for levies to support prior voter-approved indebtedness) are to be shared with local taxing entities within each county. Notwithstanding that the County is on the Teeter Plan, the following table shows secured *ad valorem* taxes for the payment of bonded indebtedness of the District, and the amount delinquent as of June 30, for Fiscal Year 2017-18.

TABLE 7

SUMMARY OF SECURED TAX CHARGES AND DELINQUENCIES
Fiscal Year 2017-18
Lake Elsinore Unified School District

Fiscal Year	Secured Tax Charge [1]	Amount Delinquent June 30	% Delinquent June 30
2017-18	$2,185,933.02	$36,925.52	1.69%

[1] General obligation bond debt service levy only. Levy began in Fiscal Year 2017-18.

Source: California Municipal Statistics, Inc.

As described immediately below, the County has adopted the Teeter Plan method for funding each taxing entity included in the Teeter Plan with its total secured property tax each year, including amounts uncollected at fiscal year end. The County only provides information for tax charges and corresponding delinquencies by local agencies with respect to debt service levies for voter-approved indebtedness. It does not provide such information for the 1% general tax levy.

Alternative Method of Tax Distribution – "Teeter Plan"

In 1993, the County adopted the alternative method of secured property tax apportionment available under Chapter 3, Part 8, Division 1 (commencing Section 4701) of the Revenue and Taxation Code of the State (also known as the "**Teeter Plan**"). This alternative method provides for funding each taxing entity included in the Teeter Plan with its total secured property taxes during the year the taxes are levied, including any amount uncollected at fiscal year-end. Under the Teeter Plan, the County assumes an obligation under a debenture or similar demand obligation to advance funds to cover expected delinquencies, and, by such financing, its general fund receives the full amount of secured property taxes levied each year and, therefore, no longer experiences delinquent taxes. In addition, the County's general fund benefits from future collections of penalties and interest on all delinquent taxes collected on behalf of participants in this alternative method of apportionment.

Upon adopting the Teeter Plan in 1993, the County was required to distribute to participating local agencies 95% of the then-accumulated, secured roll property tax delinquencies and to place the remaining 5% in a tax losses reserve fund. Taxing entities that maintain funds in the County Treasury are all included in the Teeter Plan; other taxing entities may elect to be included in the Teeter Plan. Taxing entities that do not elect to participate in the Teeter Plan will be paid as taxes are collected.

Once adopted, a county's Teeter Plan will remain in effect in perpetuity unless the board of supervisors orders its discontinuance or unless prior to the commencement of a fiscal year a petition for discontinuance is received and joined in by resolutions of the governing bodies of not less than two-thirds of the participating districts in the county. An electing county may, however, opt to discontinue the Teeter Plan with respect to any levying agency in the county if the board of supervisors, by action taken not later than July 15 of a fiscal year, elects to discontinue the procedure with respect to such levying agency and the rate of secured tax delinquencies in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll by that agency. The County has never discontinued the Teeter Plan with respect to any levying agency, and the District is not aware of any plans by the County to discontinue the Teeter Plan.

If any tax or assessment which was distributed to a Teeter Plan participant is subsequently changed by correction, cancellation or refund, a pro rata adjustment for the amount of the change is made on the records of the treasurer and auditor of the county. Such adjustment for a decrease in the tax or assessment is treated by the county as an interest-free offset against future advances of tax levies under the Teeter Plan.

The *ad valorem* taxes for payment of the Bonds are included in the County's Teeter Plan. The District will receive 100% of the current year's *ad valorem* property tax levied to pay the Bonds irrespective of actual delinquencies in the collection of the tax by the County.

Tax Rates

The State Constitution permits the levy of an *ad valorem* tax on taxable property not to exceed 1% of the full cash value of the property, and State law requires the full 1% tax to be levied. The levy of special *ad valorem* property taxes in excess of the 1% levy is permitted as necessary to provide for debt service payments on school general obligation bonds and other voter-approved indebtedness.

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

There are a total of 216 tax rate areas in the District. Representative tax rate areas in the District, Tax Rate Areas 5-018, 23-003 and 65-082, had Fiscal Year 2018-19 assessed valuations of $546,009,050, $1,554,404,622 and $670,253,543, respectively. The table below provides historical total *ad valorem* tax rates levied by all taxing entities in typical tax rate areas (TRA 5-018, 23-003 and 65-082) within the District from Fiscal Year 2014-15 to Fiscal Year 2018-19.

TABLE 8

TYPICAL TOTAL *AD VALOREM* TAX RATES
AS A PERCENTAGE OF ASSESSED VALUATION
Typical Tax Rate Areas (TRA 5-018, TRA 23-003 and TRA 65-082)
Fiscal Years 2014-15 through 2018-19 (1)((2)(3)
Lake Elsinore Unified School District

Typical Tax Rates per $100 of Assessed Valuation

	2014-15	2015-16	2016-17	2017-18	2018-19
Within the City of Lake Elsinore: TRA 5-018 – 2018-19 Assessed Valuation: $546,009,050 (1)					
General	1.00000	1.00000	1.00000	1.00000	1.00000
Lake Elsinore Unified School District	-	-	-	.01900	.01900
Mount San Jacinto Community College District	-	.01394	.01320	.01320	.01320
Metropolitan Water District	.00350	.00350	.00350	.00350	.00350
Total	1.00350	1.01744	1.01670	1.03570	1.03570
Within City of Canyon Lake: TRA 23-003 – 2018-19 Assessed Valuation: $1,554,404,622 (2)					
General	1.00000	1.00000	1.00000	1.00000	1.00000
Lake Elsinore Unified School District	-	-	-	.01900	.01900
Mount San Jacinto Community College District	-	.01394	.01320	.01320	.01320
Metropolitan Water District	.00350	.00350	.00350	.00350	.00350
Total	1.00350	1.01744	1.01670	1.03570	1.03570
Within Unincorporated Riverside County: TRA 65-082 – 2018-19 Assessed Valuation: $670,253,543 (3)					
General	1.00000	1.00000	1.00000	1.00000	1.00000
Lake Elsinore Unified School District	-	-	-	.01900	.01900
Mount San Jacinto Community College District	-	.01394	.01320	.01320	.01320
Metropolitan Water District	.00350	.00350	.00350	.00350	.00350
Total	1.00350	1.01744	1.01670	1.03570	1.03570

(1) Fiscal Year 2018-19 assessed valuation of TRA 5-018 is $546,009,050, which is 4.28% of the District's total assessed valuation.
(2) Fiscal Year 2018-19 assessed valuation of TRA 23-003 is $1,554,404,622, which is 12.17% of the District's total assessed valuation.
(3) Fiscal Year 2018-19 assessed valuation of TRA 65-082 is $670,253,543, which is 5.25% of the District's total assessed valuation.
Source: California Municipal Statistics, Inc.

In accordance with the State Constitution and the Education Code, bonds approved pursuant to the 2016 Authorization may not be issued unless the District projects that repayment of all outstanding bonds approved at such election will require an annual tax rate no greater than $60.00 per $100,000 of assessed value. Based on the assessed value of taxable property in the District at the time of issuance of the Bonds, the District projects that the maximum tax rate required to repay the Bonds will be within that legal limit and increases in assessed valuation pursuant to Article XIIIA estimated to occur in the future. This tax rate test applies only when new bonds are issued, and is not a legal limitation upon the authority of the County Board to levy taxes at such rate as may be necessary to pay debt service on the Bonds, and any other series of bonds issued pursuant to the 2016 Authorization, in each year.

Direct and Overlapping Debt

Set forth below in Table 9 is a direct and overlapping debt report as of June 1, 2019 (the "**Debt Report**") with respect to the District, prepared by California Municipal Statistics, Inc. on June 14, 2019. The Debt Report is included for general information purposes only. Neither the District nor the Underwriter have 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 contents of the Debt Report are as follows: (1) the first column indicates the public agencies which have outstanding debt as of the date of the Debt Report and whose territory overlaps the District; (2) the second column shows the percentage of the assessed valuation of the overlapping public agency identified in column 1 which is represented by property located within the District; and (3) the third column is an apportionment of the dollar amount of each public agency's outstanding debt (which amount is not shown in the table) to property in the District, as determined by multiplying the total outstanding debt of each agency by the percentage of the District's assessed valuation represented in column 2.

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TABLE 9

STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
Lake Elsinore Unified School District

2018-19 Assessed Valuation: $12,769,746,207

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 6/1/19	
Riverside County Flood Control District, Zone No. 4 Benefit Assessment District	0.816%	$ 119,870	
Metropolitan Water District	0.437	209,979	
Eastern Municipal Water District, I.D. No. U-10	100.	266,000	
Mount San Jacinto Community College District	14.007	24,183,086	
Lake Elsinore Unified School District	**100.**	**30,590,000**	(1)
Lake Elsinore Unified School District Community Facilities District No. 89-1	100.	170,000	
Lake Elsinore Unified School District Community Facilities District No. 99-1	100.	4,065,000	
Lake Elsinore Unified School District Community Facilities District No. 2000-1	100.	2,884,939	
Lake Elsinore Unified School District Community Facilities District No. 2001-1	100.	6,996,445	
Lake Elsinore Unified School District Community Facilities District No. 2001-2	100.	3,292,463	
Lake Elsinore Unified School District Community Facilities District No. 2001-3	100.	2,119,618	
Lake Elsinore Unified School District Community Facilities District No. 2002-1	100.	3,474,000	
Lake Elsinore Unified School District Community Facilities District No. 2003-1	100.	4,809,377	
Lake Elsinore Unified School District Community Facilities District No. 2004-2	100.	2,560,000	
Lake Elsinore Unified School District Community Facilities District No. 2004-3	100.	8,455,200	
Lake Elsinore Unified School District Community Facilities District No. 2004-4	100.	7,340,000	
Lake Elsinore Unified School District Community Facilities District No. 2005-1, I.A. A	100.	5,819,700	
Lake Elsinore Unified School District Community Facilities District No. 2005-3	100.	5,521,900	
Lake Elsinore Unified School District Community Facilities District No. 2005-5	100.	1,755,000	
Lake Elsinore Unified School District Community Facilities District No. 2005-6, I.A. A	100.	3,800,000	
Lake Elsinore Unified School District Community Facilities District No. 2005-7	100.	4,210,000	
Lake Elsinore Unified School District Community Facilities District No. 2006-2	100.	14,650,000	
Lake Elsinore Unified School District Community Facilities District No. 2006-3, I.A. A	100.	6,260,000	
Lake Elsinore Unified School District Community Facilities District No. 2006-4	100.	4,375,000	
Lake Elsinore Unified School District Community Facilities District No. 2006-6	100.	1,880,000	
Lake Elsinore Unified School District Community Facilities District No. 2013-1	100.	8,960,000	
Lake Elsinore Unified School District Community Facilities District No. 2013-2	100.	4,305,000	
City of Lake Elsinore Community Facilities Districts	68.161-100.	174,818,518	
Elsinore Valley Municipal Water District Community Facilities Districts	100.	9,928,000	
City of Lake Elsinore 1915 Act Bonds	56.941	6,869,952	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$354,689,047	
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Riverside County General Fund Obligations	4.555%	$34,661,570	
Riverside County Pension Obligation Bonds	4.555	11,107,368	
Lake Elsinore Unified School District Certificates of Participation	**100.**	**31,275,000**	
City of Lake Elsinore General Fund Obligations	91.729	19,024,595	
Western Municipal Water District General Fund Obligations	7.617	687,127	
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$96,755,660	
Less: Riverside County supported obligations		116,609	
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$96,639,051	
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		$87,630,553	
GROSS COMBINED TOTAL DEBT		$539,075,260	(2)
NET COMBINED TOTAL DEBT		$538,958,651	

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

Ratios to 2018-19 Assessed Valuation:

Direct Debt ($30,590,000)	**0.24%**
Total Overlapping Tax and Assessment Debt	2.78%
Combined Direct Debt ($61,865,000)	**0.48%**
Gross Combined Total Debt	4.22%
Net Combined Total Debt	4.22%

Ratio to Redevelopment Incremental Valuation ($3,237,749,457):

Total Overlapping Tax Increment Debt	2.71%

Source: California Municipal Statistics, Inc.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Irvine, California, Bond Counsel, subject, however, to certain qualifications described herein, based upon an analysis of existing statutes, regulations, rulings and court decisions, and assuming, among other things, compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes. In the opinion of Bond Counsel, such interest is not an item of tax preference for purposes of the federal alternative minimum tax.

The opinions of Bond Counsel set forth in the preceding paragraph are subject to the condition that the District complies with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement.

Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

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

Bond Counsel expresses no opinion regarding or concerning any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Although Bond Counsel will render an opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the recipient's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the recipient's particular tax status and other items of income or deduction. Bond Counsel expresses no other opinion regarding or concerning any other tax consequences related to the ownership or disposition of the accrual or receipt of interest on the Bonds.

Certain requirements and procedures contained or referred to in the Bond Resolution and other relevant documents may be changed and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with an approving opinion of nationally recognized bond counsel. Bond Counsel expresses no opinion as to the effect on any Bond or the interest thereon if any such change occurs or action is taken upon advice or approval of bond counsel other than Bond Counsel.

The opinion of Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Irvine, California, Bond Counsel to the District, approving the validity of the Bonds, in substantially the form appearing in APPENDIX D hereto, will be supplied to the original purchasers of the Bonds without cost. See APPENDIX D – "FORM OF OPINION OF BOND COUNSEL" for the proposed form of the opinion of Bond Counsel. A copy of the legal opinion will be attached at the end of each Bond. The payment of fees of Bond Counsel is contingent upon the closing of the Bonds transaction.

Bond Counsel's employment is limited to a review of the legal proceedings required for authorization of the Bonds and to rendering an opinion as to the validity of the Bonds and the exclusion from gross income for federal income tax purposes of interest on the Bonds. Bond Counsel has undertaken no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering materials relating to the Bonds and expresses no opinion relating thereto.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners of the Bonds regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS (as defined herein). Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners of the Bonds, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

Original Issue Discount; Premium Bonds

The initial public offering price of the Bonds in some cases may be less than the amount payable with respect to such Bonds at maturity. An amount not less than the difference between the initial public offering price of a Bond and the amount payable at the maturity of such Bond constitutes original issue discount. Original issue discount on a tax-exempt obligation, such as the Bonds, accrues on a compounded basis. The amount of original issue discount that accrues to the Owner of a Bond issued with original issue discount will be excludable from such Owner's gross income and will increase the Owner's adjusted basis in such Bond potentially affecting the amount of gain or loss realized upon the Owner's sale or other disposition of such Bond. The amount of original issue discount that accrues in each year is not included as a tax preference for purposes of calculating alternative minimum taxable income and may therefore affect a taxpayer's alternative minimum tax liability. Consequently, taxpayers owning the Bonds issued with original issue discount should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability although the taxpayer has not received cash attributable to such original issue discount in such year.

Purchasers should consult their personal tax advisors with respect to the determination for federal income tax purposes of the amount of original issue discount properly accruable with respect to the Bonds, other federal income tax consequences of owning tax-exempt obligations with original issue discount and any state and local consequences of owning the Bonds.

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

Impact of Legislative Proposals, Clarifications of the Code and Court Decisions on Tax Exemption

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Owners of the Bonds from realizing the full current benefit of the tax status of such interest.

The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, liquidity of or marketability of, the Bonds. In recent years, legislative changes were proposed in Congress, which, if enacted, would result in additional federal income tax being imposed on certain owners of tax-exempt state or local obligations, such as the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation as to which Bond Counsel expresses no opinion. As discussed in this Official Statement, under the above caption " – Opinion of Bond Counsel," interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued as a result of future acts or omissions of the District in violation of its covenants in the Bond Resolution. Should such an event of taxability occur, the Bonds are not subject to special redemption or acceleration and will remain outstanding until maturity or until redeemed under the other redemption provisions contained in the Bond Resolution.

Internal Revenue Service Audits of Tax-Exempt Securities Issues

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

Information Reporting and Backup Withholding

Information reporting requirements apply to interest (including original issue discount) paid after March 31, 2007, on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an Owner purchasing Bonds through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the Owner's federal income tax once the required information is furnished to the IRS. Bond Counsel provides no opinion concerning such reporting or withholding with respect to the Bonds.

Changes in Law and Post-Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Bonds for federal or state income tax purposes, and thus on the value or marketability of the Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Bonds from gross income for federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of Owners of the Bonds may occur. Prospective purchasers of the Bonds should consult their own tax advisors regarding the impact of any change in law on the Bonds. Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Bonds may affect the tax status of interest on the Bonds. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

IN ALL EVENTS, ALL INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND OTHER TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE BONDS.

OTHER LEGAL MATTERS

Continuing Disclosure

The District has covenanted for the benefit of registered Owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "**Annual Report**") by not later than April 1 (nine months following the end of the District's Fiscal Year, so long as the District's Fiscal Year ends on June 30), commencing with the report for the 2018-19 Fiscal Year (which will be due not later than April 1, 2020), and to provide notices of the occurrence of certain listed events. The Annual Report will be filed by the District, or Cooperative Strategies, LLC, as Dissemination Agent on behalf of the District, with the Municipal Securities Rulemaking Board ("**MSRB**") through the Electronic Municipal Market Access System ("**EMMA System**") in an electronic format and accompanied by identifying information as prescribed by the MSRB. Any notice of a listed event will be filed by the District, or the Dissemination Agent on behalf of the District, with the MSRB through the EMMA System. The specific nature of the information to be made available and to be contained in the Annual Report or the notices of listed events is set forth in APPENDIX E – "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the "**Rule**"); provided, however, a default under the Continuing Disclosure Certificate will not, in itself, constitute a default under the Bond Resolution, and the sole remedy under the Continuing Disclosure Certificate in the event of any failure of the District or the Dissemination Agent to comply with the Continuing Disclosure Certificate will be an action to compel performance.

District Prior Disclosure Compliance. A review of the District's prior disclosure undertakings and its prior disclosure filings since August 1, 2014, with respect to financings by the School District indicates that the School District did not comply in all respects with its prior undertakings. Identification of the below described events does not constitute a representation by the School District that any such events were material.

With respect to the School District's Certificates of Participation (2010 School Facility Funding Program) (the "**2010 Certificates**"), certain tax levy information required to be included in the Annual Reports was not included in the Annual Report with respect to two Annual Reports, an incorrect document was filed in place of the Fiscal Year 2017-18 adopted budget, and for certain fiscal years the County's investment policies and practices and the status of the investment of School District funds relating to the Pooled Surplus Investment Fund maintained by the County Treasurer were referenced as being available on the County Treasurer's websites.

The School District has filed addendums and/or additional information relating to annual reports or other required filings to provide information not included in the information previously filed.

In order to assist the School District in complying with its disclosure undertakings, the School District has hired an outside consultant to facilitate preparation and filing of disclosure reports and notices of listed events.

Other Related Entity Disclosure Compliance. Though not an obligation of the School District, the School District also notes that in connection with filings by the Lake Elsinore School Financing Authority (the "**Authority**"), a joint exercise of powers authority organized and existing under the laws of the State, and a Joint Exercise of Powers Agreement, between the School District and Community Facilities District No. 88-1 of the Lake Elsinore Unified School District, with respect to the Authority's 2012 Refunding Revenue Bonds, an incorrect document was filed in place of the School District's Fiscal Year 2017-18 adopted budget. The School District believes the Authority is current with respect to all such filings and notices.

Limitations on Remedies; Amounts Held in the County Pooled Investment Fund

The opinion of Bond Counsel, the proposed form of which is attached hereto as APPENDIX D, is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditors' rights. The rights of the Owners of the Bonds are subject to certain limitations. Enforceability of the rights and remedies of the Owners of the Bonds, and the obligations incurred by the District, are limited by applicable bankruptcy, insolvency, reorganization, moratorium and similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, equity principles that 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, 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 serving a significant and legitimate public purpose, and the limitations on remedies against school and community college districts on the State. Bankruptcy proceedings, if initiated, could subject the Beneficial Owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

Under Chapter 9 of the Federal Bankruptcy Code (Title 11, United States Code) (the "**Bankruptcy Code**"), which governs the bankruptcy proceedings for public agencies, no involuntary petitions for bankruptcy relief are permitted. While current State law precludes school districts from voluntarily seeking bankruptcy relief under Chapter 9 of the Bankruptcy Code without the concurrence of the State, such concurrence could be granted or State law could be amended.

The Bond Resolution and the Act require the County to annually levy ad valorem property taxes upon all property subject to taxation within the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of the principal of, premium, if any, and interest on the Bonds. The County on behalf of the District is thus expected to be in possession of the annual ad valorem taxes and certain funds to repay the Bonds and may invest these funds in the County's Treasury Pool, as described in "RIVERSIDE COUNTY TREASURY POOL" herein. In the event the District or the County were to go into bankruptcy, a federal bankruptcy court might hold that the Owners of the Bonds are unsecured creditors with respect to any funds received by the District or the County prior to the bankruptcy, where such amounts are deposited into the County Treasury Pool, and such amounts may not be available for payment of the principal of and interest on the Bonds unless the Owners of the Bonds can "trace" those funds. There can be no assurance that the Owners could successfully so "trace" such taxes on deposit in the Debt Service Fund where such amounts are invested in the County Treasury Pool. Under any such circumstances, there could be delays or reductions in payments on the Bonds.

State Senate Bill 222

On July 13, 2015, former Governor Brown signed Senate Bill 222 ("**SB 222**") into law, effective January 1, 2016. SB 222 was introduced on February 12, 2015, initially to amend Section 15251 of the Education Code to clarify the process of lien perfection for general obligation bonds issued by or on behalf of State school and community college districts. Subsequently, on April 15, 2015, SB 222 was amended to include an addition to the Government Code to similarly clarify the process of lien perfection for general obligation bonds issued by cities, counties, authorities and special districts, including the District.

SB 222, applicable to general obligations bonds issued after its effective date, removes the extra step between (a) the issuance of general obligation bonds by cities, counties, cities and counties, school districts, community college districts, authorities and special districts; and (b) the imposition of a lien on the future *ad valorem* property taxes that are the source of repayment of the general obligation bonds. By clarifying that the lien created with each general obligation bond issuance is a "statutory" lien (consistent with bankruptcy statutory law and case precedent), SB 222, while it does not prevent default, should reduce the ultimate bankruptcy risk of non-recovery on local general obligation bonds, and thus potentially improve ratings, interest rates and bond cost of issuance.

Special Revenues

If the District were to become a debtor in a Chapter 9 proceeding, because the Bonds are for the financing of specific capital projects and are supported by a consensual lien on *ad valorem* property taxes that are use-restricted to the repayment of the Bonds, the District believes that those taxes are "special revenues" as defined in the Bankruptcy Code, and thus there is a special revenue lien in favor of Owners of the Bonds in addition to, and separate and independent of, the statutory lien created by SB 222. In comparison to other consensual pledges and liens arising by agreement (that are all made ineffective post-bankruptcy by Section 552 of the Bankruptcy Code), special revenues acquired by a municipality during a Chapter 9 case will remain subject to the lien that arose from the security agreement entered into prior to the beginning of the case, and will survive the conclusion of the Chapter 9 proceeding. In addition, the automatic stay arising upon the filing of the bankruptcy petition has historically been understood not to stay the application of special revenues to payment of the bonds secured by such special revenues. Thus, regularly scheduled payments of principal and interest to Owners of the Bonds likely would continue under 11 U.S.C. § 922(d) throughout any bankruptcy proceeding.

Based on the foregoing, if the District were to become a debtor in a Chapter 9 proceeding, the District believes that: the *ad valorem* property taxes could not be used for any other purpose other than repayment of the Bonds; the *ad valorem* property taxes should be determined to be special revenues in a Chapter 9 proceeding, and thus Owners of the Bonds would ordinarily continue to be paid post-petition; and the *ad valorem* property taxes are also protected by a statutory lien in favor of the Owners of the Bonds. However, bankruptcy courts are courts of equity and as such have broad discretionary powers, and there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of *ad valorem* property tax revenues collected for the payments of bonds in the State, so no assurance can be given that a bankruptcy court would not hold otherwise. If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the bankruptcy court could find that the automatic stay exception for special revenues does not apply, and the parties to the proceedings may thus be prohibited from taking any action to collect any amount from the District (including *ad valorem* tax revenues), or to enforce any obligation of the District, without the bankruptcy court's permission. It is also possible that the bankruptcy court may not enforce the state law use restriction imposed on *ad valorem* property taxes.

Even if the *ad valorem* property tax revenues are determined to be "special revenues," the Bankruptcy Code provides that special revenues can be applied to necessary operating expenses of the project or system, before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. Thus, a bankruptcy court could determine that the District is entitled to use the *ad valorem* property tax revenues to pay necessary operating expenses of the District and its schools, before the remaining revenues are paid to the Owners of the Bonds. It should also be noted that it is possible – in the context of confirming a Plan of Adjustment (the "**Plan**") in a Chapter 9 case where the Plan has not received the requisite consent of the Owners of the Bonds – a bankruptcy court may confirm a Plan that adjusts the timing of payments on the Bonds or the interest rate or other terms of the Bonds provided that (a) the Owners of the Bonds retain their lien on the revenues subject to the statutory and/or special revenues lien, (b) the payment stream has a present value equal to the value of the revenues subject to the lien(s) and (c) the bankruptcy court finds that these and any other adjustments to the Bonds' terms are fair and equitable.

The Bond Resolution and the Act require the County to annually levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of the principal of, premium, if any, and interest on the Bonds. The County on behalf of the District is thus expected to be in possession of the annual ad valorem taxes and certain funds to repay the Bonds and may invest these funds in the County's Investment Pool, as described in APPENDIX F – "COUNTY POOLED INVESTMENT FUND" AND APPENDIX G – "COUNTY OF RIVERSIDE OFFICE OF THE TREASURER TAX-COLLECTOR STATEMENT OF INVESTMENT POLICY" herein. In the event the District or the County were to file for bankruptcy relief, a bankruptcy court might hold that the Owners of the Bonds are unsecured creditors with respect to any funds received by the District or the County prior to the bankruptcy, which might include taxes that have been collected and deposited in the Debt Service Fund, where such amounts are deposited into the County Treasury Pool, and such amounts may not be available for payment of the principal and interest on the Bonds unless the Owners of the Bonds can "trace" those funds. There can be no assurance that the Owners could successfully so "trace" such taxes on deposit in the Debt Service Fund where such amounts are invested in the County Treasury Pool. Further, it is not entirely clear what procedures the Owners of the Bonds would have to follow to attempt to obtain possession of such tax revenues, or what amount of time would be required for such procedures to be completed. Under any such circumstances, there could be delays or reductions in payments on the Bonds.

Legality for Investment in California

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

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Information Related to Potential Community Reinvestment Act Credit

The National School Lunch Program (the "**NSLP**") provides free or reduced price school meals to eligible students who participate in certain federal assistance programs (including the Supplemental Nutrition Assistance Program) or whose median household incomes fall below certain federal poverty thresholds. The table below indicates schools at which Bond proceeds are expected to be expended with a majority of students who receive free or reduced-priced meals. The District makes no representation as to the status of any investment in the Bonds under the Community Reinvestment Act.

TABLE 10

PARTICIPATION OF DISTRICT STUDENTS IN NATIONAL SCHOOL LUNCH PROGRAM
Lake Elsinore Unified School District

School	Eligibility Percent [i]
Terra Cotta Middle School	76.7
Temescal Canyon High School	53.7

[i] The percentages are based on the October 3, 2018, California Longitudinal Pupil Achievement Data System (formerly California Basic Educational Data System) Fall Certification. Program Year 2018 Eligibility Date as of December 3, 2018.

Source: California State Board of Education.

Absence of Material Litigation

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

RATINGS

The Bonds are expected to be assigned a rating of "AA" by S&P, based on the issuance of the Policy by BAM at the time of delivery of the Bonds. Additionally, S&P has assigned an underlying rating of "A+" to the Bonds without consideration of the issuance of the Policy. Each rating agency may have obtained and considered information and material which has not been included in this Official Statement. Generally, a rating agency bases its ratings on information and material so furnished and on investigations, studies and assumptions made by a rating agency. The rating is not a recommendation to buy, sell or hold the Bonds. The rating reflects only the view of the rating agency with respect to its rating and an explanation of the significance of such rating may be obtained from it. Some information provided to the rating agency by the District may not appear in this Official Statement. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely or placed under review, "credit alert" or equivalent action(s) by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any downward revision or withdrawal of a rating may have an adverse effect on the market price for the Bonds. The Underwriter and the District have not undertaken any responsibility after the offering of the Bonds to assure the maintenance of the rating or to oppose any such revision or withdrawal.

Rating Downgrades of Municipal Bond Insurers. In the past, Moody's Investors Service, Inc., S&P and Fitch Ratings, Inc. (collectively, the "**Rating Agencies**") have each downgraded the claims-paying ability and financial strength of various bond insurance companies. Additional downgrades or negative changes in the rating outlook are possible. In addition, recent events in the credit markets have had a substantial negative effect on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims paying ability of such potential Bond Insurer. Neither the District nor the Underwriter have made an independent investigation into the claims paying ability of such potential Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength thereof can be given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay the principal of and interest on the Bonds and the claims paying ability of potential Bond Insurers, particularly over the life of the investment.

UNDERWRITING

The Bonds will be purchased by Stifel, Nicolaus & Company, Incorporated, as Underwriter (the "**Underwriter**"). The Underwriter has agreed to purchase the Bonds at a price of $23,518,379.66 (consisting of the principal amount of the Bonds, plus original issue premium of $2,391,310.30, less an underwriting discount of $125,775.00, less $57,155.64 to be wired directly by the Underwriter to BAM for the bond insurance premium, and less $190,000.00 wired directly to U.S. Bank National Association for payment of costs of issuance all in accordance with the Bond Purchase Agreement. The Bond Purchase Agreement relating to the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said agreements the approval of certain legal matters by counsel and certain other conditions.

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

FINANCIAL INTERESTS

Fees payable to certain professionals, including the Underwriter, Kutak Rock LLP, as Underwriter's Counsel, James F. Anderson Law Firm, A Professional Corporation, as Disclosure Counsel, Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, as Bond Counsel, Piper Jaffray & Co., as Municipal Advisor, and U.S. Bank National Association, as the Paying Agent, are contingent upon the issuance of the Bonds. Disclosure Counsel has in the past worked as, and is currently working as, counsel to the Underwriter on matters unrelated to the Bonds.

ADDITIONAL INFORMATION

Quotations from and summaries and explanations of the Bonds, the Bond Resolution providing for issuance of the Bonds, and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

Some of the data contained herein has been taken or constructed from District records. This Official Statement has been approved by the District Board.

LAKE ELSINORE UNIFIED SCHOOL DISTRICT

By /s/ Gregory J. Bowers
Dr. Gregory J. Bowers,
Assistant Superintendent, Facilities &
Operations Support Services
Lake Elsinore Unified School District

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APPENDIX A

INFORMATION RELATING TO THE LAKE ELSINORE UNIFIED SCHOOL DISTRICT'S OPERATIONS AND BUDGET

Principal of and interest on the Bonds is payable from the proceeds of an ad valorem tax levied by the County (defined herein) for the payment thereof. (See "THE BONDS – Security" herein.) Articles XIIIA, XIIIB, XIIIC and XIIID of the Constitution, Propositions 39, 98, 111 and 218, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these constitutional and statutory measures on the ability of the County to levy taxes and of the District to spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County to levy taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with Article XIIIA, Article XIIIC and all applicable laws.

THE DISTRICT

The information in this section concerning the operations of the District is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the District's general fund, or any other funds, of the District. The Bonds are payable from the proceeds of an ad valorem tax required to be levied by the County on taxable property within boundaries of the District in an amount sufficient for the payment thereof. See "THE BONDS – Security" herein.

General Information

The Lake Elsinore Unified School District (the "**District**") provides public education within an approximately 140-square mile incorporated and unincorporated area in Riverside County (the "**County**"). In addition to unincorporated areas of the County, the District boundaries encompass the southern region of the City of Corona, the western region of the City of Perris, and the Cities of Wildomar, Lake Elsinore and Canyon Lake. The District was established in November 1988 through a merger of the Elsinore Elementary District and the Elsinore Union High School District, each of which had been in existence for approximately 100 years. On July 1, 1989, the District completed proceedings to reorganize as a unified school district comprised of the same boundaries as the predecessor districts under the name "Lake Elsinore Unified School District." The District currently operates 12 elementary schools, 4 middle schools, 3 comprehensive high schools, 3 alternative schools and 2 K-8 schools. For Fiscal Year 2018-19, the District's average daily attendance ("**ADA**") was 20,217 students and for Fiscal Year 2019-20, the District's ADA is projected to be 20,115 students.

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: Lake Elsinore Unified School District, 545 Chaney Street, Lake Elsinore, California 92530, telephone (951) 253-7000, Attention: Assistant Superintendent, Facilities & Operations Support Services and/or Chief Business Official.

Governing Board

The District is governed by a five-member Governing Board (the "**Board**"), whose members are elected based on specified geographic trustee areas to overlapping four-year terms. Elections for positions to the Board are held every two years, alternating between two and three available positions. If a vacancy arises during any term, the vacancy is filled by an appointment by a majority vote of the remaining Board members and, if there is no majority, by a special election. Each November, the Board elects a President and a Clerk to serve one-year terms. Current members of the Board, together with their office, trustee area and the date their current term expires, are listed below:

LAKE ELSINORE UNIFIED SCHOOL DISTRICT
GOVERNING BOARD

Name	Position/Trustee Area	Current Term Expires
Stan Crippen	President*, Trustee Area 1*	December 2022
Heidi Matthies Dodd	Clerk, *Trustee Area 3*	December 2022
Christopher J. McDonald	Member, *Trustee Area 5*	December 2022
Juan I. Saucedo	Member, *Trustee Area 4*	December 2020
Susan E. Scott	Member, *Trustee Area 2*	December 2020

Source: Lake Elsinore Unified School District.

Key Personnel

The Superintendent of Schools of the District is appointed by the Board and reports to the Board. The Superintendent is responsible for management of the District's day-to-day operations of and supervises the work of other District administrators and supervisors. A brief background of the Superintendent and key administrative personnel are set forth herein.

Dr. Douglas Kimberly, Superintendent. Dr. Kimberly commenced serving as Superintendent of the District on July 1, 2012. Dr. Kimberly received his Doctorate in Education Administration from USC in 2008, and is also a graduate of California State University, Long Beach – B.A., Psychology, and California State University, Fullerton – M.A., Education Administration. Dr. Kimberly served as the Superintendent of the Santa Maria Joint Union High School District for the prior three years.

Dr. Gregory J. Bowers, Assistant Superintendent, Facilities & Operations Support Services. Dr. Bowers has 44 years' experience designing, managing and constructing public facilities in California, including, but not limited to, five years with the City of Riverside, 11 years as a project manager constructing K-12 public schools and 19 years as a public school district employee having worked directly for four public school districts in the County. He has been responsible for managing school construction project, facilities, maintenance and operations, transportation, purchasing and information technology and negotiating mitigation and land acquisition agreements.

Dr. Bowers holds a Doctorate in Educational Leadership from Argosy University. He also has a master's degree in Public Administration from California State University, San Bernardino; a Bachelor of Science degree in Engineering Technology with a construction/civil emphasis from California State Polytechnic University, Pomona; and an Associate of Applied Science degree in Construction Technology from Riverside City College. Dr. Bowers is a licensed General Contractor. He has also completed the Association of California School Administrator's (ACSA) School Business Managers Academy, holds Certificates in Educational Facilities Planning and Chief Business Official (CBO) from the University of California, Riverside.

James Judziewicz, Director of School Operations / Facilities & Operations Support Services. Mr. Judziewicz has been an educator for 24 years, having been a classroom teacher and site principal at both the elementary and secondary levels. Mr. Judziewicz holds a bachelor's degree in the area of public administration from San Diego State University, teaching credential from California State University Fullerton, and a master's degree in Education from Grand Canyon University. In his third year as Director of School Operations, Mr. Judziewicz has overseen the planning and implementation of Measure V general obligation bond projects/funds for the Lake Elsinore Unified School District.

Dr. Alain Guevara, Assistant Superintendent, Instructional Support Services. Dr. Guevara has served as an educator for over 25 years in K-12 public schools. Dr. Guevara received his Doctorate in Educational Leadership from the University of La Verne in 2002, and is a graduate from California State University, Long Beach – M.A., English Literature, B.A. – English Composition, and M.S. – Education Administration from National University. Dr. Guevara has served in a variety of roles in his educational career including, High School and Middle School English teacher, Middle School and Elementary School Assistant Principal, Middle School Principal, Director of Secondary Curriculum and Instruction, Director of Assessment and Accountability/EL Accountability, and Assistant Superintendent of Instructional Support Services.

Dr. Kip Meyer, Assistant Superintendent, Student & Instructional Support Services. Before moving to the District Administration in 2006, Dr. Meyer had been the principal and assistant principal of Terra Cotta Middle School since 2002. Prior to these experiences, Dr. Meyer had been a principal, Dean of Students, and mathematics teacher at the middle school level. Dr. Meyer received his Doctorate of Educational Leadership from Argosy University, holds a M.A. Degree in Educational Administration from Azusa Pacific University and a Bachelor of Science Degree in Education from Illinois State University. This year marks Dr. Meyer's 28th year in public education.

Arleen Sanchez, *Chief Business Official, Administrative & Fiscal Support Services*. Ms. Sanchez joined the District in 1996 and has served as a teacher at both the elementary and middle school levels, an EL Facilitator, and as an Assistant Principal to both elementary (Withrow Elementary School) and secondary schools (Lakeside High School). She holds a master's degree in Middle School Mathematics from Walden University and a Bachelor of Science Degree in Accounting from the University of San Diego. Before joining the District, Ms. Sanchez's experience included extensive CPA experience in the private sector, including Arthur Andersen, MCO Holdings and the West Coast Region for Pep Boys.

Tracy Sepulveda, *Assistant Superintendent, Personnel Support Services.* Mrs. Sepulveda has been in the District for over 10 years as the Director of Certificated Personnel and most recently as the Assistant Superintendent. Prior to joining the District, she served as an elementary principal for nine years in the San Bernardino City Unified School District. Her prior experience consists of principal, assistant principal and elementary teacher. Mrs. Sepulveda received her Master of Arts Degree and Administrative Credential from Azusa Pacific University and a Bachelor of Arts Degree of Liberal Studies from California State University, Fullerton. This makes Mrs. Sepulveda's 28th year in public education.

Allocation of State Funding to School Districts; Restructuring of the K-12 Funding System

General. The District's operating income consists primarily of two components: a state portion funded from the State's general fund and a locally generated portion derived from the District's share of the 1% local *ad valorem* property tax authorized by the State Constitution. California school districts receive a significant portion of their funding from State appropriations. As a result, changes in State revenues may affect appropriations made by the State Legislature (the "**Legislature**") to school districts.

State Education Funding; Proposition 98. On November 8, 1988, California 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 changed State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as "**K-14 school districts**") at a level equal to the greater of (a) the same percentage of State general fund revenues as the percentage appropriated to such districts in Fiscal Year 1986-87, or (b) the amount actually appropriated to such districts from the State general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period. The State Department of Finance indicates that Proposition 98's share of State general fund tax proceeds averages about 40%. As a percentage of new (additional) State general fund tax revenues, Proposition 98 gets approximately 60%. That is, for an increase in State general fund tax proceeds of $100 million, Proposition 98 would get about $60 million on the average.

The Accountability Act also changed how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount 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 a year in which such transfer occurred. 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 budget in a different way than is proposed in the Governor's Budget. In any event, it is possible that the Accountability Act could place increasing pressure on the State's budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIIIB spending limit would restrain the State's ability to fund such other programs by raising taxes. (See APPENDIX A – "INFORMATION RELATING TO THE LAKE ELSINORE UNIFIED SCHOOL DISTRICT'S OPERATIONS AND BUDGET – EFFECT OF STATE BUDGET ON DISTRICT REVENUES" and " – DISTRICT FINANCIAL INFORMATION" below.)

On June 5, 1990, the voters of the State approved the "Traffic Congestion Relief and Spending Limitation Act of 1990" ("**Proposition 111**"), which modified the State Constitution to alter the Article XIIIB spending limit and the education funding provisions of Proposition 98. Proposition 111 took effect on July 1, 1990. The most significant provisions of Proposition 111 are summarized herein. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON SCHOOL DISTRICT REVENUES AND APPROPRIATIONS – Proposition 111" herein.

Local Control Funding Formula. The State Budget for Fiscal Year 2013-14 contained a new school funding allocation system (the "**Local Control Funding Formula**" or "**LCFF**" hereafter). State Assembly Bill 97 (Stats. 2013, Chapter 47) ("**AB 97**") was enacted to establish a new system for funding State school districts, charter schools and county offices of education by the implementation of the LCFF.

Subsequently, AB 97 was amended and clarified by Senate Bill 91 (Stats. 2013, Chapter 49). Under the former system, the Proposition 98 funding was allocated in such a way that approximately two-thirds of the revenues received by school districts was allocated based on complex historical formulas (known as "revenue limit" funds), and approximately one-third of the revenues received by school districts was derived through numerous "categorical programs," such as for summer school textbooks, staff development, gifted and talented students and counselors for middle and high schools. The LCFF replaces revenue limit and most categorical program funding. The State budget provided funding commencing in Fiscal Year 2013-14 to begin implementing the new formulas. Under the prior funding system, school districts received different per-pupil funding rates based on historical factors and varying participation in the categorical programs. The new system provides a more uniform base per-pupil rate for each of several grade levels. The base rates are augmented by several funding supplements for (1) students needing additional services, defined as English learners, students from lower income families and foster youth; and (2) school districts with high concentrations of English learners and lower income families. The new funding system requires school districts to develop local plans describing how the school district intends to educate its students. Although in Fiscal Year 2013-14, full implementation of the LCFF was estimated to take approximately eight years, in Fiscal Year 2018-19, LCFF is now fully implemented.

With revenues based on per-pupil rates, as augmented by the funding supplements, changes in enrollment will cause a school district to gain or lose operating revenues, without necessarily permitting the school district to make adjustments in fixed operating costs. Enrollment can fluctuate due to factors such as population growth or decline, competition from private, parochial and public charter schools, inter-district transfers in or out and other causes. Losses in enrollment will cause a school district to lose operating revenues, without necessarily permitting the school district to make adjustments in fixed operating costs.

The LCFF includes the following components:

- A Base Grant for each local education agency ("**LEA**"). The Base Grants are based on four uniform, grade-span rates. For Fiscal Year 2019-20, the LCFF provided to school districts and charter schools; (a) a Target Base Grant for each LEA equivalent to $6,061.90 per ADA for kindergarten through grade 3; (b) a Target Base Grant for each LEA equivalent to $4,616.39 per ADA for grades 4 through 6; (c) a Target Base Grant for each LEA equivalent to $3,230.15 per ADA for grades 7 and 8; (d) a Target Base Grant for each LEA equivalent to $6,218.89 per ADA for grades 9 through 12. However, the amount of actual funding allocated to the Base Grant, Supplemental Grants and Concentration Grants will be subject to the discretion of the State. This amount includes an adjustment to the Base Grant to support lowering class sizes in grades K-3, and an adjustment to reflect the cost of operating career technical education programs in grades 9-12.

- A 20% Supplemental Grant for the unduplicated number of English language learners, students from low-income facilities and foster youth to reflect increased costs associated with educating those students.

- An additional Concentration Grant of up to 50% of a LEA's Base Grant, based on the number of English language learners, students from low-income families and foster youth served by the LEA that comprise more than 55% of enrollment.

- An Economic Recovery Target ("**ERT**") that is intended to ensure that almost every LEA receives at least their pre-recession funding level (i.e., the Fiscal Year 2007-08 revenue limit per unit of ADA), adjusted for inflation, as full implementation of the LCFF. Upon full implementation, LEAs would receive the greater of the Base Grant or the ERT.

Under LCFF, for community funded districts, local property tax revenues would be used to offset up to the entire allocation under the new formula. However, community funded districts would continue to receive the same level of State aid as allocation in Fiscal Year 2012-13.

As indicated above, commencing with Fiscal Year 2013-14, the State budget restructured the manner in which the State allocates funding for K-12 education using the LCFF. Under the prior funding system, school districts received different per-pupil funding rates based on historical factors and varying participation in categorical programs.

Because the District's legal minimum funding level is not expected to be met from local property taxes alone, the District budgeted receipt of general operating funds from the State in Fiscal Year 2017-18, Fiscal Year 2018-19 and Fiscal Year 2019-20. The District reported receipt of approximately $190,678,734 million in local control funding from the State in Fiscal Year 2017-18, and $203,735,359 million in local control funding from the State in Fiscal Year 2018-19 and projects $209,807,585 million in local control funding from the State in Fiscal Year 2019-20. The District also reported receipt of approximately $22,953,119 million of Other State funding in Fiscal Year 2017-18, projects approximately $25,305,661 million of Other State funding in Fiscal Year 2018-19 and projects approximately $18,343,576 million of Other State funding in Fiscal Year 2019-20. Total State funding accounts for approximately 90% of the District's overall revenues. As a result, decrease or deferrals in State revenues, or in State legislative appropriations made to fund education, may significantly affect District operations.

Local Control Accountability Plans. Beginning July 1, 2014, school districts were required to develop a three-year Local Control and Accountability Plan (each, a "**LCAP**"). Each LCAP must be developed with input from teachers, parents and the community, and should describe local goals as they pertain to eight areas identified as state priorities, including student achievement, parent engagement and school climate, as well as detail a course of action to attain those goals. Moreover, the LCAPs must be designed to align with the school district's budget to ensure adequate funding is allocated for the planned actions.

Each **s**chool district must submit its LCAP annually on or before July 1 for approval by its county superintendent of schools. The county superintendent of schools then has until August 15 to seek clarification regarding the contents of the LCAP, and the school district must respond in writing. The county superintendent of schools can submit recommendations for amending the LCAP, and such recommendations must be considered, but are not mandatory. A school district's LCAP must be approved by its county superintendent of schools by October 8 of each year if the superintendent finds (i) the LCAP adheres to the State template, and (ii) the district's budgeted expenditures are sufficient to implement the strategies outlined in the LCAP.

Performance evaluations are to be conducted to assess progress toward goals and guide future actions. County superintendents of schools are expected to review and provide support to the school districts under their jurisdiction, while the State Superintendent of Public Instruction performs a corresponding role for county offices of education. The California Collaborative for Education Excellence (the "**Collaborative**") a newly established body of educational specialist, was created to advise and assist local education agencies in achieving the goals identified in their LCAPs. For local education agencies that continued to struggle in meeting their goals and when the Collaborative indicates that additional intervention is needed, the State Superintendent of Public Instruction would have authority to make changes to a local education agency's LCAP.

For charter schools, the charter authorizer is required to consider revocation of a charter if the Collaborative finds that the inadequate performance is so persistent and acute as to warrant revocation. The State will continue to measure student achievement through statewide assessments, produce an Academic Performance Index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

Average Daily Attendance

As indicated above, commencing with the Fiscal Year 2013-14, the State budget restructured the manner in which the State allocates funding for K-12 education using the LCFF. Under the prior funding system, school districts received different per-pupil funding rates based on historical factors and varying participation in categorical programs.

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

Table A-1 shows the District's enrollment and ADA under the historical funding program for 2007-08 through 2012-13.

TABLE A-1

ENROLLMENT AND ADA
Fiscal Years 2007-08 through 2012-13
Lake Elsinore Unified School District

Fiscal Year	Enrollment [1]	Average Daily Attendance [2]
2007-08	22,109	21,229
2008-09	21,756	20,700
2009-10	22,216	20,835
2010-11	22,065	20,625
2011-12	22,171	20,491
2012-13	22,137	20,460

(1) Enrollment as of October report submitted to the California Longitudinal Pupil Achievement Data System ("**CALPADS**"), formerly California Basic Educational Data System ("**CBEDS**").
(2) 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.

Source: Lake Elsinore Unified School District.

Table A-2 shows the ADA by grade year for purposes of the LCFF for Fiscal Years 2013-14 to 2020-21, the enrollment for Fiscal Years 2013-14 to 2020-21 and percentage of unduplicated English learner/low income (“**EL/LI**”) students for Fiscal Years 2013-14 to 2020-21.

TABLE A-2

LOCAL CONTROL FUNDING FORMULA
ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Fiscal Year 2013-14 to 2020-21
Lake Elsinore Unified School District

	Average Daily Attendance (1)					Enrollment		
Fiscal Year	TK-3	4-6	7-8	9-12	Total ADA	Total Enrollment	% of EL/LI Enrollment (2)	Fiscal Year Average LCFF Entitlement Per Unit (3)
2013-14	6,475.25	4,731.83	3,084.54	6,252.03	20,543.65	21,651	64.10%	$6,595
2014-15(4)	6,437.12	4,771.14	3,057.72	6256.22	20,522.20	21,556	66.50	7,451
2015-16(4)	6,298.70	4,891.67	3,187.31	6,230.72	20,608.40	21,707	64.24	8,513
2016-17(4)	6,203.50	4,805.10	3,207.20	6,209.20	20,425.00	21,500	66.14	9,134
2017-18(4)	6,219.00	4,820.60	3,222.70	6,224.70	20,487.00	21,565	66.29	9,284
2018-19(5)	6,234.50	4,836.10	3,238.20	6,240.20	20,549.00	21,630	66.09	9,913
2019-20(6)	6,061.90	4,616.39	3,230.15	6,218.89	20,127.33	21,260	67.74	10,424
2020-21(6)	6,061.90	4,616.39	3,230.15	6,218.89	20,127.33	21,260	67.74	10,725

(1) ADA is 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.
(2) As of October report submitted to CALPADS. For purposes of calculating Supplemental and Concentration Grants, a school district’s Fiscal Year 2013-14 percentage of unduplicated EL/LI students is expressed solely as a percentage of its Fiscal Year 2013-14 total enrollment. For Fiscal Year 2014-15, the percentage of unduplicated EL/LI enrollment is based on the two-year average of EL/LI enrollment in Fiscal Years 2013-14 and 2014-15. Beginning in Fiscal Year 2015-16, a school district’s percentage of unduplicated EL/LI students 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) LCFF Entitlement per ADA is the aggregate average amount received by the District per ADA unit, aggregating LCFF base amount (or portion thereof prior to full funding) plus supplemental entitlements, grade span funding and concentration funding
(4) Actual.
(5) Estimated Actuals.
(6) Projected based on a flat enrollment and current capture rates/no change in all grade levels from Fiscal Year 2019-20 estimates.

Source: Lake Elsinore Unified School District.

LCFF limit calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among California school districts.

Employees

As of June 30, 2019, the District employed approximately 1,217 certificated employees and 1,512 classified employees, including management and some part-time employees.

The total certificated and classified payrolls, including management and including costs of statutory benefits and health benefits, were, or are budgeted to be, as applicable, as follows: (i) for the fiscal year ended June 30, 2018, an aggregate of $144,417,634 for certificated, classified and management salaries and an aggregate of $57,889,790 for benefits; (ii) for the fiscal year ended June 30, 2019, $148,405,622 and $63,817,101, respectively, and (iii) for the fiscal year ending June 30, 2020, $152,217,674 (Restricted/Unrestricted) and $68,344,789, respectively.

The certificated professionals and classified employees, except management and some part-time employees, are represented by two employee bargaining units as follows:

Name of Bargaining Unit	Number of Employees	Current Contract Expiration Date
Lake Elsinore Teachers Association (LETA)	1,094	June 30, 2019 (1)
California School Employees Association (CSEA)	824	June 30, 2019 (1)
Pre-School Teachers (CSEA)	23	June 30, 2019 (1)

(1) Contract negotiations are ongoing.
Source: Lake Elsinore Unified School District.

Retirement Plans

The District participates in retirement plans with the State Teachers' Retirement System ("**STRS**"), which covers all full-time certificated District employees, and the State Public Employees' Retirement System ("**PERS**"), which covers certain classified employees. Classified school personnel who are employed four or more hours per day may participate in PERS. The District also contributes to the Accumulation Program for Part-time and Limited Service Employees ("**APPLE**"), which is a defined contribution pension plan.

A defined contribution pension plan, such as APPLE, provides pension benefits in return for services rendered, provides an individual account of each participant and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account.

As established by federal law, all public sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by social security or an alternative plan. The District has elected to use APPLE as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 1.3% of an employee's gross earnings. An employee is required to contribute 6.2% of his or her gross earnings to the pension plan. During the Fiscal Year ending June 30, 2018, the District's required and actual contributions amounted to $52,695.70, which was 1.3% of such year's covered employee payroll.

The 2019-20 Budget (as defined below) includes approximately $3.0 billion one-time General Fund to PERS and $2.9 billion in available Proposition 2 debt payment funding over Fiscal Years 2019-20 through 2022-23 to STRS to reduce school district's share of the PERS and STRS unfunded liability. The 2019-20 Budget indicates that the payments for PERS and STRS are estimated to reduce state employer contribution rates beginning in 2019-20.

The District's contributions in recent years, and budgeted contributions in Fiscal Year 2018-19, are set forth below:

TABLE A-3

DISTRICT CONTRIBUTIONS TO STRS AND PERS
Fiscal Years 2013-14 through 2018-19
Lake Elsinore Unified School District

Fiscal Year	STRS	PERS
2013-14	$7,227,929	$4,718,430
2014-15	8,448,870	3,411,281
2015-16	10,678,065	3,508,639
2016-17	13,060,327	4,365,942
2017-18 (1)	15,749,888	5,261,464
2018-19 (2)	18,208,138	5,922,980

(1) Fiscal Year 2017-18 audited actuals.
(2) Fiscal Year 2018-19 First Interim Budget.

Source: Lake Elsinore Unified School District.

STRS. In order to receive STRS benefits, an employee must be at least 55 years old and have provided five years of service to State public schools. The District contribution rates are established by State statutes. In addition, participants are required to contribute to STRS. Participant contribution rates and benefits differ depending on whether an employee was hired on or before December 31, 2012 or on or after January 1, 2013 (see " – Pension Reform Act of 2013 (Assembly Bill 340)" herein). Employer contribution rates, including those of the District, will increase through Fiscal Year 2020-21, as shown in the following table. Beginning Fiscal Year 2021-22, employer contribution rates will be set each year by the Governing Board of the State Teachers' Retirement System (the "**STRS Board**") to reflect the contribution required to eliminate unfunded liabilities by June 30, 2046.

TABLE A-4

OVERVIEW OF STRS CONTRIBUTION RATES
Lake Elsinore Unified School District

A.B. 1469 Increases – Employer Rates				STRS Participant	
Effective Date	Prior Rate	Increase	Total	Required Contributions (Hired on or Before 12/31/2012 (Classic Members); 2% at 60 members)	Required Contributions (Hired on or After 1/1/2013 (New Members); 2% at 62 members)
July 1, 2017	8.25%	6.18%	14.43%	10.25%	9.205%
July 1, 2018	8.25	8.03	16.28	10.25	10.205
July 1, 2019	8.25	9.88	18.13	10.25	10.205(1)
July 1, 2020	8.25	10.85	19.10	10.25	10.205(1)

(1) Projected, subject to change.

Source: STRS Employer Directive 2018-02.

The State also contributes to STRS. The State's contributions are set pursuant to the California Education Code (the "**Education Code**"). The State's contribution reflects a base contribution and a supplemental contribution that will vary from year to year based on statutory criteria. For Fiscal Year 2017-18, the State contributed 6.828% of members' annual earnings to the defined benefit plan. For Fiscal Year 2018-19, the State will contribute 7.328% of members' annual earnings to the defined benefit plan. The State also contributes an amount based on a percentage of annual member earnings into the STRS Supplemental Benefits Maintenance Account, which is used to maintain the purchasing power of benefits.

Interested persons may review the STRS website for details regarding its programs – http://www.calstrs.com. (This reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement). The preceding information has been obtained from the information published by STRS and is believed to be reliable but is not guaranteed as to accuracy or completeness.

PERS. The District also participates in PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System (defined above as "**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, with the Public Employees' Retirement Laws. School districts are currently required to contribute to PERS at an actuarially determined rate. The information in the table below is derived from the PERS' Schools Pool Actuarial Valuation dated as of June 30, 2017. See " – Pension Reform Act of 2013 (Assembly Bill 340)" herein.

TABLE A-5

OVERVIEW OF PERS CONTRIBUTION RATES
Lake Elsinore Unified School District

Effective Date	PERS District Statutory Contribution Rates	PERS Participant Required Contributions (Hired on or Before 12/31/2012; 2% at 55 members)	PERS Participant Contributions (Hired on or After 1/1/2013 (New Members); 2% at 62 members)
July 1, 2015[(1)]	11.847%	7.0%	6.00%
July 1, 2016[(1)]	13.888	7.0	6.00
July 1, 2017[(1)]	15.531	7.0	6.50
July 1, 2018[(1)]	18.062	7.0	7.00
July 1, 2019[(1)(2)]	20.733	7.0	7.00
July 1, 2020[(1)(2)]	23.400	7.0	7.00

(1) Source: Schools Pool Actuarial Valuation as of June 30, 2017.
(2) Subject to change. The 20.733% contribution rate for the period commencing July 1, 2019, was recommended at the April 16, 2019, meeting of the PERS Finance and Administration Committee.

Interested persons may review the PERS website for details regarding its programs – http://www.calpers.ca.gov. (This reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement.) The preceding information has been obtained from the information published by PERS and is believed to be reliable but is not guaranteed as to accuracy or completeness.

Contribution rates to STRS and PERS vary annually depending on changes in actuarial assumptions and other factors, such as changes in retirement benefits. The contribution rates are based on State-wide rates set by the STRS and PERS retirement boards. STRS has a substantial State-wide unfunded liability. Since this liability has not been broken down by each school district, it is impossible to determine the District's share. The District is unable to predict what the amounts of liabilities will be in the future, or the amount of future contributions that the District may be required to pay. See APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF DISTRICT FOR FISCAL YEAR ENDING JUNE 30, 2018" for additional information concerning STRS and PERS contained in the notes to the financial statements.

Adjustments to Contribution Rates; Actuarial Valuations – STRS. Contributions to STRS are generally adjusted by State law. The information herein has been obtained from the information published by STRS and is believed to be reliable but is not guaranteed as to accuracy or completeness. The governing board of STRS adopts a valuation of its defined benefit plan and its defined benefit supplemental plan each year.

On February 1, 2017, the STRS Board voted to adopt revised actuarial assumptions reflecting members' increasing life expectancies and current economic trends. The revised assumptions include a decrease from 7.50% to a 7.25% investment rate of return for the June 30, 2016, actuarial valuation, a decrease from 7.25% to a 7.00% investment rate of return for the June 30, 2017, actuarial valuation, a decrease from 3.75% to a 3.50% projected wage growth, and a decrease from 3.00% to a 2.75% price inflation factor. Due to the revised actuarial assumptions, among other factors, as noted in the preceding paragraph, the funded status declined to 62.6% on a smoothed actuarial basis as of June 30, 2017. Changes to the unfunded actuarial obligation affect the contributions by school districts, plan participants and the State in different ways.

The 2019-20 Budget includes provision for making extra payments of approximately $9 billion over the next four years to pay down unfunded pension liabilities, which amount includes approximately $3 billion to PERS and approximately $2.9 billion to STRS on behalf of the State, and approximately $3.15 billion to STRS and PERS on behalf of school districts.

Adjustments to Contribution Rates; Actuarial Valuations – PERS. Due to the financial market declines which occurred during the Fiscal Year 2008-09 period, PERS investments lost substantial value at that time. Subsequent thereto, the Governing Board of the Public Employees' Retirement System (the "**PERS Board**") has adopted changes to its policies, assumptions and amortization methods. For example, in December 2009, the PERS Board adopted changes to its asset smoothing method in order to phase in over a three-year period the impact of the 24% investment loss experience by PERS in Fiscal Year 2008-09. The PERS Board adopts a valuation of its defined benefit plan each year. Recent years have seen positive investment returns. The valuation for the 12-month period that ended June 30, 2018, indicated an 8.6% return on investments for the 12-month period that ended June 30, 2018. The 2019-20 Budget indicates that as of June 30, 2018, the funded status for PERS was 70%.

PERS has adopted policies regarding contribution rates for the various plans and such plans are subject to modification as the PERS Board determines how to address the unfunded actuarial obligations. At its April 17, 2013, meeting, the PERS Board approved a change to the PERS amortization and smoothing policies. Beginning with the June 30, 2015, valuation, the newly adopted direct smoothing method was used to set the 2015-16 rates for the State and schools defined benefit plans. Under this direct rate smoothing method, all gains and losses were paid over a fixed 30-year period with the increases or decreases in the rate spread over a 5-year period. The PERS Board periodically adopts new assumptions regarding the longer life expectancy of State retirees. The June 30, 2016, valuation notes that the changes to the demographic assumptions approved by the PERS Board would be used to set the Fiscal Year 2016-17 contribution rate for school employers. The increase in liability due to the new actuarial assumptions is calculated in the 2016 actuarial valuation and amortized over a 20-year period with a 5-year ramp-up/ramp-down in accordance with PERS Board policy. On December 21, 2016, the PERS Board voted to lower the discount rate from 7.5% to 7.0% incrementally over the next three years (7.375% in 2017-18, 7.25% in 2018-19, and 7.0% in 2019-20). Lowering the discount rate, means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities.

At its February 13, 2018 meeting, the PERS Board approved a recommendation to change the PERS amortization policy. Prior to this change, PERS employed an amortization and smoothing policy which spread investment returns over a 30-year period with the increases or decreases in the rate spread directly over a 5-year period. After this change, PERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 20-year period rather than a 30-year period. The new amortization policy will be used for the first time in the June 30, 2019, actuarial valuations.

In April 2018, the PERS Board approved increased school employer contribution rates for Fiscal Year 2018-19 to address the lowering of the discount rate and the continued phase-in of the effect of investment losses during the two-year period ending June 30, 2016 and various demographic changes.

At its April 16, 2019 meeting, the Finance and Administration Committee of the PERS Board recommended the PERS Board adopt an employer contribution rate of 20.733% for the July 1, 2019 through June 30, 2020 period for the Schools Pool. The Committee noted the increase was driven by the continued phase-in of previous assumption changes, experience losses since 2014, and the adoption of new assumptions, both demographic and economic. The Committee also recommended that the PERS Board adopt a member contribution rate of 7.0% for employees subject to PEPRA effective July 1, 2018, which rate was equal to the current rate. The recommended employer and employee contribution rates were generated based on the June 30, 2018 annual valuation using a discount rate of 7.25%, payroll growth of 2.875% per year and an inflation rate of 2.625% per year. With the next valuation, the discount rate, annual payroll growth and annual inflation assumptions will be reduced to 7.00%, 2.75% and 21.50%, respectively.

The information herein has been obtained from the information published by PERS and is believed to be reliable but is not guaranteed as to accuracy or completeness.

PERS and STR Historical Actuarial Valuations Funded Status. As indicated above, both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities varies depending on actuarial assumptions, returns on investment, salary scales and participatory contributions. The following table summarizes information regarding actuarially-determined accrued liability for both STRS and PERS. Actuarial assessments are "forward-looking" information are based on a variety of assumptions, one or more of which may not materialize or may be changed in the future. Actuarial assessments and assumptions will change with the future experience of the pension plans.

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Table A-6

FUNDED STATUS
STRS (Defined Benefit Program) and PERS (Schools Pool)
(Dollar Amounts in Millions) [(1)]
Fiscal Years 2010-11 through 2017-18
Lake Elsinore Unified School District

STRS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA) [(2)]	Unfunded Liability (MVA) [(2)]	Value of Trust Assets (AVA) [(3)]	Unfunded Liability (AVA) [(3)]
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
2017-18	297,603	211,367	101,992	190,451	107,152

PERS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)	Unfunded Liability (MVA)	Value of Trust Assets (AVA) [(3)]	Unfunded Liability (AVA) [(3)]
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 supplemental benefit maintenance account reserve. Since the benefits provided through the supplemental benefits maintenance account are not part of the projected benefits included in the actuarial valuations summarized above, the supplemental benefits maintenance account 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 actual valuations.
(3) Reflects actuarial value of assets.
(4) Effective for the June 30, 2014 actual valuation, PERS no longer uses an actuarial value of assets and employs an amortization and smoothing policy that spread rate increases or decreases over a period of time.
(5) On April 16, 2019, the PERS Board 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: STRS Defined Benefit Program Actuarial Valuation; PERS Schools Pool Actuarial Valuation.

Pension Reform Act of 2013 (Assembly Bill 340)

On August 28, 2012, former Governor Brown and the Legislature reached agreement on a new law that reforms pensions for State and local government employees. AB 340, which was signed into law on September 12, 2012, established the California Public Employees' Pension Reform Act of 2012 ("**PEPRA**"), which governs pensions for public employers and public pension plans on and after January 1, 2013 (the "**Implementation Date**"). For new employees, PEPRA, among other things, caps pensionable salaries at the Social Security contribution and wage base, which is $132,900 for 2019, or 120% of that amount for employees not covered by Social Security, increases the retirement age by two years or more for all new public employees while adjusting the retirement formulas, requires state employees to pay at least half of their pension costs, and also requires the calculation of benefits on regular, recurring pay to stop income spiking. For all employees, changes required by PEPRA include the prohibition of retroactive pension increases, pension holidays and purchases of service credit. PEPRA applies to all State and local public retirement systems, including county and school district retirement systems. PEPRA only exempts the University of California system and charter cities and counties whose pension plans are not governed by State law. Although the District anticipates that PEPRA would not increase the District's future pension obligations, the District is unable to determine the extent of any impact PEPRA would have on the District's pension obligations at this time. Additionally, the District cannot predict if PEPRA will be challenged in court and, if so, whether any challenge would be successful.

GASB 67 and 68

On June 25, 2012, the Governmental Accounting Standards Board ("**GASB**") voted to approve two new standards that aimed to improve the accounting and financial reporting of public employee pensions by state and local governments. Statement No. 67, Financial Reporting for Pension Plans ("**Statement No. 67**"), revised existing guidance for the financial reports of most pension plans. Statement No. 68, Accounting and Financial Reporting for Pensions ("**Statement No. 68**"), revised and established new financial reporting requirements for most governments that provide their employees with pension benefits.

Statement No. 67 replaces the requirements of Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans and Statement 50, Pension Disclosures as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. Statement No. 67 builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement No. 67 enhances note disclosures and required supplementary information for both defined benefit and defined contribution pension plans. Statement No. 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year required supplementary information schedules.

Statement No. 68 replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 68 also enhances accountability and transparency through revised and new note disclosures and required supplementary information.

The provisions in Statement No. 67 are effective for financial statements for periods beginning after June 15, 2013. The provisions in Statement No. 68 are effective for fiscal years beginning after June 15, 2014.

At Fiscal Year 2018-19 year end, the District's proportionate share of the net pension liability was $240,917,090, as a result of the adoption of GASB No. 68, Accounting Reporting for Pensions. The District has recorded its proportionate share of net pension liabilities for STRS and PERS. See APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDING JUNE 30, 2018 – Note 15" attached hereto.

Other Postemployment Benefits

The District provides other post-retirement medical benefits ("**OPEB**") to the age of 65 to certain retired certificated employees hired on or prior to July 1, 2007. Eligibility for coverage requires retirement on or after age 55 and who have at least 10 years of continuous service. For certificated employees hired after July 1, 2007, eligibility for coverage requires retirement on or after age 60 and 15 years of service. The cap contribution decreases each year by 20% of the retirement cap. Spouse and dependent coverage ceases upon the death of the retiree.

The District also provides OPEB to the age of 65 to certain retired classified employees hired prior to July 1, 2007. Eligibility for coverage requires retirement on or after age 55 and who have at least 15 years of service. For classified employees hired on or after July 1, 2007, eligibility for coverage requires retirement on or after age 60 and 15 years of service. The District provides post-retirement medical benefits to the age of 65 to certain retired management employees on or after age 55 and who have at least 10 years of service. Spouse and dependent coverage ceases upon the death of the retiree.

The District has accounted for these benefits on a "pay-as-you-go" basis and as such, records the expenses when paid. The "pay-as-you-go" estimate for providing retiree health benefits in the year beginning July 1, 2019, is $2,035,331. As of June 30, 2019, approximately 132 retirees met the eligibility requirements and were receiving benefits and approximately 1,565 active employees were receiving these benefits.

GASB published Statement No. 75, which supersedes GASB Statement No. 45 and became effective the fiscal year beginning after June 15, 2017. This statement updates the requirements for government agencies that are on a "pay-as-you-go" basis, such as the District, to account for and report the outstanding obligations and commitments related to post-employment benefits. The District commissioned a study by The Nyhart Company, dated June 30, 2019, with respect to its liability in connection with such benefits (the "**Actuarial Report**"). The Actuarial Report concluded the District's total Net OPEB Liability Under GASB 75 to be $39,227,038. The Annual Required Contribution (ARC) which was a component of GASB Statement No. 45 is no longer a component or disclosure item under GASB Statement No. 75.

Risk Management

The District is exposed to various risks related to torts, theft, damage and destruction of assets, errors and omissions, personal injuries and natural disasters. The District participated in the Self-Insured Schools of California ("**SISC II**") public entity risk pools for property and liability insurance coverage in Fiscal Year 2014-15. Settled claims have not exceeded the insured coverage in any of the past four years. There has not been a significant reduction in coverage from the prior year. During Fiscal Year 2015-16, the District made a payment of $1,066,994 to SISC II for services received. During Fiscal Year 2016-17, the District made a payment of $988,334 to SISC II for services received. During Fiscal Year 2017-18, the District made a payment of $1,114,407 to SISC II for services received. During Fiscal Year 2018-19, the District made a payment of $1,485,409 to SISC II for services received.

The District has established a fund to self-insure itself for workers' compensation coverage. The workers' compensation experience of the District was calculated and applied to a premium rate, which was utilized for the purchase of an insurance product that provided the required coverage. Excess liability coverage for workers' compensation claims is provided through participation in the CSAC Excess Insurance Authority for excess over $250,000 per occurrence/injury.

The District has contracted with the Self-Insured Schools of California III ("**SISC III**") and Riverside Employer/Employee Partnership for Benefits ("**REEP**") to provide employee health benefits. SISC III and REEP are shared risk pools comprised of local educational agencies. Rates are set through an annual process. The District pays monthly premiums based on employee enrollment per plan choice.

Cyber Security

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. The District maintains insurance coverage for cyber security losses should a successful breach ever occur.

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 Special Taxes securing payment of the Bonds or such as the Fiscal Agent in its role as paying agent and the Dissemination Agent in connection with compliance with its disclosure undertakings. 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 Owners of the Bonds, e.g., systems related to the timeliness of payments to Owners of the Bonds or compliance with disclosure filings pursuant to the Continuing Disclosure Certificate.

See APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDING JUNE 30, 2018 – Notes 11, 15 and 16" attached hereto.

Charter Schools

Charter schools are largely independent schools operating as part of the public school system created pursuant to Part 26.8 (beginning with Section 47600) of Division 4 of Title 2 of the State Education Code Section 47605 (the "**Charter School Law**"). A charter school is usually created or organized by a group of teachers, parents and community leaders, or a community-based organization, and may be approved by an existing local public school district, a county board of education or the State Board of Education.

A charter school is generally exempt from the laws governing school districts, except where specifically noted in the law. The Charter School Law acknowledges that among its intended purposes are: (i) to provide parents and students with expanded choices in the types of educational opportunities that are available within the public school system; (ii) to hold schools accountable for meeting measurable pupil outcomes and provide schools a way to shift from a rule-based to a performance-based system of accountability; and (iii) to provide competition within the public school system to stimulate improvements in all public schools.

The District has approved a charter for the Sycamore Charter School pursuant to Education Code Section 47605. The Sycamore Charter School is operated by a separate governing board and is not considered a component unit of the District. The Sycamore Charter School receives federal and State funds for specific purposes that is subject to review and audit by grantor agencies.

The District can make no representations as to whether additional charter schools will be established within the boundaries of the District, the amount of any future transfers of students from the District to charters schools and the corresponding financing impact on the District.

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EFFECT OF STATE BUDGET ON DISTRICT REVENUES

The information in this section concerning the State budget and State finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable from the proceeds of an ad valorem *tax required to be levied by the County in an amount sufficient for the payment of the Bonds. See "THE BONDS – Security" herein.*

Most public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55% of their operating revenues from various State sources. Prior to implementation in Fiscal Year 2013-14 of the LCFF, the primary source of funding for school districts was the revenue limit, which was a combination of State funds and local property taxes (see " – DISTRICT FINANCIAL INFORMATION – State Funding of Education" below). Under the LCFF, State funds typically make up the majority of a district's funding, as was the case under the previous revenue limit funding. In the past, school districts also received substantial funding from the State for various categorical programs. Commencing with Fiscal Year 2009-10, various mandates and restrictions on local school districts were removed, allowing flexibility to spend funding for 42 categorical programs as school districts wished. These flexibility provisions were extended for a number of years through legislation and the LCFF replaces revenue limit and most categorical program funding. Revenues received by the District from all State sources accounted for approximately 90% of total general fund revenues in Fiscal Year 2016-17, for approximately 90% of total general fund revenues in Fiscal Year 2017-18, for approximately 90% of total general fund revenues in Fiscal Year 2018-19 and are projected to be approximately 90% of total general fund revenues in Fiscal Year 2019-20.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures, the condition of the State economy (which affects total revenue available to the State general fund) and the annual State budget process. As a result of the slow State and United States of America economies prior to the recent improvement in the economy, the State experienced serious budgetary shortfalls. The effect of the State revenue shortfalls on the local or State economy or on the demand for, or value of, the property within the boundaries of the District cannot be predicted.

Proposition 98; State Education Funding. As indicated above, the Proposition 98 guaranteed amount for education is based on prior-year funding, as adjusted through various formulas and tests that take into account State proceeds of taxes, local property tax proceeds, school enrollment, per capita personal income, and other factors. The State's share of the guaranteed amount is based on State general fund tax proceeds and is not based on the general fund in total or on the State budget. The local share of the guaranteed amount is funded from local property taxes. The total guaranteed amount varies from year to year and throughout the stages of any given fiscal year's budget, from the Governor's initial budget proposal to actual expenditures to post-year-end revisions, as better information regarding the various factors becomes available. Over the long run, the guaranteed amount will increase as enrollment and per capita personal income grow.

If, at year-end, the guaranteed amount is calculated to be higher than the amount actually appropriated in that year, the difference becomes an additional education funding obligation, referred to as "settle-up." If the amount appropriated is higher than the guaranteed amount in any year, that higher funding level permanently increases the base guaranteed amount in future years. The Proposition 98 guaranteed amount is reduced in years when general fund revenue growth lags personal income growth, and may be suspended for one year at a time by enactment of an urgency statute. In either case, in subsequent years when State general fund revenues grow faster than personal income (or sooner, as the Legislature may determine), the funding level must be restored to the guaranteed amount, the obligation to do so being referred to as "maintenance factor."

In the past, the State's response to fiscal difficulties has had a significant impact on Proposition 98 funding and settle-up treatment. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the guaranteed amount. In response, teachers' unions, the State Superintendent and others sued the State or Governor in 1995, 2005 and 2009 to force them to fund schools in the full amount required. The settlement of the 1995 and 2005 lawsuits resulted in over $4 billion in accrued State settle-up obligations. However, legislation enacted to pay down the obligations through additional education funding over time, including the Quality Education Investment Act of 2006, have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by temporarily deferring apportionments of Proposition 98 funds one fiscal year to the next, by permanently deferring the year end apportionment from June 30 to July 2; by suspending Proposition 98, as the State did in 2004-05; and by proposing to amend the State Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

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

Ballot Propositions. On November 2, 2010, voters approved Propositions 22, 25 and 26. Proposition 22 prohibits State legislators from using existing funds allocated to local government, public safety and transportation. Proposition 25 lowers the vote threshold for lawmakers to pass the State budget from two-thirds to a simple majority. Proposition 26 requires a two-thirds affirmative vote in the Legislature and local governments to pass many fees, levies, charges and tax revenue allocations that under previous rules could be enacted by a simple majority vote.

Education Provisions of the California State Budget. Following the enactment of Proposition 25 on November 2, 2010, the Governor is required by the State Constitution to propose a budget to the Legislature no later than January 10 of each year, and a final budget must be adopted by a majority vote of each house of the Legislature no later than June 15. Prior to enactment of Proposition 25, the final budget was required to be approved by a 2/3rds majority vote of each house of the Legislature and the June 15 deadline was routinely breached. For example, prior to enactment of Proposition 25, the State Budget approval occurred as late as September 23, 2008, for the Fiscal Year 2008-09 State Budget and October 8, 2010 for the Fiscal Year 2010-11 State Budget, the latest budget approval in State history. The budget becomes law upon the signature of the Governor, who retains veto power over specific items of expenditure. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. State income tax, sales tax, and other receipts can fluctuate significantly from year to year depending on economic conditions in the State and the nation. Because funding for K-12 education is closely related to overall State income, funding levels can also vary significantly from year to year, even in the absence of significant education policy changes. The District cannot predict how State income or State education funding will vary over the entire term to maturity of the Bonds, and the District takes no responsibility for informing Owners of the Bonds as to any such annual fluctuations.

When the State budget is not adopted on time, basic appropriations and the categorical funding portion of each school district's State funding are affected differently. Under the rule of *White v. Davis* (also referred to as *Jarvis v. Connell*), a State Court of Appeal decision reached in 2002, there is no constitutional mandate for appropriations to school districts without an adopted budget or emergency appropriation, and funds for State programs cannot be disbursed by the State Controller until that time, unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the Constitution (such as appropriations for salaries of elected state officers), or (iii) mandated by federal law (such as payments to State workers at no more than minimum wage). The State Controller has consistently stated that basic State funding for schools is continuously appropriated by statute, but that special and categorical funds may not be appropriated without an adopted budget. The State Controller has posted guidance as to what can and cannot be paid during a budget impasse at its website www.sco.ca.gov. Neither the District nor the Underwriter take responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by reference. Should the Legislature fail to pass the budget or emergency appropriation before the start of any fiscal year, the District might experience delays in receiving certain expected revenues.

Information Regarding State Education Spending. Information about the State budgeting process, the State budget and State spending for education is available at various State-maintained websites, including (i) the State's website http://www.ebudget.ca.gov (this reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement), where recent official statements for State bonds are posted, (ii) the California State Treasurer's Internet home page http://www.treasurer.ca.gov (this reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement) which includes the State's audited financial statements, various State Official Statements, many of which contain a summary of the current State budget, past State budgets, and the impact of those budgets on school districts in the State, the State's Rule 15c2-12 filings for State bond issues, financial information which includes an overview of the State economy and government, State finances, State indebtedness, litigation and discussion of the State budget and its impact on school districts, (iii) the California Department of Finance's internet home page http://www.dof.ca.gov/budget (this reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement) which includes the text of the budget and information regarding the State budget, and (iv) the State Legislative Analyst's Office ("**LAO**") http://www.lao.ca.gov.com (this reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement) which prepares analyses and reports regarding the proposed and adopted State budgets. *The State has not entered into any contractual commitment with the District, the Underwriter or the Owners of the Bonds to provide State budget information to the District or the Owners of the Bonds. Although the State sources of information listed above are believed to be reliable, neither the District nor the Underwriter assumes any responsibility for the accuracy of the State budget information set forth or referred to therein.*

The District cannot predict how State income or State education funding will vary over the term to maturity of the Bonds, and neither the District nor the Underwriter takes any responsibility for informing Owners of the Bonds as to actions the Legislature or Governor may take affecting the current year's budget after its adoption. Information about the State budget and State spending for education is regularly available at various State-maintained websites.

2019-20 State Budget. The Governor signed the fiscal year 2019-20 State Budget (the "**2019-20 State Budget**") on June 27, 2019. The 2019-20 State Budget sets forth a balanced budget for Fiscal Year 2019-20 that projects approximately $143.8 billion in revenues, and $91.9 billion in non-Proposition 98 expenditures and $55.9 billion in Proposition 98 expenditures. The 2019-20 State Budget includes a $1.4 billion reserve in the Special Fund for Economic Uncertainties. To provide immediate and long-term relief to school districts facing rising pension costs, the 2019-20 State Budget includes a $3.15 billion non-Proposition 98 General Fund payment to STRS and PERS Schools Pool. Of this amount, an estimated $850 million will buy down the employer contribution rates in Fiscal Years 2019-20 and 2020-21. The 2019-20 State Budget includes total funding of $103.4 billion ($58.8 billion General Fund and $44.6 billion other funds) for all K-12 education programs. The 2019-20 State Budget provides $1.9 billion in new Proposition 98 funding for the LCFF, reflecting a 3.26% cost of living adjustment.

Certain budgeted adjustments for K-12 education set forth in the 2019-20 State Budget include the following:

- Special Education. The 2019-20 State Budget includes $645.3 million ongoing Proposition 98 General Fund resources for special education, including $152.6 million to provide all Special Education Local Plan Areas with at least the statewide target rate for base special education funding, and $492.7 million for special education allocated based on the number of children ages 3 to 5 years with exceptional needs that the school district is serving.

- After School Education and Safety Program. The 2019-20 State Budget includes $50 million ongoing Proposition 98 General Fund resources to provide an increase of approximately 8.3% to the per-pupil daily rate for the After School Education and Safety Program.

- Longitudinal Data System. The 2019-20 State Budget includes $10 million one-time non-Proposition 98 General Fund resources to plan and develop a longitudinal data system to improve coordination across data systems and better track the impacts of state investments on achieving educational goals.

- Retaining and Supporting Well-Prepared Educators. The 2019-20 State Budget includes $89.8 million one-time non-Proposition 98 General Fund resources to provide up to 4,487 grants of $20,000 for students enrolled in a professional teacher preparation program who commit to working in a high-need field at a priority school for at least four years. The 2019-20 State Budget also includes $43.8 million one-time non-Proposition 98 General Fund resources to provide training and resources for classroom educators, including teachers and paraprofessionals, to build capacity around key state priorities. Finally, the 2019-20 State Budget includes $13.8 million ongoing federal funds to establish the 21st Century California Leadership Academy, to provide professional learning opportunities for public K-12 administrators and school leaders to acquire the knowledge, skills, and competencies necessary to successfully support the diverse student population served in California public schools.

- Broadband Infrastructure. The 2019-20 State Budget includes $7.5 million one-time non-Proposition 98 General Fund resources to assist school districts in need of infrastructure and updates to meet the growing bandwidth needs of digital learning.

- School Facilities Bond Funds. The 2019-20 State Budget assumes $1.5 billion Proposition 51 bond funds, an increase of $906 million over the prior year, to support school construction projects.

- Full-Day Kindergarten. The 2019-20 State Budget includes $300 million one-time non-Proposition 98 General Fund resources to construct new or retrofit existing facilities to support full-day kindergarten programs, which will increase participation in kindergarten by addressing barriers to access.

- Proposition 98 Settle-Up. The 2019-20 State Budget includes an increase of $686.6 million for K-12 schools and community colleges to pay the balance of past year Proposition 98 funding owed through 2017-18.

- Classified School Employees Summer Assistance Program. The 2019-20 State Budget includes an increase of $36 million one-time Proposition 98 General Fund resources to provide an additional year of funding for the Classified School Employees Summer Assistance Program, which provides a state match for classified employee savings used to provide income during summer months.

- Wildfire-Related Cost Adjustments. The 2019-20 State Budget includes an increase of $2 million one-time Proposition 98 General Fund resources to reflect adjustments in the estimate for property tax backfill for basic aid school districts impacted by 2017 and 2018 wildfires. Additionally, the 2019-20 State Budget includes an increase of $727,000 one-time Proposition 98 General Fund resources to reflect adjustments to the State's student nutrition programs resulting from wildfire-related losses. Further, the 2019-20 State Budget holds both school districts and charter schools impacted by the wildfires harmless for State funding for two years.

The complete 2019-20 State Budget is available from the California Department of Finance website at www.dof.ca.gov. The District takes no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

Changes in State Budget. Governor Newsome signed the 2019-20 State Budget on June 27, 2019. The District cannot predict the impact that the final Fiscal Year 2019-20 State Budget, or subsequent budgets, will have on its finances and operations. The final Fiscal Year 2019-20 State Budget may be affected by national and State economic conditions and other factors which the District cannot predict.

Future Budget Impacts. 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 2019-20 State Budget will be affected by national and State economic conditions and other factors. The District cannot predict how State income or State education funding will vary over the term to maturity of the Bonds, and the District takes no responsibility for informing Owners of the Bonds as to actions the Legislature or Governor may take affecting a budget after its adoption. The Bonds, however, are not payable from such revenue. The Bonds will be payable solely from the proceeds of an *ad valorem* property tax which is required to be levied by the County in an amount sufficient for the payment thereof. 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. Information about the State budget and State spending for education is regularly available at various State-maintained websites. See, *" –* EFFECT OF STATE BUDGET ON REVENUES – *Information regarding State Education Spending"* above.

To the extent negatively impacted by actions taken by the Governor and the Legislature to address changing State revenues generally or by State revenues available for education specifically, the District may need to develop and implement different or additional budgetary adjustments to contend with its projected spending in the future.

Limitation on School District Reserves. Included in the Fiscal Year 2014-15 State Budget trailer bills was a provision which caps the amount of money school districts may set aside for economic crises if state-level reserves reach certain levels if the State electorate approved the Rainy Day Fund, which the electorate did approve. The District is in compliance with the requirement. On October 11, 2017, former Governor Brown signed legislation ("**SB 751**") amending Section 42127.01 of the Education Code, effective January 1, 2018. SB 751 raises the reserve cap established under SB 858 to no more than 10% of a school district's combined assigned or unassigned ending general fund balance and provides that the reserve cap will be triggered only if there is a minimum balance of 3% of the Proposition 98 reserve. Basic aid school districts (also known as "**community funded districts**") and small districts with fewer than 2,501 units of ADA are exempt from the reserve cap. The District cannot predict if or when the reserve cap enacted by SB 751 will be triggered and what impact it may have on the District's reserves.

Dissolution of Redevelopment Agencies. On July 18, 2011, the California Redevelopment Association, the League of California Cities, and the Cities of Union City and San Jose filed petition for a writ of mandate in *California Redevelopment Association et al. v. Ana Matosantos et al.* ("***Matosantos***") with the Supreme Court of California alleging that ABX1 26 and ABX1 27 violate the State Constitution, as amended by Proposition 22 (the Local Taxpayer, Public Safety and Transportation Protection Act, approved by the voters of the State on November 2, 2010, hereafter referred to as "**Proposition 22**"). The petitioners alleged, among other things, that ABX1 26 and ABX1 27 seek to illegally divert tax increment revenue from Redevelopment Agencies (as defined below) by threatening such agencies with dissolution if payments are not made to support the State's obligation to fund education. The petition was accompanied by an application for a stay seeking to delay implementation of the provisions of ABX1 26 and ABX1 27 until the claims were adjudicated.

On December 29, 2011, the State Supreme Court issued its ruling in *Matosantos*. The Court upheld ABX1 26, the bill that dissolves all Redevelopment Agencies and directs the resolution of their activities. However, it found that ABX1 27, which allows Redevelopment Agencies to avoid elimination by making certain payments to offset State budget expenses, is unconstitutional. As a result, all Redevelopment Agencies were required to dissolve and transfer their assets and liabilities to "successor agencies" that will wind down the Redevelopment Agencies' affairs. Based on the decision, all Redevelopment Agencies were dissolved as of February 1, 2012.

Tax increment revenues that would have been directed to Redevelopment Agencies will be distributed to make "Pass-Through Payments" to local agencies that they would have received under prior law and to successor agencies for retirement of the Redevelopment Agencies' debts and for limited administrative costs. The remaining revenues will be distributed as property tax revenues to cities, counties, school districts, community college districts and special districts. The District cannot predict whether, or to what extent, the elimination of Redevelopment Agencies will affect the Pass-Through Payments or whether amounts received will be offset against other funds the State would otherwise have paid to the District. See "THE BONDS – Security."

The District entered into agreements with several redevelopment agencies formed pursuant the State Community Redevelopment Law (Health and Safety Code Sections 33000 et seq.) (generally, "**Redevelopment Agencies**"), pursuant to which the District has, in the past, received "pass-through" tax increment revenues (the "**Redevelopment Revenues**"). See "DISTRICT FINANCIAL INFORMATION – Revenue Sources – *Redevelopment Revenues*" for information regarding amounts of Redevelopment Revenues received in Fiscal Years 2016-17 and 2018-19, and an estimate of the amount to be received in Fiscal Year 2018-19.

The District, however, can make no representations that Redevelopment Revenues will continue to be received by the District in amounts consistent with prior years, or as currently projected, particularly in light of the legislation eliminating Redevelopment Agencies.

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DISTRICT FINANCIAL INFORMATION

The information in this section concerning the operations of the District and the District's general fund finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of and interest on the Bonds is payable from the general fund of the District. The Bonds are payable from the proceeds of an ad valorem tax required to be levied by the County in the District in an amount sufficient for the payment thereof. See "THE BONDS – Security" herein.

Accounting Practices

The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the Education Code, is to be followed by all State school districts. Significant accounting policies followed by the District are explained in Note 1 to the District's audited financial statements for the Fiscal Year ending June 30, 2018, which are included as APPENDIX B.

The District's expenditures are accrued at the end of the fiscal year to reflect the receipt of goods and services in that year. Revenues generally are recorded on a cash basis, except for items that are susceptible to accrual (measurable and/or available to finance operations). Current taxes are considered susceptible to accrual. Delinquent taxes not received after the fiscal year end are not recorded as revenue until received. Revenues from specific State and federally funded projects are recognized when qualified expenditures have been incurred. State block grant apportionments are accrued to the extent that they are measurable and predictable. The State Department of Education sends the District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

The District's accounting is organized on the basis of fund groups, with each group consisting of a separate set of self-balancing accounts containing assets, liabilities, fund balances, revenues and expenditures. The major fund classification is the general fund which accounts for all financial resources not requiring a special type of fund. The District's fiscal year begins on July 1 and ends on June 30.

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 for the District for the Fiscal Year ending June 30, 2018, and prior fiscal years are on file with the District and available for public inspection at the office of the Superintendent of the Lake Elsinore Unified School District, 545 Chaney Street, Lake Elsinore, California 92530, telephone number (951) 253-7000. The audited financial statements for the fiscal year ended June 30, 2018, are included in APPENDIX B hereto.

Vavrinek, Trine, Day & Co., LLP, Certified Public Accountants, the auditor, has not been requested to consent to the use or to the inclusion of its reports in this Official Statement and they have neither audited nor reviewed this Official Statement. The District is required by law to adopt its audited financial statements after a public meeting to be conducted no later than January 31, following the close of each fiscal year.

The following table reflects information from the District's audited financial statements for Fiscal Years 2013-14, 2014-15, 2015-16, 2016-17 and 2017-18.

TABLE A-7

FINANCIAL STATEMENTS
Lake Elsinore Unified School District

BALANCE SHEET – GENERAL FUND

	Audited June 30, 2014	Audited June 30, 2015	Audited June 30, 2016	Audited June 30, 2017	Audited June 30, 2018
ASSETS					
Deposits and investments	$8,523,838	$15,659,012	$27,564,267	$39,675,333	$40,955,644
Receivables	39,980,619	7,352,697	5,682,955	4,236,483	4,400,714
Due from other funds	1,912,949	1,394,871	1,339,943	1,419,712	1,560,539
Stores inventories	178,608	120,383	135,166	163,176	193,921
Total Assets	$50,596,014	$24,526,963	$34,722,331	$45,494,704	$47,110,818
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$21,783,285	$4,616,404	$5,261,323	$7,358,250	$7,613,445
Due to other funds	5,644,578	6,763,161	3,881,213	299,544	5,076,573
Other current liabilities	--	--	--	--	--
Current loans	21,830,000	8,000,000	--	--	--
Deferred/Unearned revenue	483	56,591	827,684	2,862,842	2,844,283
Total Liabilities	$49,258,346	$19,436,156	$9,970,220	$10,520,636	$15,534,301
Fund Balances:					
Nonspendable	$204,608	$146,383	$161,166	$189,175	$219,921
Restricted	2,411,640	651,010	2,155,020	3,472,374	1,947,243
Assigned	--	--	15,392,459	21,369,490	18,507,627
Unassigned	(1,278,580)	4,293,414	7,043,466	9,943,029	10,901,726
Total Fund Balance	$1,337,668	$5,090,807	$24,752,111	$34,974,068	$31,576,517
Total Liabilities and Fund Balances	$50,596,014	$24,526,963	$34,722,331	$45,494,704	$47,110,818

Source: Lake Elsinore Unified School District.

Comparative Financial Statements. The following table reflects the District's general fund revenues, expenditures and changes in fund balance for Fiscal Years 2013-14 through 2017-18. The District's audited financial statements for Fiscal Year 2017-18 are included as APPENDIX B hereto.

TABLE A-8

AUDITED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Fiscal Years 2013-14 through 2017-18
Lake Elsinore Unified School District

REVENUES	Audited 2013-14[1]	Audited 2014-15[1]	Audited 2015-16[1]	Audited 2016-17[1]	Audited 2017-18[1]
LCFF	$135,467,367	$152,796,329	$175,313,512	$186,380,839	$190,678,734
Federal Sources	11,478,960	10,268,888	9,865,267	9,224,488	10,593,047
Other State Sources	15,072,752	13,146,353	28,251,114	22,211,775	22,953,119
Other Local Sources	14,035,677	15,344,688	13,676,790	13,359,678	14,398,395
Total Revenues	$176,054,756	$191,556,258	$227,106,683	$231,176,780	$238,623,295
EXPENDITURES:					
Instruction	$111,939,985	$123,380,463	$135,032,454	$145,258,048	$154,925,762
Instruction-Related Activities:					
Supervision of instruction	4,212,231	3,252,498	3,387,664	3,180,603	3,586,926
Instructional library, media and technology	970,578	1,060,772	1,101,885	1,135,358	1,218,150
School site administration	10,233,337	11,425,538	12,274,419	13,099,581	14,135,373
Pupil Services:					
Home-to-school transportation	4,172,882	4,088,400	4,226,893	4,612,598	4,812,362
Food services	--	--	--	848	2,399
All other pupil services	10,409,277	11,744,099	12,956,669	13,541,416	14,740,783
General Administration:					
Data processing	1,787,970	1,828,535	1,914,339	2,086,560	2,209,971
All other general administration	6,887,048	7,290,189	8,520,843	9,288,717	10,458,548
Plant Services	19,180,573	19,672,963	21,286,940	23,736,560	24,174,041
Facility Acquisition and Construction	1,814,937	3,949	1,513,677	180,704	2,870,298
Ancillary Services	1,669,041	1,748,894	1,895,538	2,189,214	2,240,306
Community Services	1,231,053	872,266	802,723	755,032	1,025,859
Capital Outlay					
Other Outgo	174,179	180,530	179,597	195,234	129,194
Enterprise services	2,001,677	1,662,821	1,222,617	672,549	93,321
Debt Service:					
Principal	528,751	542,191	571,016	580,397	177,689
Interest and Other	924,676	607,312	737,929	165,532	168,439
Total Expenditures	$178,138,195	$189,361,420	$207,625,203	$220,678,951	$236,969,421
Excess (Deficiency) of Revenues Over Expenditures	($2,083,439)	$2,194,838	$19,481,480	$10,497,829	$1,653,874
Other Financing Sources (Uses):					
Transfers in	--	--	$37,314	$520	--
Transfers out	($463,456)	($612,087)	--	($276,392)	($5,051,425)
Other sources	234,641	--	142,510	--	--
Net Financing Sources (Uses)	($228,815)	($612,087)	$179,824	($275,872)	($5,051,425)
Special Item					
Proceeds from sale of land	--	$2,170,388	--	--	--
NET CHANGE IN FUND BALANCES	($2,312,254)	$3,753,139	$19,661,304	$10,221,957	($3,397,551)
Fund Balance, Beginning	$3,649,922	$1,337,668	$5,090,807	$24,752,111	$34,974,068
Fund Balance, Ending	$1,337,668	$5,090,807	$24,752,111	$34,974,068	$31,576,517

(1) For a comparison of budgeted and audited actual results for Fiscal Years 2015-16 through 2017-18, budgeted and estimated actual totals for Fiscal Year 2018-19 and budgeted totals for Fiscal Year 2019-20 in object-oriented format, please see " – General Fund Budget" herein.

Source: Lake Elsinore Unified School District.

District Budget Process and County Review

The District is required by provisions of the State Education Code to maintain a balanced budget in each fiscal 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 (A.B. 1200), which became law on October 14, 1991. Portions of A.B. 1200 are summarized below. Additional amendments to the budget process were made from time to time thereafter, including in 2014 and 2015.

Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the County Superintendent of Schools.

The county superintendent of schools must review and approve, conditionally approve or disapprove the budget no later than September 15. The county superintendent of schools is required to 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 with the established standards. In the event that the county superintendent of schools conditionally approves or disapproves the school district's budget, the county superintendent of schools will submit to the governing board of the school district no later than September 15 of such year recommendations regarding revisions of the budget and the reasons for the recommendations, including, but not limited to, the amounts of any budget adjustments needed before the county superintendent of schools can approve that budget.

The governing board of the school district, together with the county superintendent of schools, must review and respond to the recommendations of the county superintendent of schools before October 8 at a regular meeting of the governing board of the school district. The county superintendent of schools will examine and approve or disapprove of the revised budget by November 8 of such year. If the county superintendent of schools disapproves a revised budget, the county superintendent of schools will call for the formation of a budget review committee. By December 31 of each year, every school district must have an adopted budget, or the county superintendent of schools may impose a budget and will report such school district to the Legislature and the Department of Finance.

Subsequent to approval, the county superintendent of schools will monitor each school district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the school district can meet its current or subsequent year financial obligations. If the county superintendent of schools determines that a school district cannot meet its current or the subsequent year's obligations, the county superintendent of schools will notify the school district's governing board, the Superintendent of Public Instruction and the president of the State board (or the president's designee) of the determination and take at least one of the following actions, and all actions that are necessary to ensure that the school district meets its financial obligations: (a) develop and impose, after also consulting with the Superintendent of Public Instruction and the school district's governing board, revisions to the budget that will enable the district to meet its financial obligations in the current fiscal year, (b) stay or rescind any action inconsistent with the ability of the school district to meet its obligations for the current or subsequent fiscal year, (c) assist in developing, in consultation with the school district's governing board, a financial plan that will enable the school district to meet its future obligations, (d) assist in developing, in consultation with the school district's governing board, a budget for the subsequent fiscal year and (e) as necessary, appoint a fiscal advisor to perform the aforementioned duties. The county superintendent of schools will also make a report to the Superintendent of Public Instruction and the President of the State Board of Education or the President's designee about the financial condition of the school district and the remedial actions proposed by the county superintendent of schools. However, the county superintendent of schools may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the county superintendent of schools assumed authority.

Under the provisions of A.B. 1200 and the Education Code (Section 42100 et. seq.) , each school district is required to file two interim certifications with the county superintendent of schools (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) 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 fiscal year. The county superintendent of schools reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that based on then current projections 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, based on then current projections, is deemed unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that, based on then current projections, may not meet its financial obligations for the current fiscal year or the two subsequent fiscal years. A certification may be revised to a negative or qualified certification by the county superintendent of schools, as appropriate. A school district that receives a qualified or negative certification for its second interim report must provide to the county superintendent of schools, the State Controller and the Superintendent no later than June 1, financial statement projections of the school district's fund and cash balances through June 30 for the period ending April 30. A school district that receives a qualified or negative certification may not issue tax and revenue anticipation notes or certificates of participation without approval by the county superintendent of schools in that fiscal year or in the next succeeding year. In the last five fiscal years, the District has not received a qualified or negative certification in connection with its interim reports.

For school districts under fiscal distress, the county superintendent of schools is authorized to take a number of actions to ensure that the school district meets its financial obligations, including budget revisions. However, the county superintendent of schools is not authorized to approve any diversion of revenue from ad valorem taxes levied to pay debt service on district general obligation bonds. A school district that becomes insolvent may, upon the approval of a fiscal plan by the county superintendent of schools, request an emergency appropriation from the State, in which case the county superintendent, the Superintendent of Public Instruction and the President of the State Board of Education or the President's designee will appoint a trustee to serve the school district until it has adequate fiscal systems and controls in place. The acceptance by a school district of an emergency apportionment exceeding 200% of the reserve recommended for that school district constitutes an agreement that the county superintendent will assume control of the school district in order to ensure the school district's return to fiscal solvency.

In the event the State elects to provide an emergency appropriation to a school district, such appropriation may be accomplished through the issuance of "State School Fund Apportionment Lease Revenue Bonds" to be issued by the California Infrastructure and Economic Development Bank, on behalf of the school district. State law provides that so long as such bonds are outstanding, the recipient school district (via its administrator) cannot file for bankruptcy.

The District has never had an adopted budget disapproved by the county superintendent of schools. During the last five fiscal years, the District self-certified "negative", and the County concurred, for the first and second interim reports in Fiscal Year 2014-15. For all other interim reports during the last five fiscal years, including the second interim for Fiscal Year 2018-19, the District was certified "positive."

The District has projected positive ending fund balances in Fiscal Years 2018-19 through 2020-21 in its Fiscal Year 2019-20 adopted budget multi-year projection for based on the State's current plan to fully implement the LCFF. Full implementation of the LCFF has occurred over a period of several years, during which an annual transition adjustment was calculated for each 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. Full implementation of the LCFF occurred in Fiscal Year 2018-19. For a discussion of the LCFF implementation plan, see APPENDIX A – "INFORMATION RELATING TO THE LAKE ELSINORE UNIFIED SCHOOL DISTRICT'S OPERATION AND BUDGET – THE DISTRICT – Allocation of State Funding to School Districts; Restructuring of the K-12 Funding System" and "DISTRICT FINANCIAL INFORMATION – Current State Education Funding – Local Control Funding Formula" herein. However, in the absence of either the full implementation of the LCFF as currently projected by the State or a reduction of general fund expenditures, there can be no assurances that the District will have positive ending fund balances in future years.

General Fund Budget

The District's general fund budgets (audited or budgeted, as applicable) for the Fiscal Years ending June 30, 2017, through June 30, 2020, are set forth in the following Table A-9.

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TABLE A-9

GENERAL FUND BUDGETING
Fiscal Years 2016-17 and 2017-18 Audited Actuals, Fiscal Year 2018-19 and 2019-20 Adopted Budgets and Fiscal Year 2018-19 Estimated Actuals Report
Lake Elsinore Unified School District

	2016-17		2017-18		2018-19		2019-20
REVENUES	Adopted Budget	Audited Actual	Adopted Budget [1]	Audited Actual [2]	Adopted Budget [1]	Estimated Actuals	Adopted Budget [1]
LCFF State Aid	$186,717,557	$186,380,839	$190,606,176	$190,678,734	$202,361,554	$203,735,359	$209,807,585
Federal Sources	9,686,620	9,224,488	9,989,920	10,593,047	11,059,847	13,661,137	11,252,189
Other State Sources	21,955,255	22,211,775	19,589,233	22,953,119	23,077,090	25,305,665	18,343,576
Other Local Sources	12,307,757	13,359,678	12,247,895	14,398,395	12,665,597	15,633,864	13,346,859
TOTAL REVENUES	$230,667,189	$231,176,780	$232,433,224	$238,623,295	$249,164,088	$258,336,025	$252,750,209
EXPENDITURES							
Current							
Certificated Salaries	$106,718,247	$104,455,767	$108,029,796	$111,451,052	$113,977,955	$113,785,989	$116,354,156
Classified Salaries	31,704,714	30,748,625	32,321,778	32,966,582	33,916,419	34,619,633	35,863,518
Employee Benefits	54,510,133	52,446,992	58,003,746	57,889,790	63,933,533	63,817,101	68,344,789
Books & Supplies	12,628,145	11,009,558	10,585,320	10,314,045	13,331,996	17,289,781	14,189,924
Services & Operating Expenditures	22,194,319	20,298,362	18,698,931	21,034,931	22,530,926	23,006,295	22,162,188
Capital Outlay	901,605	1,129,473	3,011,300	3,454,233	852,567	2,464,702	837,837
Other Outgo	982,230	590,174	1,008,934	(141,212)	1,081,800	930,050	741,766
Indirect/Direct Support Costs	(420,000)	0	(567,329)	0	(609,269)	(601,250)	(579,018)
TOTAL EXPENDITURES	$229,219,393	$220,678,951	$231,092,476	$236,969,421	$249,015,927	$255,312,301	$257,915,160
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$1,447,796	$10,497,829	$1,340,748	$1,653,874	$148,161	$3,023,724	$(5,164,951)
OTHER FINANCING SOURCES/(USES)							
Transfers in	$0	$520	$0	$0	$0	$0	$0
Contributions & Other Sources	(1,250,000)	0	0		0	0	0
Transfers Out	(1,250,000)	(276,392)	(1,250,000)	(5,051,425)	(1,750,000)	(1,900,000)	(8,606)
TOTAL OTHER FINANCING SOURCES/(USES)	($1,250,000)	($275,872)	($1,250,000)	$179,824	($1,750,000)	($1,900,000)	($8,606)
SPECIAL ITEM							
Proceeds from sale of land	$0	$0	$0	$0	$0	$0	$0
NET INCREASE (DECREASE) IN FUND BALANCE	$197,796	$10,221,957	$90,748	($3,397,551)	($1,601,839)	$1,123,720	$(5,173,557)
Fund Balance - Beginning	$23,594,829	$24,752,111	$26,286,368	$34,974,068	$28,640,891	$31,329,358	$32,453,078
Fund Balance - Ending	$23,792,625	$34,974,068	$26,377,116	$31,576,517	$27,039,052	$32,453,078	$27,279,521

[1] From the Adopted Budget of the District for Fiscal Years 2016-17 through 2019-20. See " – Comparative Financial Statements" herein.
[2] The Audited Actual column for each of the Fiscal Years 2016-17 and 2017-18 is taken from the Annual Financial Report, which was approved by the Board in the following January of each year.

Source: Lake Elsinore Unified School District.

State Funding of Education

State school districts receive a significant portion of their funding from State appropriations. As a result, changes in State revenues may affect appropriations made by the Legislature to school districts.

Until implementation of the LCFF, annual State apportionments of basic and equalization aid to school districts were computed based on a revenue limit per unit of ADA. Revenue limit calculations were adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among California school districts. See APPENDIX A – "INFORMATION RELATING TO THE LAKE ELSINORE UNIFIED SCHOOL DISTRICT'S OPERATIONS AND BUDGET – THE DISTRICT – Allocation of State Funding to School Districts; Restructuring of the K-12 Funding System – Average Daily Attendance" and the table in that section titled, "Local Control Funding Formula ADA, Enrollment and EL/LI Enrollment Percentage Fiscal Years 2013-14 to 2020-21," above.

For a discussion of legal limitations on the ability of the District to raise revenues through local property taxes, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below.

Prior State Funding of Education

Previously, school districts operated under general purpose revenue limits established by the State Department of Education. Under the prior system, Education Code Section 42238 and following, each school district was determined to have a target funding level: a "base revenue limit" per student multiplied by the school district's student enrollment measured in unit of ADA. The base revenue limit was calculated from the school district's prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district was the amount needed to reach that district's base revenue limit after taking into account certain other revenues, in particular, locally generated property taxes. This was referred to as State "equalization aid." To the extent local tax revenues increased due to growth in local property assessed valuation, the additional revenue was offset by a decline in the State's contribution; ultimately, a school district whose local property tax revenues exceeded its base revenue limit was entitled to receive no State equalization aid, and received only its special categorical aid, which was deemed to include the "basic aid" of $120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such school districts were known as "basic aid districts." School districts that received some equalization aid were commonly referred to as "revenue limit districts." The District was a revenue limit district. Beginning in Fiscal Year 2013-14, school districts are funded based on a new local control funding formula. See " ─ Current State Education Funding" below.

Current State Education Funding

Local Control Funding Formula. The State Constitution requires that from all State revenues there will be funds set aside to be allocated by the State for support of the public school system and public institutions of higher education. As discussed below, school districts in the State receive a significant portion of their funding from these State allocations. **Bond proceeds from voter approved bond measures, such as the measure approved by District voters at the election held on November 8, 2016, and the *ad valorem* taxes levied to pay them are separately accounted for from District operating revenues.**

The general operating income of school districts in California is comprised of two major components: (i) a State portion funded from the State's general fund, and (ii) a local portion derived from the District's share of the 1% local *ad valorem* tax authorized by the State Constitution. School districts may also be eligible for special categorical and grant funding from State and federal government programs.

As indicated above, as part of the State Budget for Fiscal Year 2013-14 (the "**2013-14 State Budget**"), State Assembly Bill 97 (Stats. 2013, Chapter 47) ("**AB 97**") was enacted to establish a new system for funding State school districts, charter schools and county offices of education by the implementation of the Local Control Funding Formula or LCFF. This formula replaced the 40-year revenue limit funding system for determining State apportionments and the majority of categorical programs. See " – Prior State Funding of Education" above. Subsequently, AB 97 was amended and clarified by Senate Bill 91 (Stats. 2013, Chapter 49). The LCFF consists primarily of base, supplemental and concentration funding formulas that focus resources based on a school district student demographics. Each school district and charter school will receive a per pupil base grant used to support the basic costs of instruction and operations. The implementation of the LCFF is to occur over a period of several years. Beginning in Fiscal Year 2013-14, an annual transition adjustment is to be calculated for each individual school district, equal to such district's proportionate share of appropriations included in the State Budget. The Department of Finance initially estimated the LCFF funding targets could be achieved in eight years, with LCFF being fully implemented by Fiscal Year 2020-21, however, LCFF was fully implemented in Fiscal Year 2018-19. See "EFFECT OF STATE BUDGET ON DISTRICT REVENUES – *2019-20 State Budget*" herein for a further discussion of the LCFF.

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A summary of the target LCFF funding amounts for California school districts and charter schools based on grade levels and targeted students classified as English learners, those eligible to receive a free or reduced price meal, foster youth, or any combination of these factors (“**unduplicated” count**) is shown below:

TABLE A-10

LAKE ELSINORE UNIFIED SCHOOL DISTRICT
GRADE SPAN FUNDING AT FULL LCFF IMPLEMENTATION
LOCAL CONTROL TARGET FUNDING FORMULA 2019-20

Grade Levels	2019-20 Grant or ADA	Grade Span Adjustments	Supplemental Grant [1]	Concentration Grant [2]	Total per ADA
TK-3	6,061.90	8,503	1,152	542	$16,258.90
4-6	4,616.39	7,818	1,059	498	13,991.39
7-8	3,230.15	8,050	1,091	513	12,884.15
9-12	6,218.89	9,329	1,297	610	17,454.89

(1) Based on the District’s percent of eligible students of 67.74%.
(2) Based on the District’s percent of eligible students of 67.74%.
Source: California Department of Education; District.

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

LCFF and the District. Actual funding in Fiscal Year 2013-14 and subsequent years was based on the difference between the District’s funding floor and its LCFF target (the LCFF gap). For Fiscal Year 2017-18, the District received approximately $185,061,391 million in its funding floor amount, plus a portion of its LCFF gap, which was equivalent to approximately $11,978,476. Total Fiscal Year 2018-19 revenues, including federal, other local and other revenues was estimated to be approximately $258,336,021. Former Governor Brown fully funded the LCFF two years early in Fiscal Year 2018-19. Increases to the LCFF going forward will be based on the statutory COLA rate. For Fiscal Year 2019-20 the COLA rate is 3.26%. The COLA rate is projected to be 3.0% for Fiscal Year 2020-21 and 2.80% for Fiscal Year 2021-22. Each Fiscal Year after Fiscal Year 2018-19, the District’s funding amount will be based on recalculation of its LCFF target and its funding floor, including any prior year transition funding converted to a per-ADA value and then adjusted for current year ADA. The 2019-20 Budget utilizes funding to implement the LCFF and provides $1.9 billion in new funding. The District qualifies for concentration grant funding.

The District must also identify specific services and expenditures for the targeted students in Fiscal Year 2019-20. Based on the adopted budget, the District would need to provide an increase of 19.92% in services to those targeted students. The District is aware of certain risks associated with the LCFF, including future State budget challenges in the event of an economic recession and the impact of Proposition 30 revenues after the temporary sales and income taxes expire. See “EFFECT OF STATE BUDGET ON DISTRICT REVENUES” herein and see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 55” below, regarding the California Extension of the Proposition 30 Income Tax Increase Initiative, also known as Proposition 55 which was approved at the November 8, 2016, ballot and extended by 12 years the temporary personal income tax increases enacted on earnings over certain high income taxpayers.

The following table sets forth the District's actual, funded and projected ADA for Fiscal Years 2014-15 through 2020-21 and the District's projected target LCFF funding amounts at full implementation (which represents a combined total of base grant, K-3 class size reduction and supplemental grant funding, each calculated by grade span), projected annual LCFF allocation and gap funding for Fiscal Years 2014-15 through 2017-18, with full funding reached in Fiscal Year 2018-19. Funded ADA is the greater of current or prior years' ADA. Note the data assumes an unduplicated count of EL, FRPM and foster youth of a rolling three-year average of 67.74% of enrollment for each of the projected fiscal years, based on current unduplicated counts which are projected to remain stable.

TABLE A-11

LAKE ELSINORE UNIFIED SCHOOL DISTRICT
LOCAL CONTROL FUNDING FORMULA PROJECTIONS
Fiscal Years 2014-15 through 2020-21 (1)

Fiscal Year	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
FUNDED ADA	$20,551.50	$20,637.14	$20,453.74	$20,515.74	$20,577.74	$20,127.33	$20,127.33
COLA	.85%	1.02%	0.00%	1.48%	2.40%	3.26%	3.00%
Total LCFF Target in Millions	$193,732,835	$195,438,131	$195,301,141	$196,966,656	$202,978,100	$209,807,585	$215,865,112
Total LCFF Revenue in Millions	$152,920,791	$175,537,626	$186,462,928	$188,183,668	$196,390,680	$209,807,585	$215,865,112

(1) Final figures for Fiscal Years 2014-15 through 2017-18, preliminary figures for Fiscal Year 2018-19, and projected figures for Fiscal Years 2019-20 and 20-21. For Fiscal Year 2014-15, the percentage of unduplicated EL, FRPM, and foster youth students is based on the two-year average of EL, FRPM, and foster youth enrollment in Fiscal Years 2013-14 and 2014-15. Beginning in Fiscal Year 2015-16, a school district's percentage of unduplicated EL, FRPM, and foster youth students will be based on a rolling average of such school district's EL, FRPM, and foster youth enrollment for the then-current Fiscal Year and the two immediately preceding Fiscal Years. This percentage changes from year-to-year. As of Fiscal Year 2018-19, the three-year rolling average is 67.74% of District enrollment. ADA as of the second principal reporting period (P-2 ADA).
Source: Lake Elsinore Unified School District.

Revenue Sources

The District generally categorizes its general fund revenues into four sources: (1) LCFF sources (consisting of a mix of State and local revenues), (2) federal revenues, (3) other State revenues and (4) other local revenues. Each of these revenue sources is described below.

LCFF Sources. Funding of the District's local control funding is provided by a mix of local property taxes and State aid. LCFF revenues are expected to comprise approximately 79% of the District's general fund revenues in 2018-19. The District anticipates that it will receive approximately $162,359,337 million in base grant funding and $33,023,387 million in supplemental and concentration grant funding. The District also anticipates receiving additional moneys for transportation, the K-3 GSA grant and the 9-12 augmentation.

Beginning in Fiscal Year 1978-79, Proposition 13 and its implementing legislation permitted for each county to levy and collect all property taxes (except for levies to support prior voter-approved indebtedness) and prescribed how levies on county-wide property values were to be shared with local taxing entities within each county. Property taxes collected by the County which are used to pay the principal of and interest, on the general obligation bonds do not constitute local property taxes for purposes of being applied toward the District's LCFF limit.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under the Every Student Succeeds Act enacted in 2015, and specialized programs such as Drug Free Schools, Education for Economic Security, and the free and reduced lunch program. The federal revenues, most of which are restricted, comprised approximately 4% of general fund revenues in Fiscal Year 2016-17, 4.4% of general fund revenues in Fiscal Year 2017-18 and are budgeted to equal approximately 5% of such revenues in Fiscal Year 2018-19.

Other State Revenues. As discussed above, the District receives State apportionment of aid which now relate to the LCFF and its property tax revenues. In addition to such apportionment revenue, the District receives substantial other State revenues ("**Other State Revenues**"). In Fiscal Years 2017-18 and 2018-19, Other State Revenues includes approximately 9.6% and 9.8%, respectively, of total general fund revenues. In Fiscal Year 2019-20, Other State Revenues are projected to equal approximately 7.3% (adopted budget) of total general fund revenues. Some of the Other State Revenues are restricted to specific types of program uses such as special education.

The District receives revenue from the California State Lottery (the "**Lottery**"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research. Lottery revenues comprised a nominal amount (less than 2%) of general fund revenues in 2017-18 and 2018-19 and are budgeted to equal approximately the same amount of such revenues in 2019-20.

Other Local Revenues. In addition to property taxes, the District receives additional local revenues from items such as leases and rentals, interest earnings, transportation fees, interagency services, and other local sources. Other local revenues comprised approximately 6% of general fund revenues in 2017-18, 6% of general fund revenues in 2018-19 and are budgeted to equal approximately 6% of general fund revenues in 2019-20.

Other Funding Sources

Developer Fees. The District maintains a capital project fund, separate and apart from the general fund, to account for developer fees collected by the District. The District's developer fees may be utilized for any capital purpose related to growth.

Collection of such fees followed a formal declaration by the Board of Education which addressed the overcrowding of District schools as a result of new development. These fees are collected pursuant to certain provisions of the Education Code of the State. The square-foot amounts are periodically adjusted for inflation and the current Level I (for residential additions) developer fee is $3.79 per square foot of habitable space on domestic housing developments. The current developer fee on commercial and industrial developments is $.61 per square foot. As of June 30, 2019, a balance of $911,617 existed in the District's Capital Facilities Fund.

Developer fees collected on residential and commercial development within the District and the amount budgeted for Fiscal Year 2019-20 were as follows: 2009-10, $892,733; 2010-11, $1,570,877; 2011-12, $656,185; 2012-13, $1,641,086; 2013-14, $2,025,066; 2014-15, $1,093,858; 2015-16, $3,103,149; 2016-17, $2,696,432, 2017-18, $8,278,674; 2018-19, $5,289,292 and 2019-20, $500,000.

Redevelopment Revenues. As indicated above in "EFFECT OF STATE BUDGET ON DISTRICT REVENUES – 2019-20 State Budget – *Dissolution of Redevelopment Agencies,"* the District entered into agreements with several Redevelopment Agencies, pursuant to which the District has, in the past, received Redevelopment Revenues. The District received $1,343,835 in Redevelopment Revenues for Fiscal Year

2017-18 and are estimated to be $1,524,447 for Fiscal Year 2018-19. The receipts for Fiscal Year 2019-20 (as of June 30, 2019) are estimated to be $550,000.

The District, however, can make no representations that Redevelopment Revenues will continue to be received by the District in amounts consistent with prior years, or as currently projected, particularly in light of the legislation eliminating Redevelopment Agencies. See "EFFECT OF STATE BUDGET ON DISTRICT REVENUES – *Dissolution of Redevelopment Agencies*," "DISTRICT FINANCIAL INFORMATION – Current State Education Funding – Local Control Funding Formula" and "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 1A" and " – Proposition 22" herein. Further, the District can make no representations about the potential impact of litigation regarding such legislation. The Bonds, however, are not payable from such revenue. The Bonds are payable solely from the proceeds of an *ad valorem* tax required to be levied by the County in an amount sufficient for the payment thereof. See "INTRODUCTION – Sources of Payment for the Bonds" and "THE BONDS – Security" herein.

The District can make no representations as to the extent to which its LCFF apportionments from the State may be offset by the future receipt of (i) residual distributions, (ii) from unencumbered cash and assets of former redevelopment agencies or (iii) any other surplus property tax revenues, particularly in light of the legislation eliminating redevelopment agencies.

District Debt Structure

Short-Term Debt. The District currently has no outstanding short-term debt.

Long-Term Obligations. For general information regarding overlapping bonded debt, see "TAX BASE FOR REPAYMENT OF BONDS – Direct and Overlapping Bonded Debt" and Note 11 in APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDING JUNE 30, 2018."

Tax and Revenue Anticipation Notes (TRANS). In prior fiscal years, the District has issued Tax and Revenue Anticipation Notes ("**TRANS**") to supplement cash flows, most recently, in July 2018 when $6 million of TRANS were issued. The District did not issue a TRANS for Fiscal Year 2019-20.

Certificates of Participation. In May 2010, the District, pursuant to a lease/purchase agreement with the Lake Elsinore Schools Financing Corporation, issued $31,490,000 in Certificates of Participation (the "**2010 Certificates**"). The 2010 Certificates were issued to finance a portion of the costs of the design, acquisition, installation, construction and improvement of school facilities, fund a reserve for the 2010 Certificates and pay costs of issuance incurred in connection with the execution and delivery of the 2010 Certificates. The interest rates of the 2010 Certificates range from 3.00% to 5.00% and the 2010 Certificates have a final maturity to occur on June 1, 2042. At June 30, 2019, the principal balance outstanding was $30,920,000. For information regarding the Certificates of Participation, see APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDING JUNE 30, 2018" herein, including Note 11 – "LONG-TERM OBLIGATIONS – Certificates of Participation."

Lake Elsinore School Financing Authority Bonds. The Lake Elsinore School Financing Authority ("**SFA**") was created to refinance the Community Facilities Districts (CFD) debt. For information regarding the SFA, see APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDING JUNE 30, 2018" herein, including Note 1 – "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Component Units," Note 5 – "LONG-TERM RECEIVABLES," and Note 11 – "LONG-TERM OBLIGATIONS – Lake Elsinore School Financing Authority Bonds."

Capital Leases. The District has entered into agreements to lease various facilities and 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 aggregated $194,522 as of June 30, 2018. For information regarding capital leases see APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDING JUNE 30, 2018" herein, including Note 11 – "LONG-TERM OBLIGATIONS – Capital Leases."

General Obligation Bonds. The District received authorization at an election held on November 8, 2016, by at least 55% of the votes cast by eligible voters in the District, to authorize the issuance of $105,000,000 maximum principal amount of general obligation bonds of the District (the "**2016 Authorization**"). On May 11, 2017, the County, on behalf of the District, issued the first series of bonds pursuant to the 2016 Authorization in the aggregate amount of $32,415,000. The General Obligation Bonds, 2016 Election, Series B in the aggregate principal amount indicated on the cover of this Official Statement are the second series of bonds issued pursuant to the 2016 Authorization.

The District does not have any other general obligation bonds outstanding.

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CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Principal of and interest, on the Bonds are payable from the proceeds of an ad valorem tax levied by the County for the payment thereof. (See "THE BONDS – Security" in the body of the Official Statement.) Articles XIIIA, XIIIB, XIIIC and XIIID of the State Constitution, Propositions 39, 98, 111, and 218, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these constitutional and statutory measures on the ability of the County to levy taxes and of the District to spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County to levy taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with Article XIIIA, Article XIIIC and all applicable laws.

Article XIIIA of the State Constitution

On June 6, 1978, California voters approved Proposition 13 ("**Proposition 13**"), which added Article XIIIA to the State Constitution ("**Article XIIIA**"). Article XIIIA, as amended, limits the amount of any *ad valorem* taxes on real property to 1% of the "full cash value," thereof and provides that such tax shall be collected by the counties and apportioned according to State law. Section 1(b) of Article XIIIA provides that the 1% limitation does not apply to *ad valorem* taxes levied to pay interest and redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness for the acquisition or improvement of real property which had been approved on or after July 1, 1978, by two-thirds or more of the votes cast by the voters voting on the proposition, or (iii) 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% of the voters of the district voting on the proposition, but only if certain accountability measures are included in the proposition as provided by Proposition 39 (as defined below). The tax for payment of the Bonds falls within the exception for bonds approved by a 55% vote.

Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year until new construction or a change of ownership occurs.

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

Legislation Implementing Article XIIIA

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

That portion of annual property tax revenues generated by increases in assessed valuations within each tax rate area within a county, subject to successor redevelopment agency claims on tax increment, if any, and subject to changes in organizations, if any, of affected jurisdictions, is allocated to each jurisdiction within the tax rate area in the same proportion that the total property tax revenue from the tax rate area for the prior year was allocated to such jurisdictions.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment of 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 is shown at 100% of assessed value on the tax rolls. Consequently, the tax rate is expressed as $1 per $100 of taxable value. 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.

Inflationary Adjustment of Assessed Valuation

As described above, the assessed value of a property may be increased at a rate not to exceed 2% per year to account for inflation. Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property, adjusted for inflation) at an annual rate higher than 2%, depending on the assessor's measure of the restoration of value of the damaged property. On December 27, 2001, the Orange County Superior Court, in *County of Orange v. Orange County Assessment Appeals Board No. 3*, held that where a home's taxable value did not increase for two years, due to a flat real estate market, the Orange County assessor violated the 2% inflation adjustment provision of Article XIIIA, when the assessor tried to "recapture" the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in most California counties, including the County, use a similar methodology in raising the taxable values of property beyond 2% in a single year. The State Board of Equalization ("**SBE**") has approved this methodology for increasing assessed values. On appeal, the Appellate Court held that the trial court erred in ruling that assessments are always limited to no more than 2% of the previous year's assessment. On May 10, 2004, a petition for review was filed with the California Supreme Court. The petition was denied by the California Supreme Court. As a result of this litigation, the "recapture" provision described above may continue to be employed in determining the full cash value of property for property tax purposes.

Taxation of State-Assessed Utility Property

A portion of property tax revenue of the District is derived from utility property subject to assessment by the SBE. State-assessed property, or "unitary property," is property of a utility system with components located in many taxing jurisdictions that are assessed as part of a "going concern" rather than as individual pieces of real or personal property. The assessed value of unitary and certain other State-assessed property is allocated to the counties by the 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.

Changes in the California electric utility industry structure and in the way in which components of the industry are regulated and owned, including the sale of electric generation assets to largely unregulated, non-utility companies, may affect how utility assets are assessed in the future, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation or litigation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District. Because the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as aid under the State's school financing formula.

Article XIIIB of the State Constitution

An initiative to amend the State Constitution entitled "Limitation of Government Appropriations," was approved on November 6, 1979, thereby adding Article XIIIB to the State Constitution ("**Article XIIIB**"). Under Article XIIIB, state and local governmental entities have an annual "appropriations limit" and are not permitted to spend certain moneys which are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the "appropriations limit." Article XIIIB does not affect the appropriation of moneys which are excluded from the definition of "appropriations subject to limitation," including appropriations for debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the appropriations limit is based on certain Fiscal Year 1978-79 expenditures, and is adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIIIB, if these entities' revenues in any two consecutive years exceed the combined appropriations limit for those two years, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

In the event the District receives any proceeds of taxes in excess of the allowable limit in any fiscal year, the District may implement a statutory procedure to concurrently increase the District's appropriations limit and decrease the State's allowable limit, thus nullifying the need for any return. Certain features of Article XIIIB were modified by Proposition 111 in 1990 (see " – Proposition 111" below).

Proposition 98

As discussed above in APPENDIX A – "INFORMATION RELATING TO THE LAKE ELSINORE UNIFIED SCHOOL DISTRICT'S OPERATIONS AND BUDGET – THE DISTRICT – Allocation of State Funding to School Districts; Restructuring of the K-12 Funding System – State Education Funding; Proposition 98," on November 8, 1988, California voters approved Proposition 98 ("**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 changed State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as "**K-14 school districts**") at a level equal to the greater of (a) the same percentage of State general fund revenues as the percentage appropriated to such districts in Fiscal Year 1986-87 or (b) the amount actually appropriated to such districts from the State General Fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period. See APPENDIX A – "INFORMATION RELATING TO THE LAKE ELSINORE UNIFIED SCHOOL DISTRICT'S OPERATIONS AND BUDGET – THE DISTRICT – Allocation of State Funding to School Districts; Restructuring of the K-12 Funding System," " – EFFECT OF STATE BUDGET ON DISTRICT REVENUES" and " – DISTRICT FINANCIAL INFORMATION" above.

Proposition 111

On June 5, 1990, the voters of California approved the "Traffic Congestion Relief and Spending Limitation Act of 1990" ("**Proposition 111**"), which modified the State Constitution to alter the Article XIIIB spending limit and the education funding provisions of Proposition 98. Proposition 111 took effect on July 1, 1990.

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

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

b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIIIB are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess is 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 new exceptions have been added to the calculation of appropriations which are subject to the Article XIIIB spending limit. First, excluded are all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, excluded are any increases in gasoline taxes above the then current cents per gallon level, 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.

d. Recalculation of Appropriations Limit. The Article XIIIB appropriations limit for each unit of government, including the State, was recalculated beginning in Fiscal Year 1990-91. It is based on the actual limit for Fiscal Year 1986-87, adjusted forward to Fiscal Year 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) a certain percentage of State general fund revenues (the "**first test**") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to per capita personal income) and enrollment (the "**second test**"). Under Proposition 111, school districts will receive the greater of (1) the first test, (2) the second test, or (3) a third test (as defined below), which will replace the second test in any year when growth in per capita State General Fund revenues from the prior year is less than the annual growth in California per capita personal income. Under the third test, 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 (the "**third test**"). If the third test is used in any year, the difference between the third test and the second test will become a "credit" to school districts which will be paid in future years when State General Fund revenue growth exceeds personal income growth.

Article XIIIC and Article XIIID of the State Constitution; Proposition 218

An initiative measure entitled "Right to Vote on Taxes Act," also known as Proposition 218 ("**Proposition 218**"), was approved by the California voters at the November 5, 1996, State-wide general election, and became effective on November 6, 1996. Proposition 218 added Articles XIIIC and XIIID ("**Article XIIIC**" and "**Article XIIID**," respectively) to the State Constitution. Articles XIIIC and XIIID 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. All references herein to Articles XIIIC and XIIID are references to the text as set forth in Proposition 218.

Among other things, Article XIIIC establishes that every tax imposed by a local government is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), and prohibits special purpose government agencies such as school districts from levying general taxes.

Article XIIIC also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. The initiative power is, however, limited by the United States Constitution's prohibition against state or local laws "impairing the obligation of contracts." The Bonds represent a contract between the District and the Owners secured by the collection of *ad valorem* property taxes. While not free from doubt, it is likely that, once the Bonds are issued, the taxes securing them would not be subject to reduction or repeal. Legislation adopted in 1997 provides that Article XIIIC shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure which would constitute an impairment of contractual rights under the contracts clause of the United States Constitution.

Article XIIID deals with assessments and property-related fees and charges. Article XIIID explicitly provides that nothing in Article XIIIC or XIIID shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however, it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the District. No developer fees imposed by the District are pledged or expected to be used to pay the Bonds. Article XIIIC further provides that no tax may be assessed on property other than ad valorem property taxes imposed in accordance with Articles XIII and XIIIA and special taxes approved by a two-thirds vote under Article XIIIA, Section 4. Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Articles XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

The District does 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 one percent ad valorem property tax levied and collected by the County pursuant to Article XIIIA. 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.

The interpretation and application of Proposition 218 and the United States Constitution's contracts clause will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

Proposition 39

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

The 55% vote requirement would apply only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. The Strict Accountability in Local School Construction Bonds Act, approved in June 2000, as amended, places certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate levied as the result of any single election be no more than (i) $60 for a unified school district or school facilities improvement district formed by a unified school district, (ii) $30 for a high school or elementary school district, or (iii) $25 for a community college district, per $100,000 of taxable property value. These requirements are statutory provisions and are not part of the Proposition 39 changes to the State Constitution. The statutory provisions of the Strict Accountability in Local School Construction Bonds Act can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

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 a final budget bill, an emergency appropriation, a self-executing authorization pursuant to State statutes (such as continuing appropriations) or the State 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 authorization 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

On November 2, 2004, California voters approved Proposition 1A ("**Proposition 1A**"), which amended the State Constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State may not (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-thirds approval of both houses of the Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Beginning in Fiscal Year 2008-09, the State may shift to 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 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 amended 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

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act ("**Proposition 22**"), 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.

Proposition 26

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

Proposition 30

On November 6, 2012, voters of the State approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "**Proposition 30**"), which temporarily increases the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30, as enacted, temporarily imposed an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposes an additional excise tax on the storage, use or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use or other consumption in the State. This excise tax was to be levied at a rate of 0.25% of the sales price of the property so purchased. Proposition 30 temporarily increased the personal income tax on certain of the State's income taxpayers by one to three percent for a period of seven years beginning with the 2012 tax year and ending with the 2019 tax year.

The revenues generated from the temporary tax increases are included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See APPENDIX A – "INFORMATION RELATING TO THE LAKE ELSINORE UNIFIED SCHOOL DISTRICT'S OPERATIONS AND BUDGET – CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 98" and " – Proposition 111" herein. From an accounting perspective, the revenues generated from the temporary tax increases are 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 are distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district receives less than $200 per unit of ADA and no community college district receives less than $100 per full time equivalent student. The 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 boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Proposition 55

The California Extension of the Proposition 30 Income Tax Increase Initiative, also known as Proposition 55 ("**Proposition 55**"), was approved by voters on November 8, 2016. The Proposition 55 summary is as follows:

- Extends by twelve years the temporary personal income tax increases enacted in 2012 on earnings over $250,000 for single filers (over $500,000 for joint filers; over $340,000 for heads of household); [1]

- Allocates these tax revenues 89% to K-12 schools and 11% to California Community Colleges;

- Allocates up to $2 billion per year in certain years for healthcare programs; and

---

[1] Proposition 55 did not extend Proposition 30's sales tax increase, which expired at the end of 2016.

- Bars use of education revenues for administrative costs, but provides local school boards discretion to decide, in open meetings and subject to annual audit, how revenues are to be spent.

The District's budget projections for future fiscal years will be adjusted to reflect approval of Proposition 55 and the resulting impact on District revenues.

Proposition 62; Statutory Limitations

On November 4, 1986, State voters approved Proposition 62 ("**Proposition 62**"), an initiative statute limiting the imposition of new or higher taxes by local agencies. The statute (a) requires new or higher general taxes to be approved by two-thirds of the local agency's governing body and a majority of its voters; (b) requires the inclusion of specific information in all local ordinances or resolutions proposing new or higher general or special taxes; (c) penalizes local agencies that fail to comply with the foregoing; and (d) required local agencies to stop collecting any new or higher general tax adopted after July 31, 1985, unless a majority of the voters approved the tax by November 1, 1988.

Appellate court decisions following the approval of Proposition 62 determined that certain provisions of Proposition 62 were unconstitutional. However, the California Supreme Court upheld Proposition 62 in its decision on September 28, 1995 in *Santa Clara County Transportation Authority v. Guardino*. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Supreme Court's decision, such as whether the decision applies retroactively, what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities.

Statutory Lien for General Obligation Bonds

On July 13, 2015, former Governor Brown signed Senate Bill 222 ("SB 222") into law, effective January 1, 2016. SB 222 was introduced on February 12, 2015, initially to amend Section 15251 of the Education Code to clarify the process of lien perfection for general obligation bonds issued by or on behalf of State school and community college districts. Subsequently, on April 15, 2015, SB 222 was amended to include an addition to the California Government Code to similarly clarify the process of lien perfection for general obligation bonds issued by cities, counties, authorities and special districts.

SB 222, applicable to general obligations bonds issued after its effective date, removes the extra step between (a) the issuance of general obligation bonds by cities, counties, cities and counties, school districts, community college districts, authorities and special districts; and (b) the imposition of a lien on the future ad valorem property taxes that are the source of repayment of the general obligation bonds. By clarifying that the lien created with each general obligation bond issuance is a "statutory" lien (consistent with bankruptcy statutory law and case precedent), SB 222, while it does not prevent default, should reduce the ultimate bankruptcy risk of non-recovery on local general obligation bonds. See "OTHER LEGAL MATTERS – State Senate Bill 222."

State Cash Management Legislation

Since 2002, the State engaged in the practice of deferring certain apportionments to school districts in order to manage the State's cash flow. This practice included deferring certain apportionments from one fiscal year to the next. These "cross-year" deferrals were codified. In recent years, the State has paid down the deferrals. However, in the 2017-18 Proposed Budget, former Governor Brown proposed deferring \$859.1 million in LCFF expenditures from June 2017, to July 2017, to maintain Fiscal Year 2016-17 programmatic expenditure levels in light of a reduction to Proposition 98 funding for Fiscal Year 2016-17 compared to the 2016-17 Budget. While the final budget for Fiscal Year 2017-18 did not defer apportionments to school districts, the 2017-18 Proposed Budget proposed to immediately repay the deferral in Fiscal Year 2017-18. The District cannot predict whether and to what extent, the State will engage in the practice of deferring certain apportionments to school districts in the future.

Applications of Constitutional and Statutory Provisions

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding, see APPENDIX A – "INFORMATION RELATING TO THE LAKE ELSINORE UNIFIED SCHOOL DISTRICT'S OPERATIONS AND BUDGET – State Funding of School Districts; Restructuring of the K-12 Funding System" and "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 98" and " – Proposition 111" above.

Future Initiatives and Legislation

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID and Propositions 26, 30, 39 (approved in 2000 authorizing a 55% approval of school bonds), 98, 111, and 218 were each adopted pursuant to a measure qualified for the ballot pursuant to California's constitutional initiative process. Propositions 1A and 39 (approved in 2012 relating to a State grant program for energy efficiency projects) were each legislatively referred constitutional amendments which were approved by the electorate and the Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the Legislature. For example, during 2013, a proposal (Assembly Bill 182) was introduced in the Legislature and later enacted to place limitations on the ability of school districts to issue capital appreciation bonds or convertible capital appreciation bonds commencing on and after January 1, 2014. The adoption of any such initiative or enactment of legislation might place limitations on the ability of the State, the County, any city whose students are served by the District or local districts to increase revenues, to increase appropriations or affect the timing of issuance and/or the structure of future series of school district general obligation bonds, such as those expected to be issued under the measure approved by voters that authorized the Bonds.

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT
FOR FISCAL YEAR ENDING JUNE 30, 2018

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LAKE ELSINORE UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

LAKE ELSINORE UNIFIED SCHOOL DISTRICT

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Governing Board
Lake Elsinore Unified School District
Lake Elsinore, 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 Lake Elsinore Unified 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; 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 opinions.

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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 Lake Elsinore Unified School District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 19 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 77, schedule of changes in the District's total OPEB liability and related ratios on page 78, schedule of the District's proportionate share of the net OPEB liability - MPP program on page 79, schedule of the District's proportionate share of the net pension liability on page 80, and the schedule of District contributions on page 81, 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 Lake Elsinore Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major 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 December 15, 2018, on our consideration of the Lake Elsinore Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Lake Elsinore Unified 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 Lake Elsinore Unified School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 15, 2018

Lake Elsinore
Unified School District

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545 Chaney Street
Lake Elsinore, CA 92530

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This section of Lake Elsinore Unified 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 for the year ending June 30, 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 General 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. The District reports all activities as governmental activities. These statements include all assets of the District (including capital assets) as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental, proprietary, and fiduciary.

The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Proprietary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fiduciary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Lake Elsinore Unified School District.

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

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

Governmental Activities - Most of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants 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* -** Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary Funds **-** When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*.

The District utilizes the internal service funds to report activities that provide supplies and services for the District's other programs and activities - such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like the funds for associated student body activities. The District's fiduciary activities are reported in the *Statement 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.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $206,960,238 for the fiscal year ended June 30, 2018. Of this amount, $(143,806,635) was unrestricted deficit. Restricted net position is reported separately to show legal constraints from debt covenants, constitutional provisions, and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and changes in net position (Table 2) of the District's activities.

Table 1
Net Position

	Governmental Activities	
	2018	2017 as Restated
Assets		
Current and other assets	$ 115,177,860	$ 122,467,879
Receivable - long term	46,745,000	25,055,000
Capital assets	415,423,017	394,891,059
Total Assets	**577,345,877**	**542,413,938**
Deferred Outflows of Resources	**70,373,306**	**42,643,960**
Liabilities		
Current liabilities	12,266,470	15,671,566
Long-term obligations	172,556,172	144,237,298
Aggregate net pension liability	240,917,090	209,084,680
Total Liabilities	**425,739,732**	**368,993,544**
Deferred Inflows of Resources	**15,019,213**	**11,305,325**
Net Position		
Net investment in capital assets	310,719,592	325,678,996
Restricted	40,047,281	37,888,736
Unrestricted	(143,806,635)	(158,808,703)
Total Net Position	**$ 206,960,238**	**$ 204,759,029**

The $(143,806,635) in unrestricted net deficit of activities represents the *accumulated* results of all past years' operations.

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
Changes in Net Position

	Governmental Activities	
	2018	2017
Revenues		
Program revenues:		
Charges for services	$ 1,600,099	$ 5,386,092
Operating grants and contributions	49,686,837	46,048,060
Capital grants and contributions	55,472	1,186
General revenues:		
Federal and State aid not restricted	158,075,700	156,181,752
Property taxes	44,027,898	43,299,873
Other general revenues	30,757,948	2,261,396
Total Revenues	**284,203,954**	**253,178,359**
Expenses		
Instruction-related	195,614,627	180,793,577
Pupil services	31,604,998	29,952,097
Administration	14,859,239	15,433,164
Plant services	30,123,386	24,380,512
Other	9,800,495	9,273,529
Total Expenses	**282,002,745**	**259,832,879**
Change in Net Position	**$ 2,201,209**	**$ (6,654,520)**

Governmental Activities

As reported in the Statement of Activities on page 16, the cost of all of our governmental activities this year was $282,002,745. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $44,027,898 because the cost was paid by those who benefited from the programs ($1,600,099) or by other governments and organizations who subsidized certain programs with grants and contributions ($49,742,309). The District paid for the remaining "public benefit" portion of our governmental activities with $188,833,648 in Federal and State funds and with other revenues, like interest and general entitlements. Operating revenues increased due to receiving an increase state aid funding as calculated in the Local Control Funding Formula (LCFF). Operating costs increased due to the District providing additional compensation to all employees and meeting technology requirements for instructional and testing of students.

Table 3 shows the cost and net cost of each of the District's largest functions – instruction including, both regular and special instructional programs, instruction-related activities including supervision, instructional library and media, school administration, pupil services, and counseling and guidance, administration, plant services, and all other functional expenses. 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 for Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Instruction-related	$ 195,614,627	$ 180,793,577	$ 160,698,777	$ 149,015,622
Pupil services	31,604,998	29,952,097	17,652,696	16,451,492
Administration	14,859,239	15,433,164	13,351,460	11,147,465
Plant services	30,123,386	24,380,512	29,962,732	24,035,033
Other	9,800,495	9,273,529	8,994,672	7,747,929
Total	**$ 282,002,745**	**$ 259,832,879**	**$ 230,660,337**	**$ 208,397,541**

THE DISTRICT'S FUNDS

As the District completed this fiscal year, the governmental funds reported a combined fund balance of $94,721,423, which is a decrease of $7,830,094.

Table 4
District Funds

	Balances and Activities			
	July 01, 2017	Revenues	Expenditures	June 30, 2018
General Fund	$ 34,974,068	$ 238,623,295	$ 242,020,846	$ 31,576,517
Cafeteria Fund	7,892,527	10,621,553	13,330,180	5,183,900
Building Fund	27,679,775	5,465,715	21,253,657	11,891,833
Debt Service Fund for Blended Component Units	20,055,151	36,833,022	35,268,863	21,619,310
Adult Education Fund	156,959	1,235,418	1,294,451	97,926
Child Development Fund	37,689	4,158,771	4,158,258	38,202
Capital Facilities Fund	3,519,671	1,769,722	2,480,673	2,808,720
County School Facilities Fund	3,827,968	55,472	-	3,883,440
Special Reserve Fund for Capital Outlay Projects	694,274	4,137,481	79,486	4,752,269
Capital Project Fund for Blended Component Units	2,508,390	19,117,618	11,323,189	10,302,819
Bond Interest and Redemption Fund	1,205,045	2,245,239	883,797	2,566,487
Total	**$ 102,551,517**	**$ 324,263,306**	**$ 332,093,400**	**$ 94,721,423**

Under District terminology, the term "General Fund" is used to indicate the unrestricted and restricted funds of the District. However, the California State Accounting Manual, upon which this report is based, used the term "General Fund" in a different way. The State definition of a General Fund includes numerous funds, which are not available for the District's discretionary use.

a. The fund balance in the District's General Fund increase is the result of increased revenues, decreased expenditures, combined with a Board-adopted Fiscal Stabilization Plan which, in part, is committed to the elimination of deficit spending.

b. The fund balance in the Building Fund decrease is the result of expenditures corresponding to the issuance of Series 1 of our GO Bond and Developer fees.

c. The fund balance in the Capital Facilities Fund decrease is the result of increased expenditures related to facilities projects.

d. The Capital Project Fund for Blended Component Units increased due to the net impact of the refinance/issuance of CFD(s) as well as the completion of a variety of capital projects.

e. The Adult Education Fund, Child Development Fund, and the Special Reserve Fund for Capital Outlay Projects remained relatively stable with minimal activity.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with 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 annual report on page 77.)

- When "on behalf" payments are excluded, revenue revisions made to the 2017-2018 Budget were due to an increase in the LCFF funding gap percentage and receipt of one-time State mandated block grant funds.

- Budgeted salary and benefit expenditures, when excluding "on behalf" payments and adjusting for increases due to increased compensation, staffing, STRS, PERS and Workers' Compensation rate increases remained stable and consistent when comparing the final budget to actual expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had $415,423,017 in a broad range of capital assets, including land, construction in progress, land improvements, buildings, and furniture and equipment. This amount represents a net increase of (including additions, deductions and depreciation) $20,531,958, or 5.20 percent, from last year.

Table 5
Capital Assets

	Governmental Activities	
	2018	2017
Land	$ 23,818,013	$ 23,818,013
Construction in progress	10,619,785	3,723,763
Land improvements	33,683,742	9,802,129
Buildings and improvements	341,778,137	351,681,823
Furniture and equipment	5,523,340	5,865,331
Total	**$ 415,423,017**	**$ 394,891,059**

Detailed information about the District's 2017-2018 capital assets is reflected in Note 6 to the financial statements.

Long-Term Obligations

At the end of this year, the District had $172,556,172 in bonds and similar outstanding debt issuances versus $144,237,298 last year, an increase of 19.6 percent.

Table 6
Long-Term Obligations

	Governmental Activities	
	2018	2017 as restated
General obligation bonds - net	$ 33,647,231	$ 33,700,806
Certificates of participation - net	30,709,501	30,785,564
Lake Elsinore School Financing Authority Bonds-net	61,637,302	33,145,000
Capitalized lease obligations	194,522	372,211
2014 Lease refinancing	709,521	1,396,647
Other obligations	45,658,095	44,837,070
Total	**$ 172,556,172**	**$ 144,237,298**

Other obligations include compensated absences, other postemployment benefits (OPEB), and claims liability. More detailed information regarding our long-term obligations is presented in Note 11 of the Financial Statements.

Net Pension Liability (NPL)

At year-end, the District had a pension liability of $240,917,090 as a result of the adoption of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions.*

SIGNIFICANT EVENTS OF FISCAL YEAR 2017-2018 ARE NOTED BELOW:

- The District's P2 average daily attendance (ADA) decreased from 20,463 (2016-2017) to 20,260 in 2017-2018.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District's budget for the 2018-2019 year, the District's Governing Board and management used the following criteria:

The key assumptions in our revenue forecast are as follows:

1. Local Control Funding Formula (LCFF), one-time and ongoing funding.
2. Develop fee and CFD collections are based on approximate new housing units to be constructed.
3. Enrollment projections and ADA.

Expenditures are based on the following estimated forecasts:

	Staffing Ratio	Regular Enrollment
Grades kindergarten through third	24:1	6,229
Grades four through five	33:1	4,859
Grades six through twelve	36:1	9,351

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 the Chief Business Official, Arleen Sanchez, at Lake Elsinore Unified School District, 545 Chaney Street, Lake Elsinore, California 92530.

LAKE ELSINORE UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Deposits and investments	$ 103,918,134
Receivables	10,947,891
Receivables - long term	46,745,000
Stores inventories	311,835
Capital assets	
Land and construction in progress	34,437,798
Other capital assets	568,281,945
Less: accumulated depreciation	(187,296,726)
Total Capital Assets	415,423,017
TOTAL ASSETS	577,345,877
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	70,373,306
LIABILITIES	
Accounts payable	8,834,917
Accrued interest payable	518,663
Unearned revenue	2,912,890
Long-term obligations:	
Current portion of long-term obligations other than pension	6,639,384
Noncurrent portion of long-term obligations other than pensions	165,916,788
Total Long-Term Obligations	172,556,172
Aggregate net pension liability	240,917,090
TOTAL LIABILITIES	425,739,732
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to net other postemployment benefits (OPEB) liability	193,549
Deferred inflows of resources related to pensions	14,825,664
TOTAL DEFERRED INFLOWS OF RESOURCES	15,019,213
NET POSITION	
Net investment in capital assets	310,719,592
Restricted for:	
Debt service	23,667,134
Capital projects	6,692,160
Educational programs	1,947,243
Other activities	7,740,744
Unrestricted	(143,806,635)
TOTAL NET POSITION	$ 206,960,238

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

LAKE ELSINORE UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Government Activities
Governmental Activities					
Instruction	$ 174,923,264	$ 4,204	$ 31,923,132	$ 55,472	$ (142,940,456)
Instruction-related activities:					
Supervision of instruction	4,400,547	4,482	1,730,051	-	(2,666,014)
Instructional library, media, and technology	1,259,141	-	8,075	-	(1,251,066)
School site administration	15,031,675	2,317	1,188,117	-	(13,841,241)
Pupil services:					
Home-to-school transportation	5,598,711	-	-	-	(5,598,711)
Food services	10,217,049	1,180,935	9,075,488	-	39,374
All other pupil services	15,789,238	-	3,695,879	-	(12,093,359)
General administration:					
Data processing	2,290,008	-	-	-	(2,290,008)
All other general administration	12,569,231	139,749	1,368,030	-	(11,061,452)
Plant services	30,123,386	26,264	134,390	-	(29,962,732)
Ancillary services	2,286,476	-	90,891	-	(2,195,585)
Community services	1,545,556	19,499	298,374	-	(1,227,683)
Enterprise services	110,636	-	8,241	-	(102,395)
Interest on long-term obligations	4,542,681	-	-	-	(4,542,681)
Other outgo	1,315,146	222,649	166,169	-	(926,328)
Total Governmental Activities	$ 282,002,745	$ 1,600,099	$ 49,686,837	$ 55,472	(230,660,337)

General revenues and subventions:	
Property taxes, levied for general purposes	40,470,431
Property taxes, levied for debt service	2,213,631
Taxes levied for other specific purposes	1,343,836
Federal and State aid not restricted to specific purposes	158,075,700
Interest and investment earnings	2,613,952
Miscellaneous	28,143,996
Subtotal, General Revenues	232,861,546
Change in Net Position	2,201,209
Net Position - Beginning, as Restated	204,759,029
Net Position - Ending	$ 206,960,238

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

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	General Fund	Cafeteria Fund	Building Fund
ASSETS			
Deposits and investments	$ 40,955,644	$ 8,047,386	$ 5,023,335
Receivables	4,400,714	238,160	5,291,161
Due from other funds	1,560,539	-	2,542,024
Stores inventories	193,921	117,914	-
Total Assets	$ 47,110,818	$ 8,403,460	$ 12,856,520
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	$ 7,613,445	$ 31,439	$ 964,687
Due to other funds	5,076,573	3,133,289	-
Unearned revenue	2,844,283	54,832	-
Total Liabilities	15,534,301	3,219,560	964,687
Fund Balances			
Nonspendable	219,921	121,914	-
Restricted	1,947,243	5,061,986	11,891,833
Assigned	18,507,627	-	-
Unassigned	10,901,726	-	-
Total Fund Balances	31,576,517	5,183,900	11,891,833
Total Liabilities and Fund Balances	$ 47,110,818	$ 8,403,460	$ 12,856,520

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

Debt Service Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Funds
$ 21,619,310	$ 20,384,482	$ 96,030,157
-	986,002	10,916,037
-	4,202,526	8,305,089
-	-	311,835
$ 21,619,310	$ 25,573,010	$ 115,563,118
$ -	$ 140,800	$ 8,750,371
-	968,572	9,178,434
-	13,775	2,912,890
-	1,123,147	20,841,695
-	-	341,835
21,619,310	19,722,079	60,242,451
-	4,727,784	23,235,411
-	-	10,901,726
21,619,310	24,449,863	94,721,423
$ 21,619,310	$ 25,573,010	$ 115,563,118

LAKE ELSINORE UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total Fund Balance - Governmental Funds		**$ 94,721,423**
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	$ 602,719,743	
Accumulated depreciation is	(187,296,726)	
Net Capital Assets		415,423,017
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	21,011,352	
Net change in proportionate share of net pension liability	2,170,356	
Difference between projected and actual earnings on pension plan investments	2,096,275	
Differences between expected and actual experience in the measurement of the total pension liability	2,837,814	
Changes of assumptions	42,257,509	
Total Deferred Outflows of Resources Related to Pensions		70,373,306
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	(6,164,742)	
Difference between projected and actual earnings on pension plan investments	(4,802,401)	
Differences between expected and actual experience in the measurement of the total pension liability	(3,145,055)	
Changes of assumptions	(713,466)	
Total Deferred Inflows of Resources Related to Pensions		(14,825,664)
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 it is incurred.		(518,663)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		2,542,630

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

LAKE ELSINORE UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION, (Continued)
JUNE 30, 2018

Lake Elsinore School Financing Authority long-term receivable is not received in the near term and therefore, are not reported as receivable in the funds.		$ 46,745,000
Deferred inflows of resources related to OPEB represent an acquisition of net position that applies to a future period are not reported in the District's funds. Deferred inflows of resources related to OPEB at year-end consist of changes of assumptions.		(193,549)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(240,917,090)
Long-term obligations at year-end consist of:		
General obligation bonds	$ (32,415,000)	
Premium on issuance	(2,289,533)	
Certificates of participation (COPs) payable	(31,280,000)	
Discount on issuance of debt	570,499	
Lake Elsinore School Financing Authority	(60,580,000)	
Capital leases payable	(194,522)	
2014 Lease Refinancing	(709,521)	
Net other postemployment benefits (OPEB) liability	(38,579,161)	
Compensated absences (vacations)	(912,934)	
Total Long-Term Obligations		(166,390,172)
Total Net Position - Governmental Activities		**$ 206,960,238**

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

LAKE ELSINORE UNIFIED SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Cafeteria Fund	Building Fund
REVENUES			
Local Control Funding Formula	$ 190,678,734	$ -	$ -
Federal sources	10,593,047	8,802,081	-
Other State sources	22,953,119	643,451	-
Other local sources	14,398,395	1,176,021	5,465,715
Total Revenues	238,623,295	10,621,553	5,465,715
EXPENDITURES			
Current			
Instruction	154,925,762	-	-
Instruction-related activities:			
Supervision of instruction	3,586,926	-	-
Instructional library, media, and technology	1,218,150	-	-
School site administration	14,135,373	-	-
Pupil services:			
Home-to-school transportation	4,812,362	-	-
Food services	2,399	12,721,823	-
All other pupil services	14,740,783	-	-
General administration:			
Data processing	2,209,971	-	-
All other general administration	10,458,548	530,121	-
Plant services	24,174,041	78,236	-
Ancillary services	2,240,306	-	-
Community services	1,025,859	-	-
Other outgo	129,194	-	-
Enterprise services	93,321	-	-
Facility acquisition and construction	2,870,298	-	21,253,657
Debt service			
Principal	177,689	-	-
Interest and other	168,439	-	-
Total Expenditures	236,969,421	13,330,180	21,253,657
Excess (Deficiency) of Revenues Over Expenditures	1,653,874	(2,708,627)	(15,787,942)
Other Financing Sources (Uses):			
Transfers in	-	-	-
Other sources - proceeds from financing authority special tax revenue bonds	-	-	-
Other sources - premium on issuance of financing authority special tax revenue bonds	-		-
Transfers out	(5,051,425)	-	-
Other uses - payment to refunded CFD escrow agent	-	-	-
Net Financing Sources (Uses)	(5,051,425)	-	-
NET CHANGE IN FUND BALANCES	(3,397,551)	(2,708,627)	(15,787,942)
FUND BALANCES - BEGINNING	34,974,068	7,892,527	27,679,775
FUND BALANCES - ENDING	$ 31,576,517	$ 5,183,900	$ 11,891,833

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

Debt Service Fund for Blended Component Units	Non-Major Governmental Funds	Total Governmental Funds
$ -	$ -	$ 190,678,734
-	2,512,985	21,908,113
-	2,436,678	26,033,248
7,085,720	16,750,782	44,876,633
7,085,720	21,700,445	283,496,728
-	3,459,693	158,385,455
-	688,226	4,275,152
-	-	1,218,150
-	355,578	14,490,951
-	-	4,812,362
-	61,047	12,785,269
-	128,469	14,869,252
-	-	2,209,971
-	1,345,957	12,334,626
-	308,476	24,560,753
-	-	2,240,306
-	482,446	1,508,305
1,185,952	-	1,315,146
-	-	93,321
-	11,475,490	35,599,445
1,355,000	687,126	2,219,815
3,169,820	1,227,346	4,565,605
5,710,772	20,219,854	297,483,884
1,374,948	1,480,591	(13,987,156)
-	11,019,276	11,019,276
28,690,000	-	28,690,000
1,057,302	-	1,057,302
(6,818,091)	-	(11,869,516)
(22,740,000)	-	(22,740,000)
189,211	11,019,276	6,157,062
1,564,159	12,499,867	(7,830,094)
20,055,151	11,949,996	102,551,517
$ 21,619,310	$ 24,449,863	$ 94,721,423

LAKE ELSINORE UNIFIED 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		$ (7,830,094)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities those costs are shown in the Statement of Activities.		
This is the amount by which capital outlays exceeds depreciation expense in the period.		
Capital outlays	$ 33,785,280	
Depreciation expense	(12,906,866)	20,878,414
Loss on disposal of capital assets is reported in the government-wide Statement of Net Assets, but is not recorded in the governmental funds.		(346,456)
In the Statement of Activities, certain operating expenses - compensated absences (vacations) 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). This year, vacation earned was more than the amounts used by $108,997.		(108,997)
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.		(7,623,403)
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 net effect of all changes in the deferred outflows, deferred inflows and net OPEB liability during the year.		(1,154,577)
Proceeds from bonds issued by the Lake Elsinore Unified School District Financing Authority (LEUSD FA) were used to purchase outstanding bonds of various Community Facilities Districts (CFDs). In accordance with the agreement between the LEUSD FA and CFDs, special tax assessments collected from the CFDs that benefitted will be used to repay the outstanding bonds issued by the LEUSD FA. The amounts paid to purchase the oustanding bonds of various CFDs are expenditures in the governmental funds, but they become long-term receivable in the Statement of Net Position due to the multi-year repayment terms CFD bonds that were purchased.		22,740,000
Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities. This year the Lake Elsinore Unified School District Financing Authority issued $28,690,000 in special tax revenue bonds.		(28,690,000)

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

LAKE ELSINORE UNIFIED 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

Governmental funds report the effect of premiums, discounts, and deferred amount on refunding when the debt is first issued, where as the amounts are deferred and amortized in the Statement of Activities. This is the net effect of these related items:	
Premium on issuance on LEUSD FA bonds	$ (1,057,302)
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. This adjustment combines the net changes of the following balance:	
Amortization of debt discount	(23,937)
Amortization of debt premium	53,575
Repayment of 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:	
2010 Certificates of Participation	100,000
Lake Elsinore School Financing Authority Bonds	1,255,000
2014 Lease Refinancing	687,126
Capital lease obligations	177,689
The collection of tax assessments are revenue in the governmental funds, but it reduces long-term receivable in the Statement of Net Position and does not affect the Statement of Activities.	(1,050,000)
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This year, accrued interest on general obligation bonds and certificates of participation increased by $6,714	(6,714)
An Internal Service Fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.	4,200,885
Change in Net Position of Governmental Activities	$ 2,201,209

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

LAKE ELSINORE UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	$ 7,887,977
Receivables	31,854
Due from other funds	874,047
Total Current Assets	8,793,878
LIABILITIES	
Current Liabilities	
Accounts payable	84,546
Due to other funds	702
Current portion of claims liability	1,679,645
Total Current Liabilities	1,764,893
Noncurrent Liabilities	
Noncurrent portion of claims liability	4,486,355
NET POSITION	
Restricted	$ 2,542,630

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

LAKE ELSINORE UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Charges to other funds	$ 5,412,988
OPERATING EXPENSES	
Payroll costs	420,092
Professional and contract services	1,710,744
Supplies and materials	19,731
Total Operating Expenses	2,150,567
Operating Income	3,262,421
NONOPERATING REVENUES	
Interest income	82,594
Transfer In	850,240
Grants - State	5,630
Total Nonoperating Revenues	938,464
CHANGE IN NET POSITION	4,200,885
TOTAL NET POSITION - BEGINNING	(1,658,255)
TOTAL NET POSITION - ENDING	$ 2,542,630

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

LAKE ELSINORE UNIFIED SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments made to other funds	$ 4,539,042
Cash payments to employees for services	(420,092)
Cash receipts from interfund services provided	(1,967,645)
Net Cash Provided by Operating Activities	2,151,305
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Nonoperating grants received	5,630
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	82,594
Net Increase in Cash and Cash Equivalents	3,089,769
Cash and Cash Equivalents - Beginning	4,798,208
Cash and Cash Equivalents - Ending	$ 7,887,977
RECONCILIATION OF INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	$ 3,262,421
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Increase in receivables	(21,612)
Increase in due from other fund	(852,334)
Increase in accounts payable	11,128
Increase in due to other fund	702
Increase in claims liability	(249,000)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 2,151,305

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

LAKE ELSINORE UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Agency Funds
ASSETS	
Deposits and investments	$ 11,046,712
Inventory	114,214
Total Assets	$ 11,160,926
LIABILITIES	
Accounts payable	$ 9,011
Due to bond holders	9,889,720
Due to student groups	1,262,195
Total Liabilities	$ 11,160,926

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Lake Elsinore Unified School District (the District) was unified on July 1, 1989, under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates twelve K-5 schools, two K-8 school, four grade 6-8 schools, three high schools, a continuation high school, an independent study school, a community day 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 Lake Elsinore Unified 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 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. For financial reporting purposes, the component units have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus are included in the financial statements of the District. The component units, although legally separate entities, are reported in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component units is essentially the same as the governing board of the District and because their purpose is to finance the construction of facilities to be used for the benefit of the District.

The Lake Elsinore Unified School District and the Lake Elsinore School Financing Authority (the Authority), the Community Facility Districts (the CFDs), and the Lake Elsinore Schools Financing Corporation (the Corporation), as represented by the 2010 Certificates of Participation, have a financial and operational relationship which meets the reporting entity definition criteria of the GASB Statement No. 14, *The Financial Reporting Entity*, for inclusion of the Authority, the CFDs and the Corporation as component units of the District. The component units, although legally separate entities, are reported in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component units is essentially the same as the governing board of the District and because their purpose is to finance the construction of facilities to be used for the direct benefit of the District. The financial statements present the Authority's and Corporation's financial debt activity within the Debt Service Fund for Blended Component Units. The Authority's and the CFDs financial capital projects activity is presented in the Capital Project Fund for Blended Component Units. The CFDs financial debt activity is presented in the Agency Funds. All debt instruments issued by the Corporation and the Authority are included as long-term liabilities in the government-wide financial statements. Debt instruments issued by the CFDs do not represent liabilities of the District or component units and are not included in the District-wide Financial Statements.

Other Related Entities

The District has approved a charter for the Sycamore Charter School pursuant to *Education Code* Section 47605. The Sycamore Charter School is operated by a separate governing board and is not considered a component unit of the District. The Sycamore Charter School receives Federal and State funds for specific purposes that is subject to review and audit by grantor agencies.

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 three broad fund categories: governmental, proprietary, 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.

One fund currently defined as special revenue funds in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 14, Deferred Maintenance Fund is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as extensions of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in the fund balance of $247,159 as of June 30, 2018.

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).

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.

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 Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are established 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 and 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.

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

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).

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

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 lA), 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.).

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Capital Project Fund for Blended Component Units The Capital Project Fund for Blended Component Units is used to account for capital projects financed by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

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 obligations.

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).

Proprietary Funds Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service.

Internal Service Fund Internal service funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operates a self-insured workers' compensation program that is accounted for in an internal service fund.

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.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB) and funds held for the payment of the non-obligatory debt of the Community Facilities Districts.

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 financial statement of activities presents a comparison between direct expenses and program revenues for each governmental program, and excludes fiduciary activity. 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 or business segment 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 asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other purposes result from special revenue funds and the internal service fund and the restrictions on their net asset use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental and proprietary 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.

Governmental Funds All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances 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 reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Proprietary Funds Proprietary funds are accounted for using a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

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 90 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

Under the modified accrual basis, 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.

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.

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 general long-term obligations, which has 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.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

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.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average method. The costs of inventory items are recorded as expenditures in the governmental type funds and expenses in the fiduciary 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. General 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. Interest incurred during the construction of capital assets utilized by the Enterprise Fund is also capitalized.

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

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 45 years; improvements, 5 to 20 years; equipment, 5 to 20 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities columns of the statement of net position.

Compensated Absences

Compensated absences are accrued as a liability and 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 and proprietary 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 fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and long-term loans are recognized as liabilities in the governmental fund financial statements when due.

Debt Issuance Costs, Premiums and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Debt premiums and discounts related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental funds recognize premiums and discounts as other financing sources and uses, respectively, and issuance costs as debt service expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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 for 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 District Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the 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 including the District's adopted budget and/or interim, estimated actuals and unaudited actual financial reports as approved by the governing board. The District currently has no committed funds.

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 the Director of Fiscal 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 on-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 $40,047,281 of restricted net position.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are food service sales and charges to other funds. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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.

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 Pensions.* 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;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB; and
- 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 (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 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 as of June 30, 2018, are classified in the accompanying financial statements as follows:

Governmental activities	$	103,918,134
Fiduciary funds		11,046,712
Total Deposits and Investments	$	114,964,846

Deposits and investments as of June 30, 2018, consist of the following:

Cash on hand and in banks	$	9,500,378
Cash in revolving		30,000
Investments		105,434,468
Total Deposits and Investments	$	114,964,846

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 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:

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

Authorized Under Debt Agreements

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds, Notes, Warrants	N/A	None	None
Registered State Bonds, Notes, Warrants	N/A	None	None
U.S. Treasury Obligations	3 years	None	None
U.S. Agency Securities	3 years	None	None
Federal National Mortgage Association Obligations	3 years	None	None
Federal Home Loan Mortgage Corporation Obligations	3 years	None	None
Resolution Funding Corporation Obligations	3 years	None	None
Federal Home Loan Bank System Obligations	3 years	None	None
Deposit Accounts, Time Certificates of Deposit, Negotiable Certificates of Deposit	N/A	None	None
Commercial Paper	180 days	30%	10%
Government Money Market Portfolio Mutual Fund	120 days	None	None
Repurchase Agreement	N/A	None	None
Investment Agreement	N/A	20%	10%
Riverside County Investment Pool	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
California Asset Management Program (CAMP)	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 Riverside County Treasury Investment Pool to provide the cash flow and liquidity needed for operations, and by having the Riverside County Treasury Investment Pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities of other investments so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow necessary for debt service requirements.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following schedule that shows the distribution of the District's investment by maturity:

Investment Type	Reported Amount	Weighted Average Maturity in Days
Riverside County Treasury Investment Pool	$ 63,622,619	427
Fidelity Institutional Money Market Fund - Governmental Portfolio, Class III	40,716,765	26
Invesco Private Investment - Treasury Portfolio	1,095,084	29
Total	$ 105,434,468	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments with the Fidelity Institutional Money Market Fund – Government Portfolio, Class III, Invesco Private Investment - Treasury Portfolio, and the Riverside County Treasury Investment Pool are rated Aaa by Moody's Investor Service.

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 had a bank balance of $7,880,624 that was exposed to custodial credit risk because it was uninsured and uncollateralized.

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 Level 2 Inputs	Uncategorized
Riverside County Treasury Investment Pool	$ 63,622,619	$ -	$ 63,622,619
Fidelity Institutional Money Market Fund -			
Governmental Portfolio, Class III	40,716,765	40,716,765	-
Invesco Private Investment - Treasury Portfolio	1,095,084	1,095,084	-
Total	$ 105,434,468	$ 41,811,849	$ 63,622,619

All assets have been valued using a market approach, with quoted market prices.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2018, consisted of inter-governmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

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	General Fund	Cafeteria Fund	Building Fund	Non-Major Governmental Funds	Internal Service Fund	Total Governmental Activities
Federal Government						
Categorical aid	$ 283,011	$ 215,837	$ -	$ 569,135	$ -	$ 1,067,983
State Government						
Categorical aid	302,155	16,995	-	108,398	-	427,548
Lottery	854,309	-	-	-	-	854,309
Due from SELPA	1,531,805	-	-	-	-	1,531,805
Local Government						
Interest	205,716	-	25,161	32,981	31,854	295,712
Other Local Sources	1,223,718	5,328	5,266,000	275,488	-	6,770,534
Total	$ 4,400,714	$ 238,160	$ 5,291,161	$ 986,002	$ 31,854	$ 10,947,891

NOTE 5 - LONG-TERM RECEIVABLES

The proceeds from the issuance of Special Tax Revenue Bonds issued by the Lake Elsinore Schools Financing Authority (the SFA) were used to refund existing debt obligations of various Community Facilities Districts (CFDs). In accordance with the agreement between the SFA and CFDs, special tax assessments collected from taxpayers residing in the areas of CFDs that benefitted will be used to repay a portion of the outstanding special tax bonds issued by the SFA. The total amount of benefit provided by the SFA through the issuance of special tax bonds was $80,585,000. Current year payments totaling $1,050,000 were made leaving a total of $46,745,000 due from the CFDs as of June 30, 2018.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance June 1, 2017	Additions	Deductions	Balance June 30, 2018
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 23,818,013	$ -	$ -	$ 23,818,013
Construction in progress	3,723,763	6,896,022	-	10,619,785
Total Assets Not Being Depreciated	27,541,776	6,896,022	-	34,437,798
Capital Assets Being Depreciated:				
Land improvements	13,002,141	25,130,744	-	38,132,885
Buildings and improvements	495,527,178	119,792	-	495,646,970
Furniture and equipment	36,010,933	1,638,722	3,147,565	34,502,090
Total Capital Assets Being Depreciated	544,540,252	26,889,258	3,147,565	568,281,945
Less Accumulated Depreciation:				
Land improvements	3,200,012	1,249,131	-	4,449,143
Buildings and improvements	143,845,355	10,023,478	-	153,868,833
Furniture and equipment	30,145,602	1,634,257	2,801,109	28,978,750
Total Accumulated Depreciation	177,190,969	12,906,866	2,801,109	187,296,726
Capital Assets Being Depreciated, Net	367,349,283	13,982,392	346,456	380,985,219
Governmental Activities Capital Assets, Net	$ 394,891,059	$ 20,878,414	$ 346,456	$ 415,423,017

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
Instruction	$ 11,228,973
Home-to-school transportation	645,343
All other pupil services	387,207
Plant services	645,343
Total Depreciation Expenses	$ 12,906,866

NOTE 7 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

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, and internal service funds are as follows:

	Due From				
Due To	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Internal Service Fund	Total
General Fund	$ -	$ 591,265	$ 968,572	$ 702	$ 1,560,539
Building Fund		2,542,024		-	2,542,024
Non-Major Governmental Funds	4,202,526		-	-	4,202,526
Internal Service Fund	874,047	-	-	-	874,047
Total	$ 5,076,573	$ 3,133,289	$ 968,572	$ 702	$ 9,179,136

The balance of $591,265 due to the General Fund from the Cafeteria Fund result from payroll and indirect cost reimbursements.

A balance of $637,988 due to the General Fund from the Child Development Non-Major Governmental Fund result from a temporary loan and operating costs, including indirect costs.

A balance of $330,584 due to the General Fund from the Adult Education Non-Major Governmental Fund resulted from a temporary loan and operating costs, including indirect costs.

A balance of $4,128,518 due to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects from the General Fund resulted from fiscal stabalization payback plan.

A balance of $2,542,024 due to the Building Fund from the Cafeteria Fund resulted from the reimbursement of capital outlay related expenditures.

A balance of $850,240 due to the Internal Service Fund from the General Fund resulted from one-time contribution to establish a stronger reserve for the District's self-insured workers' compensation program.

All remaining balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Operating Transfers

Interfund transfers for the year ended June 30, 2018, consisted of the following:

	Transfer From		
Transfer To	General Fund	Debt Service Fund for Blended Component Units	Total Governmental Activities
Non-Major Governmental Funds	$ 4,201,185	$ 6,818,091	$ 11,019,276
Internal Service Fund	850,240	-	850,240
Total	$ 5,051,425	$ 6,818,091	$ 11,869,516

The General Fund transferred to the Adult Education Non-Major Governemntal Fund for reimbursement of qualifying expenditure.	$ 2,759
The General Fund transferred to the Internal Service Fund for one-time funds to restore its fund balance.	850,240
The General Fund transferred to the Child Development Non-Major Governmental Fund for contribution.	69,908
The General Fund transferred to the Special Reserve Non-Major Governmental Fund for Capital Outlay Projects for payback of fiscal stabilization.	4,128,518
The Debt Service Fund for Blended Component Units transferred to the Capital Projects Non-Major Governmental Fund for Blended Component Units for proceeds received from Special Tax Bonds earmarked for capital outlay projects.	6,818,091
	$ 11,869,516

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2018, consisted of the following:

	General Fund	Cafeteria Fund	Building Fund	Non-Major Governmental Funds
Accrued payroll	$ 772,314	$ -	$ -	$ 6,701
LCFF apportionment	4,459,554	-		-
Books and supplies	410,637	31,439	17,146	39,062
Services	1,541,686	-	190,804	56,589
Capital outlay	198,666	-	756,737	38,373
Other vendor payables	230,588	-	-	75
Total	$ 7,613,445	$ 31,439	$ 964,687	$ 140,800

	Internal Service Fund	Total Governmental Activities	Fiduciary Funds
Accrued payroll	$ -	$ 779,015	$ -
LCFF apportionment	-	4,459,554	-
Books and supplies	-	498,284	-
Services	84,546	1,873,625	-
Capital outlay	-	993,776	-
Other vendor payables	-	230,663	9,011
Total	$ 84,546	$ 8,834,917	$ 9,011

NOTE 9 - UNEARNED REVENUE

Unearned revenue at June 30, 2018, consisted of the following:

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total
Federal financial assistance	$ 351,061	$ -	$ -	$ 351,061
State categorical aid	2,493,222	-	-	2,493,222
Other local	-	54,832	13,775	68,607
Total	$ 2,844,283	$ 54,832	$ 13,775	$ 2,912,890

NOTE 10 - TAX AND REVENUE ANTICIPATION NOTES (TRANS)

On July 6, 2017, the District issued $12,305,000 of Tax and Revenue Anticipation Notes bearing interest rate at 3.00 percent. The notes were issued to supplement cash flows. Interest and principal are due and payable on April 30, 2018. Repayment requirements are that a percentage of principal and interest be deposited with the Fiscal Agent until 100 percent of principal and interest due is on account in April 2018. The District has fully met the repayment obligations as of June 30, 2018.

The changes in the District's Tax and Revenue Anticipation Notes consisted of the following:

Issue Date	Rate	Outstanding July 1, 2017	Additions	Payments	Outstanding June 30, 2018
July 6, 2017	3.00%	$ -	$ 12,305,000	$ 12,305,000	$ -

NOTE 11 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	July 1, 2017 as Restated	Additions	Deductions	Balance June 30, 2018	Due in One Year
General obligation bonds	$ 32,415,000	$ -	$ -	$ 32,415,000	$ 1,825,000
Premium on issuance	1,285,806	-	53,575	1,232,231	-
2010 Certificate of Participation	31,380,000	-	100,000	31,280,000	150,000
Discount on certificate of participation	(594,436)	-	(23,937)	(570,499)	-
Lake Elsinore School Financing Authority Bonds	33,145,000	28,690,000	1,255,000	60,580,000	2,140,000
Premium on issuance	-	1,057,302	-	1,057,302	
Capital leases	372,211	-	177,689	194,522	135,218
2014 Lease Refinancing	1,396,647	-	687,126	709,521	709,521
Accumulated vacation - net	803,937	108,997	-	912,934	-
Other postemployment benefits (OPEB)	37,618,133	3,294,579	2,333,551	38,579,161	-
Claims liability	6,415,000	1,430,645	1,679,645	6,166,000	1,679,645
	$ 144,237,298	$ 34,581,523	$ 6,262,649	$ 172,556,172	$ 6,639,384

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments on the 2010 Certificates of Participation and the Lake Elsinore School Financing Authority Bonds are made by the Debt Service Fund for Blended Component Units. Capital lease payments are made from the General Fund. The 2014 Lease Refinancing payments are made from the Capital Facilities Fund. The accrued vacation will be paid by the fund for which the employee worked. Other postemployment benefits are generally paid by the General Fund. Claim liabilities are paid from the Internal Service Fund.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2017	Issued	Redeemed	Bonds Outstanding June 30, 2018
4/20/17	8/1/41	2.00-5.00%	$ 32,415,000	$ 32,415,000	$ -	$ -	$ 32,415,000

2016 General Obligation Bonds, Series A

On April 20, 2017, the District issued the 2016 General Obligation Bonds, Series A in the amount of $32,415,000 with interest rate yields of 2.00 to 5.00 percent. The bonds were issued as current interest bonds and have a final maturity to occur on August 1, 2041. The net proceeds of $33,205,046 (representing the principal amount of $32,415,000 and premium of $1,285,806, less cost of issuance of $495,760) from the issuance will be used to finance school facilities projects, including instructional technology, energy efficiency, and other authorized purposes relating to various school facilities and to pay costs of issuing the Bonds. At June 30, 2018, the principal balance outstanding was $32,415,000. Unamortized premium received on issuance of the bonds amounted to $1,232,231 as of June 30, 2018.

Debt Service Requirements to Maturity

The bonds mature through 2042 as follows:

Year Ending June 30,	Principal	Current Interest	Total
2019	$ 1,825,000	$ 1,205,469	$ 3,030,469
2020	1,020,000	1,171,919	2,191,919
2021	1,115,000	1,134,319	2,249,319
2022	330,000	1,105,419	1,435,419
2023	365,000	1,089,694	1,454,694
2024-2028	2,880,000	5,087,094	7,967,094
2029-2033	5,475,000	4,184,494	9,659,494
2034-2038	9,035,000	2,703,753	11,738,753
2039-2042	10,370,000	788,436	11,158,436
Total	$ 32,415,000	$ 18,470,597	$ 50,885,597

2010 Certificates of Participation

In May 2010, the Lake Elsinore Unified School District, pursuant to a lease/purchase agreement with the Lake Elsinore Schools Financing Corporation, issued $31,490,000 in Certificates of Participation. The certificates were issued to finance a portion of the costs of the design, acquisition, installation, construction, and improvement of school facilities, fund a reserve for the certificates and pay costs of issuance incurred in connection with the execution and delivery of the certificates. The interest rates of the certificates range from 3.00 to 5.00 percent and the certificates have a final maturity to occur on June 1, 2042. At June 30, 2018, the principal balance outstanding was $31,280,000 and unamortized discount on issuance was $570,499.

Repayment requirements are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	$ 150,000	$ 1,531,031	$ 1,681,031
2019	210,000	1,525,406	1,735,406
2020	270,000	1,517,006	1,787,006
2021	330,000	1,506,206	1,836,206
2022	400,000	1,492,594	1,892,594
2023-2027	3,225,000	7,130,638	10,355,638
2028-2032	5,865,000	6,142,200	12,007,200
2033-2037	9,585,000	4,335,750	13,920,750
2038-2041	11,245,000	1,462,750	12,707,750
Total	$ 31,280,000	$ 26,643,581	$ 57,923,581

Lake Elsinore School Financing Authority Bonds

The Lake Elsinore School Financing Authority (SFA) was created to refinance the Community Facilities Districts (CFD) debt. SFA 2007 refinanced the debt for CFD 99-1, 2000-1, 2001-1, 2001-2, 2001-3, 2002-1, 2003-1A, and 2003-1B. The interest rates of the bonds range from 3.50 to 4.50 percent and the bonds have a final maturity to occur on October 1, 2037. SFA 2012 refinanced the debt for CFD 88-1, 90-1, SFA 1997, and SFA 1998. The interest rates of the bonds range from 2.00 to 3.00 percent and the bonds have a final maturity to occur on September 1, 2027. SFA 2017 refinanced the debt for CFD 2004-4, 2005-6,1A A, 2005-7, 2006-3, 1A A, 2006-4, and 2006-6. The interest rates of the bonds range from 2.00 to 5.00 percent and the bonds have a final maturity to occur on September 1, 2044. On June 30, 2018, the principal balance outstanding on the Lake Elsinore School Financing Authority Bonds was $60,580,000. Unamortized premium received on issuance of the bonds amounted to $1,057,302.

The outstanding debt incurred through bonds issued in connection with the SFA at June 30, 2018, is as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 2,140,000	$ 2,495,719	$ 4,635,719
2020	1,960,000	2,427,862	4,387,862
2021	1,755,000	2,356,637	4,111,637
2022	1,865,000	2,279,434	4,144,434
2023	1,985,000	2,189,987	4,174,987
2024-2028	12,075,000	9,326,381	21,401,381
2029-2033	16,145,000	6,071,481	22,216,481
2034-2038	16,650,000	2,654,484	19,304,484
2039-2043	4,910,000	536,763	5,446,763
2044-2045	1,095,000	40,147	1,135,147
Total	$ 60,580,000	$ 30,378,895	$ 90,958,895

Capital Leases

The District has entered into agreements to lease various facilities and 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:

Governmental Activities

	Vehicles	Equipment	Total
Balance, July 1, 2017	$ 272,008	$ 125,136	$ 397,144
Additions	-	-	-
Payments	(160,579)	(31,436)	(192,015)
Balance, June 30, 2018	$ 111,429	$ 93,700	$ 205,129

The capital leases have minimum lease payments as follows:

Governmental Activities

Year Ending June 30, 2016	Lease Payment
2019	$ 142,663
2020	31,233
2021	31,233
Total	205,129
Less: Amount Representing Interest	(10,607)
Present Value of Minimum Lease Payments	$ 194,522

2014 Lease Refinancing

On December 11, 2013, the District, pursuant to a lease/purchase agreement with the Lake Elsinore Unified School District Financing Corporation, entered into a lease agreement with Capital One Public Funding LLC to advance funds of $3,967,476. The lease refinancing has a final maturity of February 1, 2019, with an interest rate of 2.97 percent. The net proceeds from the lease were used to refinance the District's outstanding 1999 Certificates of Participation. At June 30, 2018, the principal balance outstanding was $709,521.

Year Ending June 30,	Principal	Interest	Total
2019	$ 709,521	$ 21,073	$ 730,594

Accumulated Unpaid Employee Vacation

The accumulated unpaid employee vacation for the District at June 30, 2018, amounted to $912,934.

Claims Liability

Liabilities associated with workers' compensation claims are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are based upon estimated ultimate cost of settling the claims, considering recent claim settlement trends including the frequency and amount of payouts and other economic and social factors. The liability for workers' compensation claims is reported in the Internal Service Fund. The outstanding claims liability at June 30, 2018, amounted to $6,166,000 and was discounted at a rate of 3.50 percent.

Net Other Post Employment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2018, the District reported net OPEB liability, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 37,094,062	$ 193,549	$ 1,116,577
Medicare Premium Payment (MPP) Program	1,485,099	-	(155,549)
Total	$ 38,579,161	$ 193,549	$ 961,028

The details of each plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Plan Membership

At June 30, 2018, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	129
Active employees	1,951
	2,080

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District, the Lake Elsinore Teachers Association (LETA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements with the District, LETA, CSEA, and the unrepresented groups. For fiscal year 2017-2018, the District contributed $1,952,195 to the Plan, all which was used for current premiums.

Total OPEB Liability of the District

The District's total OPEB liability of $37,094,062 was measured as of June 30, 2018, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75	percent
Salary increases	3.00	percent, average, including inflation
Discount rate	3.50	percent
Healthcare cost trend rates	6.00	percent for 2018

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Mortality rates were based on the RPH 2014 mortality table with generational improvements using scale MP2017.

The actual assumptions used in the June 30, 2018 valuation were based on the results of an actual experience study for the period July 1, 2017 to June 30, 2018.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	$ 35,977,485
Service cost	2,035,331
Interest	1,259,248
Changes of assumptions	(225,807)
Benefit payments	(1,952,195)
Net change in total OPEB liability	1,116,577
Balance at June 30, 2018	$ 37,094,062

Changes of benefit terms: No changes to the benefits terms noted from prior year valuation.

Changes of assumptions and other inputs reflect a change in the discount rate from 4.00 percent in 2017 to 3.50 percent in 2018.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Total OPEB Liability
1% decrease (2.50%)	$ 39,398,353
Current discount rate (3.50%)	37,094,062
1% increase (4.50%)	34,897,030

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (5.00%)	$ 34,022,526
Current healthcare cost trend rate (6.00%)	37,094,062
1% increase (7.00%)	40,614,662

OPEB Expense and Deferred Inflows of Resources related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of $1,116,577. At June 30, 2018, the District reported deferred inflows of resources for changes of assumptions of $193,549.

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ (32,258)
2020	(32,258)
2021	(32,258)
2022	(32,258)
2023	(32,258)
Thereafter	(32,259)
	$ (193,549)

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (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 publicly 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 State Teachers Retirement Plan (STRP) Defined Benefit (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.

OPEB Liabilities and OPEB Expense Related to the OPEB

At June 30, 2018, the District reported a liability of $1,485,099 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 0.3530 percent, and 0.3506 percent, resulting in a net increase in the proportionate share of 0.0024 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of $(155,549).

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 the 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 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 Discount 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 higher than the current rate:

Discount Rate	Net OPEB Liability
1% decrease (2.58%)	$ 1,644,109
Current discount rate (3.58%)	1,485,099
1% increase (4.58%)	1,330,429

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

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 pension liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 1,342,015
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	1,485,099
1% increase (4.7% Part A and 5.1% Part B)	1,626,755

NOTE 12 - NON-OBLIGATORY DEBT

Non-obligatory debt relates to debt issuances issued by the Community Facility Districts, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, 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. The Community Facilities District Special Tax Bonds currently active include several Community Facilities Districts with a remaining balance as of June 30, 2018, of $58,466,500.

NOTE 13 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Cafeteria Fund	Building Fund	Debt Service Fund for Blended Component Units	Non-Major Governmental Funds	Total
Nonspendable						
Revolving cash	$ 26,000	$ 4,000	$ -	$ -	$ -	$ 30,000
Stores inventories	193,921	117,914	-	-	-	311,835
Total Nonspendable	219,921	121,914	-	-	-	341,835
Restricted						
Legally restricted programs	1,947,243	5,061,986	-	-	136,128	7,145,357
Capital projects	-	-	11,891,833	-	17,019,464	28,911,297
Debt services	-	-	-	21,619,310	2,566,487	24,185,797
Total Restricted	1,947,243	5,061,986	11,891,833	21,619,310	19,722,079	60,242,451
Assigned						
Deferred maintenance	247,159	-	-	-	-	247,159
Capital projects	-	-	-	-	4,727,784	4,727,784
Other	18,260,468	-	-	-	-	18,260,468
Total Assigned	18,507,627	-	-	-	4,727,784	23,235,411
Unassigned						
Reserve for economic uncertainties	10,901,726	-	-	-	-	10,901,726
Total	$ 31,576,517	$ 5,183,900	$ 11,891,833	$ 21,619,310	$ 24,449,863	$ 94,721,423

At June 30, 2018, the Internal Service Fund reported a net position of $2,542,630.

NOTE 14 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2018, the District participated in Self-Insured Schools of California (SISC II) public entity risk pools for property and liability insurance coverage. Settled claims have not exceeded the insured coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

The District has established a fund to self-insure itself for workers' compensation coverage. The workers' compensation experience of the District was calculated and applied to a premium rate, which was utilized for the purchase of an insurance product that provided the required coverage. Excess liability coverage for workers' compensation claims is provided through participation in the California Public Entity Insurance Authority (CPEIA).

	Workers' Compensation
Liability Balance, July 1, 2016	$ 6,245,000
Claims and changes in estimates	2,012,153
Claims payments	(1,842,153)
Liability Balance, June 30, 2017	6,415,000
Claims and changes in estimates	1,430,645
Claims payments	(1,679,645)
Liability Balance, June 30, 2018	$ 6,166,000
Assets available to pay claims at June 30, 2018	$ 8,793,878

Employee Medical Benefits

The District has contracted with the Self-Insured Schools of California III (SISC III) and Riverside Employer/Employee Partnership for Benefits (REEP) to provide employee health benefits. SISC III and REEP are shared risk pools comprised of local educational agencies. Rates are set through an annual process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating members.

NOTE 15 - 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:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 180,319,104	$ 51,700,908	$ 13,502,372	$ 17,645,756
CalPERS	60,597,986	18,672,398	1,323,292	10,988,999
Total	$ 240,917,090	$ 70,373,306	$ 14,825,664	$ 28,634,755

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 publicly 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 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%	9.205%
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 $15,749,888.

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	$	180,319,104
State's proportionate share of the net pension liability associated with the District		106,675,259
Total	$	286,994,363

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 0.1950 percent and 0.1971 percent, resulting in a net decrease in the proportionate share of 0.0021 percent.

For the year ended June 30, 2018, the District recognized pension expense of $17,645,756. In addition, the District recognized pension expense and revenue of $10,737,889 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	$ 15,749,888	$ -
Net change in proportionate share of net pension liability	1,877,962	5,554,916
Difference between projected and actual earnings on pension plan investments	-	4,802,401
Differences between expected and actual experience in the measurement of the total pension liability	666,838	3,145,055
Changes of assumptions	33,406,220	-
Total	$ 51,700,908	$ 13,502,372

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/(inflows) 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	$ (3,992,414)
2020	3,021,078
2021	435,622
2022	(4,266,687)
Total	$ (4,802,401)

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 2016-2017 measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 4,381,674
2020	4,381,674
2021	4,381,674
2022	4,381,677
2023	4,277,775
Thereafter	5,446,575
Total	$ 27,251,049

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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, 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 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:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
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:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 264,765,692
Current discount rate (7.10%)	180,319,104
1% increase (8.10%)	111,784,976

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) 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 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, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly 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 provides 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	15.531%	15.531%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. 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 $5,261,464.

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 $60,597,986. 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 0.2538 percent and 0.2514 percent, resulting in a net increase in the proportionate share of 0.0024 percent.

For the year ended June 30, 2018, the District recognized pension expense of $10,988,999. 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	$ 5,261,464	$ -
Net change in proportionate share of net pension liability	292,394	609,826
Difference between projected and actual earnings on pension plan investments	2,096,275	-
Differences between expected and actual experience in the measurement of the total pension liability	2,170,976	-
Changes of assumptions	8,851,289	713,466
Total	$ 18,672,398	$ 1,323,292

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/(inflows) 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	$ (56,802)
2020	2,418,647
2021	882,351
2022	(1,147,921)
Total	$ 2,096,275

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 2016-2017 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	$ 3,391,774
2020	3,447,658
2021	3,151,935
Total	$ 9,991,367

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, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, 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%

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:

Discount rate	Net Pension Liability
1% decrease (6.15%)	$ 89,159,055
Current discount rate (7.15%)	60,597,986
1% increase (8.15%)	36,904,186

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 $8,716,801 (9.328 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves and the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 16 - 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.

Litigation

The District is not currently a party to any legal proceedings.

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
Elsinore HS Press Box	$ 65,665	December 31, 2018
WTH Long Jump	15,500	August 31, 2018
Musco Sports Field Lighting	34,615	September 30, 2018
Terra Cotta MS Long Jump	15,500	August 31, 2018
Elsinore HS Softball Field Turf	16,440	August 1, 2018
Lakeside HS Entry	22,817	August 31, 2018
Elsinore HS Lunch Shelter	143,345	November 30, 2018
Temescal Canyon HS Storage Building	5,886	November 30, 2018
David A Brown MS Retaining Wall	29,764	December 31, 2018
Terra Cotta MS 21st Century Classrooms	57,423	August 31, 2018
Machado ES 21st Century Classrooms	25,487	August 31, 2018
Donald Graham ES Walkway	55,576	July 31, 2018
David A Brown MS Turf	18,760	September 30, 2018
Wildomar ES Seat Wall	37,500	October 31, 2018
Elsinore HS Electrical Gear	15,455	December 31, 2018
Lakeside HS Fencing	27,955	October 31, 2018
	$ 587,688	

NOTE 17 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWER AUTHORITIES, AND OTHER RELATED PARTY TRANSACTIONS

The District is a member of the Self-Insured Schools of California II (SISC II), Riverside Employer/Employee Partnership for Benefits (REEP), California Public Entity Insurance Authority (CPEIA), and the Self-Insured Schools of California III (SISC III) public entity risk pools and the Joint Educational Transit of Riverside County (JET) joint powers authority (JPA). The District pays an annual premium to the SISC II, REEP, CPEIA, and SISC III for property and liability coverage, health benefits, excess liability coverage for workers' compensation, and health benefits, respectively. The payments to REEP are paid to provide additional health benefits. Payments for delivery services are paid to the JET JPA. The relationships between the District, the pools and the JPA 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: $1,181,173, $198,636, $535,642, $24,626,620, and $6,049 to the SISC II, REEP, CPEIA, SISC III, and JET, respectively, for the services noted above.

Joint Venture

The District has entered into a cooperative agreement known as (EAM) with Murrieta Valley Unified School District for the purpose of providing transportation services for students with disabilities who reside in the member districts and are enrolled in special education programs for severely handicapped students operated by the Riverside County Office of Education. Lake Elsinore Unified School District is the fiscal agent for the transportation cooperative, and as such, they have entered into a number of capital lease agreements on behalf of the transportation cooperative, which are included in the District's general long-term liabilities. A transportation committee, comprised of a delegate from each member district, is responsible for formulating policies and taking actions to carry out the terms of the agreement. Condensed unaudited financial information for the transportation cooperative for the fiscal year ended June 30, 2018, is as follows:

Total Revenues	$	2,014,090
Total Expenditures		2,014,090
Net Change in Fund Balance	$	-

NOTE 18 - SUBSEQUENT EVENTS

The District issued $6,225,000 of Tax and Revenue Anticipation Notes dated July 12, 2018. The notes mature on June 28, 2019, yield 3.00 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that a percentage of principal and interest be deposited with the Fiscal Agent each month beginning January 31, 2019, until 100 percent of principal and interest due is on account in June 2019.

NOTE 19 - 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	$	233,765,932
Inclusion of net OPEB liability from the adoption of GASB Statement No. 75		(29,006,903)
Net Position - Beginning as Restated	$	204,759,029

REQUIRED SUPPLEMENTARY INFORMATION

LAKE ELSINORE UNIFIED SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final
Revenues	**Original**	**Final**	**(GAAP Basis)**	**to Actual**
Local Control Funding Formula	$ 190,606,176	$ 193,396,004	$ 190,678,734	$ (2,717,270)
Federal sources	9,989,920	13,698,387	10,593,047	(3,105,340)
Other State sources	19,589,233	26,313,042	22,953,119	(3,359,923)
Other local sources	12,247,895	12,963,658	14,398,395	1,434,737
Total Revenues [1]	232,433,224	246,371,091	238,623,295	(7,747,796)
Expenditures				
Current				
Certificated salaries	108,029,796	116,587,476	111,451,052	5,136,424
Classified salaries	32,321,778	34,590,037	32,966,582	1,623,455
Employee benefits	58,003,746	61,582,307	57,889,790	3,692,517
Books and supplies	10,585,320	15,101,339	10,314,045	4,787,294
Services and operating expenditures	18,698,931	20,928,161	21,034,931	(106,770)
Capital outlay	3,011,300	3,809,951	3,454,233	355,718
Other outgo	441,605	367,592	(141,212)	508,804
Total Expenditures [1]	231,092,476	252,966,863	236,969,421	15,997,442
Excess (Deficiency) of Revenues Over Expenditures	1,340,748	(6,595,772)	1,653,874	8,249,646
Other Financing Uses				
Transfers out	(1,250,000)	(4,126,804)	(5,051,425)	(924,621)
NET CHANGE IN FUND BALANCES	90,748	(10,722,576)	(3,397,551)	7,325,025
FUND BALANCES - BEGINNING	34,974,068	34,974,068	34,974,068	-
FUND BALANCES - ENDING	$ 35,064,816	$ 24,251,492	$ 31,576,517	$ 7,325,025

[1] On behalf payments of $8,716,801 are included in the actual revenues and expenditures, final, and original budgeted amounts. In addition due to the consolidation of Fund 14, Deferred Maintenance Fund, additional revenues and expenditures pertaining to this fund are included in the Actual (GAAP Basis) revenues and expenditures, however, we are not included in the original and final General Fund budgets.

See accompanying note to required supplementary information.

LAKE ELSINORE UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018

	2018
Total OPEB Liability	
Service cost	$ 2,035,331
Interest	1,259,248
Changes of assumptions	(225,807)
Benefit payments	(1,952,195)
Net change in total OPEB liability	1,116,577
Total OPEB liability - beginning	35,977,485
Total OPEB liability - ending	$ 37,094,062
Covered payroll	N/A[1]
District's total OPEB liability as a percentage of covered payroll	N/A[1]

[1] The District's OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay. Therefore, no measure of payroll is presented.

Note: In the future, as data becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

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,	2018
District's proportion of the net OPEB liability	0.3530%
District's proportionate share of the net OPEB liability	$ 1,485,099
District's covered-employee payroll	N/A[1]
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	0.01%

[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 becomes available, ten years of information will be presented.

See accompanying note to required supplementary information.

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SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CalSTRS		
District's proportion of the net pension liability	0.1950%	0.1971%
District's proportionate share of the net pension liability	$ 180,319,104	$ 159,424,083
State's proportionate share of the net pension liability associated with the District	106,675,259	90,757,287
Total	$ 286,994,363	$ 250,181,370
District's covered - employee payroll	$ 103,818,180	$ 99,515,983
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	173.69%	160.20%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%
CalPERS		
District's proportion of the net pension liability	0.2538%	0.2514%
District's proportionate share of the net pension liability	$ 60,597,986	$ 49,660,597
District's covered - employee payroll	$ 31,436,794	$ 29,616,266
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	192.76%	167.68%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%

Note: In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

2016	2015
0.2050%	0.2005%
$ 138,006,714	$ 117,152,290
72,990,338	70,741,611
$ 210,997,052	$ 187,893,901
$ 95,144,932	$ 87,597,480
145.05%	133.74%
74%	77%
0.2596%	0.2530%
$ 38,268,587	$ 28,274,406
$ 28,980,384	$ 26,652,652
132.05%	106.08%
79%	83%

LAKE ELSINORE UNIFIED SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
CalSTRS		
Contractually required contribution	$ 15,749,888	$ 13,060,327
Contributions in relation to the contractually required contribution	15,749,888	13,060,327
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 109,146,833	$ 103,818,180
Contributions as a percentage of covered - employee payroll	14.43%	12.58%
CalPERS		
Contractually required contribution	$ 5,261,464	$ 4,365,942
Contributions in relation to the contractually required contribution	5,261,464	4,365,942
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 33,877,175	$ 31,436,794
Contributions as a percentage of covered - employee payroll	15.531%	13.888%

Note: In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

2016	2015
$ 10,678,065	$ 8,448,870
10,678,065	8,448,870
$ -	$ -
$ 99,515,983	$ 95,144,932
10.73%	8.88%
$ 3,508,639	$ 3,411,281
3,508,639	3,411,281
$ -	$ -
$ 29,616,266	$ 28,980,384
11.847%	11.771%

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.

These present 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 Changes in the District's Total OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances. In the future, as data becomes available, ten years of information will be presented.

***Changes in Benefits Terms* –** No changes noted in benefit terms.

***Changes of Assumptions* –** The discount rate changed from 4.00 percent in 2017 to 3.50 percent in 2018.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB Liability – MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms – There were no changes in the benefit 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.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

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

LAKE ELSINORE UNIFIED 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):			
Adult Education - Basic Grants to States:			
English Literacy & Civics Education	84.002A	14109	$ 148,542
Secondary Education	84.002A	13978	152,221
Basic Education and ESL	84.002A	14508	220,093
Total Adult Education - Basic Grants to States			520,856
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	4,183,176
Title I, Part G - Advance Placement Program	84.330	14831	11,771
Title II, Part A, Supporting Effective Instruction	84.367	14341	941,693
English Language Acquistion Grants			
Title III, Part A - Immigrant Student Program	84.365	15146	40,268
Title III, English Learner Student Program	84.365	14346	402,523
Total English Language Acquisition Grants			442,791
Special Education (IDEA) Cluster:			
Preschool Grants, Part B, Sec 619	84.173	13430	71,339
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	3,490,486
Mental Health Allocation Plan, Part B, Sec 611	84.027	15197	60,751
Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	266,546
Preschool Staff Development, Part B, Sec 619	84.173A	13431	739
Total Special Education (IDEA) Cluster			3,889,861
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	163,208
Total for U.S. Department of Education			10,153,356
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	233,855
Passed through San Bernardino County Superintendent of Schools			
Medi-Cal Administrative Activities	93.778	10060	748,797
Total Medi-Cal Assitance Program			982,652
Passed through Riverside County Superintendent of Schools:			
Head Start			
Head Start Basic	93.600	10016	1,910,962
Early Head Start	93.600	15292	81,167
Total Head Start			1,992,129
Total for U.S. Department of Health and Human Services			2,974,781

See accompanying note to supplementary information.

LAKE ELSINORE UNIFIED 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 AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
Especially Needy Breakfast Program	10.553	13526	1,692,845
Meal Supplements - Snacks	10.556	13392	151,909
National School Lunch Program	10.555	13524	6,265,963
Summer Food Service Program	10.559	13004	61,654
Commodities	10.555	13524	629,710
Total Child Nutrition Cluster			8,802,081
Forest Reserve	10.665	10044	8,802
Total for U.S. Department of Agriculture			8,810,883
Total Expenditures of Federal Awards			$ 21,939,020

See accompanying note to supplementary information.

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2018

ORGANIZATION

The District was formed through a unification vote during 1987-1988. The District conducts a kindergarten through twelfth grade educational program for approximately 22,000 students through twelve K-5 schools, two K-8 schools, four grade 6-8 schools, three high schools, a continuation high school, a community day school, an independent study school, and an adult education school. The District is located in Riverside County, and occupies the southern region of Corona, western region of Perris, the community of Wildomar, and the cities of Lake Elsinore and Canyon Lake.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Stan Crippen	President	2018
Susan Scott	Clerk	2020
Heidi Dodd	Member	2018
Juan Saucedo	Member	2020
Steven Wood	Member	2018

ADMINISTRATION

Dr. Doug Kimberly	Superintendent
Arleen Sanchez	Chief Business Official
Dr. Kip Meyer	Assistant Superintendent, Personnel Support Services
Dr. Gregory J. Bowers	Assistant Superintendent, Facilities and Operations Support Services
Dr. Alain Guevara	Assistant Superintendent, Administrative and Educational Support Services
Sam Wensel	Executive Director, Personnel Support Services

See accompanying note to supplementary information.

LAKE ELSINORE UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2018

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	6,066.76	6,086.32
Fourth through sixth	4,807.76	4,806.88
Seventh and eighth	3,186.68	3,180.62
Ninth through twelfth	6,157.52	6,103.93
Total Regular ADA	20,218.72	20,177.75
Extended Year Special Education		
Transitional kindergarten through third	9.81	9.81
Fourth through sixth	4.85	4.85
Seventh and eighth	2.23	2.23
Ninth through twelfth	7.03	7.03
Total Extended Year Special Education	23.92	23.92
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.94	1.01
Fourth through sixth	1.31	1.86
Seventh and eighth	3.56	3.38
Ninth through twelfth	9.35	10.39
Total Special Education, Nonpublic, Nonsectarian Schools	15.16	16.64
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.06	0.06
Fourth through sixth	0.06	0.06
Seventh and eighth	0.22	0.22
Ninth through twelfth	0.54	0.54
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	0.88	0.88
Total ADA	20,258.68	20,219.19

See accompanying note to supplementary information.

LAKE ELSINORE UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2018

Grade Level	1986-87 Minutes Requirement	2017-18 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	36,000	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		50,400	180	N/A	Complied
Grade 2		50,400	180	N/A	Complied
Grade 3		50,400	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		54,000	180	N/A	Complied
Grade 5		54,000	180	N/A	Complied
Grade 6		54,000	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		55,620	180	N/A	Complied
Grade 8		55,620	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		65,067	180	N/A	Complied
Grade 10		65,067	180	N/A	Complied
Grade 11		65,067	180	N/A	Complied
Grade 12		65,067	180	N/A	Complied

See accompanying note to supplementary information.

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.

LAKE ELSINORE UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

	(Budget) 2019 [1]	2018	2017	2016
GENERAL FUND [3]				
Revenues	$ 249,164,088	$ 238,617,206	$ 231,176,294	$ 227,106,683
Other sources and transfers in	-	-	520	179,824
Total Revenues and Other Sources	249,164,088	238,617,206	231,176,814	227,286,507
Expenditures	249,015,927	236,209,156	219,679,801	207,625,203
Other uses and transfers out	1,750,000	6,051,424	1,276,392	-
Total Expenditures and Other Uses	250,765,927	242,260,580	220,956,193	207,625,203
INCREASE (DECREASE) IN FUND BALANCE	$ (1,601,839)	$ (3,643,374)	$ 10,220,621	$ 19,661,304
ENDING FUND BALANCE	$ 29,727,519	$ 31,329,358	$ 34,972,732	$ 24,752,111
AVAILABLE RESERVES [2]	$ 10,030,638	$ 10,901,726	$ 9,943,029	$ 7,043,466
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	4.0%	4.5%	4.5%	3.4%
LONG-TERM OBLIGATIONS[4]	N/A	$ 172,556,172	$ 144,237,298	$ 83,999,148
K-12 AVERAGE DAILY ATTENDANCE AT P-2	20,249	20,259	20,463	20,608

The General Fund balance has increased by $6,577,247 over the past two years. The fiscal year 2018-2019 budget projects a decrease of $1,601,839 (5.11 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 but anticipates incurring an operating deficit during the 2018-2019 fiscal year. Total long-term obligations have increased by $71,442,976 over the past two years.

Average daily attendance has decreased by 349 over the past two years. A further decrease of 10 ADA is anticipated during fiscal year 2018-2019.

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[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 and the Special Reserve Fund for Other Than Capital Outlay Projects.

[3] General Fund amounts do not include activity related to the consolidation of the Deferred Maintenance Fund as required by GASB Statement No. 54.

[4] Long-term obligations have been restated as of June 30, 2017 due to the implementation of GASB Statement No. 75.

See accompanying note to supplementary information.

LAKE ELSINORE UNIFIED SCHOOL DISTRICT

CHARTER SCHOOLS SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

Name of Charter School	Included in Audit Report
Sycamore Academy of Science and Cultural Arts (1118)	No

See accompanying note to supplementary information.

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LAKE ELSINORE UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

	Adult Education Fund	Child Development Fund	Capital Facilities Fund
ASSETS			
Deposits and investments	$ 240,241	$ 117,496	$ 2,670,014
Receivables	189,943	519,600	256,468
Due from other funds	4,072	69,936	-
Total Assets	$ 434,256	$ 707,032	$ 2,926,482
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	$ 5,746	$ 17,067	$ 117,762
Due to other funds	330,584	637,988	-
Unearned revenue	-	13,775	-
Total Liabilities	336,330	668,830	117,762
Fund Balances			
Restricted	97,926	38,202	2,808,720
Assigned	-	-	-
Total Fund Balances	97,926	38,202	2,808,720
Total Liabilities and Fund Balances	$ 434,256	$ 707,032	$ 2,926,482

See accompanying note to supplementary information.

County School Facilities Fund		Special Reserve Fund for Capital Outlay Projects		Capital Project Fund for Blended Component Units		Bond Interest and Redemption Fund		Total Non-Major Governmental Funds	
$	3,865,923	$	621,502	$	10,302,819	$	2,566,487	$	20,384,482
	17,517		2,474		-		-		986,002
	-		4,128,518		-		-		4,202,526
$	3,883,440	$	4,752,494	$	10,302,819	$	2,566,487	$	25,573,010
$	-	$	225	$	-	$	-	$	140,800
	-		-		-		-		968,572
	-		-		-		-		13,775
	-		225		-		-		1,123,147
	3,883,440		24,485		10,302,819		2,566,487		19,722,079
	-		4,727,784		-		-		4,727,784
	3,883,440		4,752,269		10,302,819		2,566,487		24,449,863
$	3,883,440	$	4,752,494	$	10,302,819	$	2,566,487	$	25,573,010

LAKE ELSINORE UNIFIED 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	Child Development Fund	Capital Facilities Fund
REVENUES			
Federal sources	$ 520,856	$ 1,992,129	$ -
Other State sources	711,803	1,712,695	12,180
Other local sources	-	384,039	1,757,542
Total Revenues	1,232,659	4,088,863	1,769,722
EXPENDITURES			
Current			
Instruction	899,671	2,560,022	-
Instruction-related activities			
Supervision of instruction	-	688,226	-
School site administration	355,578	-	-
Pupil services			
Food services	-	61,047	-
All other pupil services	-	128,469	-
General administration:			
All other general administration	39,202	129,896	1,176,859
Plant services	-	108,152	200,324
Ancillary services	-	-	-
Community services	-	482,446	-
Facility acquisition and construction	-	-	374,884
Debt service			
Principal	-	-	687,126
Interest and other	-	-	41,480
Total Expenditures	1,294,451	4,158,258	2,480,673
Excess (Deficiency) of Revenues Over Expenditures	(61,792)	(69,395)	(710,951)
OTHER FINANCING SOURCES			
Transfers in	2,759	69,908	-
NET CHANGE IN FUND BALANCES	(59,033)	513	(710,951)
FUND BALANCES - BEGINNING	156,959	37,689	3,519,671
FUND BALANCES - ENDING	$ 97,926	$ 38,202	$ 2,808,720

See accompanying note to supplementary information.

County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Project Fund for Blended Component Units	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
$ -	$ -	-	$ -	$ 2,512,985
-	-	-	-	2,436,678
55,472	8,963	12,299,527	2,245,239	16,750,782
55,472	8,963	12,299,527	2,245,239	21,700,445
-	-	-	-	3,459,693
-	-	-	-	688,226
-	-	-	-	355,578
		-		
-	-	-	-	61,047
-	-	-	-	128,469
		-		
-	-	-	-	1,345,957
-	-	-	-	308,476
-	-	11,021,120	-	11,021,120
-	-	-	-	482,446
-	79,486	-	-	454,370
-	-	-	-	687,126
-	-	302,069	883,797	1,227,346
-	79,486	11,323,189	883,797	20,219,854
55,472	(70,523)	976,338	1,361,442	1,480,591
-	4,128,518	6,818,091	-	11,019,276
55,472	4,057,995	7,794,429	1,361,442	12,499,867
3,827,968	694,274	2,508,390	1,205,045	11,949,996
$ 3,883,440	$ 4,752,269	$ 10,302,819	$ 2,566,487	$ 24,449,863

LAKE ELSINORE UNIFIED 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 of Medi-Cal Billing Option funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period.

	CFDA Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances and Business-Type Activities:		$ 21,908,113
Medi-Cal Billing Option	93.778	30,907
Total Schedule of Expenditures of Federal Awards		$ 21,939,020

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.

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 did not meet or exceed 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.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018

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 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

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE difference

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
Lake Elsinore Unified School District
Lake Elsinore, 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 Lake Elsinore Unified 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 Lake Elsinore Unified School District's basic financial statements, and have issued our report thereon dated December 15, 2018.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and 19 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 Lake Elsinore Unified 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 Lake Elsinore Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Lake Elsinore Unified 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.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs, as item 2018-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lake Elsinore Unified 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Lake Elsinore Unified School District in a separate letter dated December 15, 2018.

Lake Elsinore Unified School District's Response to Findings

Lake Elsinore Unified School District's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Lake Elsinore Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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
December 15, 2018

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Governing Board
Lake Elsinore Unified School District
Lake Elsinore, California

Report on Compliance for Each Major Federal Program

We have audited Lake Elsinore Unified School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lake Elsinore Unified School District's major Federal programs for the year ended June 30, 2018. Lake Elsinore Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of 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 Lake Elsinore Unified 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 Lake Elsinore Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Opinion on Each Major Federal Program

In our opinion, Lake Elsinore Unified 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 Lake Elsinore Unified 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 Lake Elsinore Unified 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 Lake Elsinore Unified School District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-002 that we consider to be significant deficiency.

Lake Elsinore Unified School District's response to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Lake Elsinore Unified School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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
December 15, 2018

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Lake Elsinore Unified School District
Lake Elsinore, California

Report on State Compliance

We have audited Lake Elsinore Unified 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 Lake Elsinore Unified 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 Lake Elsinore Unified 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 Lake Elsinore Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Lake Elsinore Unified School District's compliance with those requirements.

Unmodified Opinion

In our opinion, Lake Elsinore Unified 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.

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In connection with the audit referred to above, we selected and tested transactions and records to determine the Lake Elsinore Unified 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	Yes
Independent Study	Yes
Continuation Education	Yes
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	Yes
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	No, see below
Mode of Instruction	No, see below
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	No, see below
Charter School Facility Grant Program	No, see below

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 have any Middle or Early College High Schools; therefore, we did not perform any procedures related to Middle or Early College High Schools.

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.

The District does not have any Charter Schools; therefore, we did not perform any procedures for Charter School Programs.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 15, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LAKE ELSINORE UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENTS	
Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified?	Yes
Noncompliance material to financial statements noted?	No
FEDERAL AWARDS	
Internal control over major Federal programs:	
Material weakness identified?	No
Significant deficiency identified?	Yes
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	Yes

Identification of major Federal programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555, 10.559	Child Nutrition Cluster
84.367	Title II, Part A, Supporting Effective Instruction
93.778	Medi-Cal Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	Yes
STATE AWARDS	
Type of auditor's report issued on compliance for State programs:	Unmodified

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

The following finding represents a significant deficiency related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
30000	Internal Control

2018-001 30000

Criteria or Specific Requirements

Financial Statements prepared in accordance with GASB Statements 34 must include activities related to the District's capital assets. Reporting of capital assets on financial statements requires the District to track and monitor capital assets activities annually, including acquisitions, dispositions, and construction activities that are generally considered as "construction in progress."

Condition

The District does not appear to have a standardized procedure to reconcile its capital assets additions to the general ledger. We noted that the District's general ledger had approximately $10 million coded to the capital asset related account code, but the amount was not captured as capital assets in the current year.

Questioned costs

There were no questioned costs associated with the condition identified.

Context

The condition was identified through inquiry with the District's personnel and our review of the District's capital asset activities.

Effect

Due to the conditions identified, the District's capital assets reported on the government-wide statements may be subject to discrepancy.

Cause

The condition was identified through the course of our review and assessment of the District's capital assets activities, and through inquiry with District personnel.

Recommendation

The District should consider drafting a formal procedure/policy to ensure that the capital assets additions for each year are reconciled to the capital outlay expenditures recorded on the general ledger. Written procedure/policy would allow the District to continue reconciling its capital assets activities in case of employee terminations/departures.

Corrective Action Plan

The District will create a formal procedure detailing the process by which capital assets additions are reconciled to the capital outlay expenditures recorded on the general ledger. The formal procedure will be in written form so that the process can continue through any possible employee turnover.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

The following finding represents a significant deficiency that is required to be reported by the Uniform Guidance. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
50000	Federal Compliance

2018-002 50000

Program Name: Title II, Part A, Medi-Cal Assistance Program
CFDA Number: 84.367, 93.778
Pass-Through Entity: California Department of Education, California Department of Health Services
Federal Agency: U.S. Department of Education and U.S. Department of Health and Human Services

Criteria or Specific Requirements

Title 34, Code of Federal Regulations, Part 80, Subpart C, Section 80.35 requires grantees and subgrantees not to make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance program under Executive Order 12549, "Debarment and Suspension." Additionally, Title 2, Code of Federal Regulations, Part 180 provides guidelines to agencies on government-wide debarment and suspension requirements that must be followed.

Condition

During the 2017-2018 fiscal year, the District's Purchasing Department was utilizing the reports sent by Riverside County Office of Education (RCOE) with a list of vendors with whom the District spent over $25,000 with. Upon review of the report, we noted that the report was from 2014-2015 fiscal year and the District was not searching for relevant records pertaining to vendors from the current fiscal year.

Questioned Costs

There were no questioned costs identified since the District did not expend any of its Federal awards on debarred and/or suspended parties.

Context

The condition was identified as a result of the auditor's inquiry with the District's Purchasing Department and through review of supporting documents.

Effect

The District has been engaging in procurement activities without verifying if the vendor is subject to debarment and/or suspension. The District currently assumes all the risk of non-compliance with requirements stated under 34 CFR, Part 80, Subpart C, Section 80.35 due to the lack of implemented review and monitoring procedures.

Cause

The condition identified appears to have materialized due to the District using RCOE sent report without comparing it with its general ledger to ensure accuracy of the content of the report.

Recommendation

The District should either compare the RCOE report with its own general ledger before searching for vendors or run its own report from the Galaxy system and perform the search on vendors to ensure they're not suspended or debarred.

Corrective Action Plan

The District will run its own report from Galaxy system and perform the search on vendors to ensure that they are not suspended or debarred. Part of the set of protocols will be a 'sign off' by the overseeing Superintendent designee on the document that will be created stating that the review has taken place. The document will be substantiated with the report used to verify vendors are in good standing.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

LAKE ELSINORE UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

Financial Statement Findings

2017-001 30000

Criteria or Specific Requirements

Financial Statements prepared in accordance with GASB Statements 34 must include activities related to the District's capital assets. Reporting of capital assets on financial statements requires the District to track and monitor capital assets activities annually, including acquisitions, dispositions, and construction activities that are generally considered as "construction in progress."

Condition

The District does not appear to have a standardized procedure to reconcile its capital assets additions to the general ledger. We noted that the District’s general ledger had approximately $1.7 million coded to the capital assets related account code but the amount wasn’t added to the capital assets as current year additions.

Questioned costs

There were no questioned costs associated with the condition identified.

Context
The condition was identified through inquiry with the District’s personnel and our review of the District’s capital asset activities.

Effect
Due to the conditions identified, the District's capital assets reported on the government-wide statements may be subject to discrepancy.

Cause
The condition was identified through the course of our review and assessment of the District’s capital assets activities, and through inquiry with District personnel.

Recommendation

The District should consider drafting a formal procedure/policy to ensure that the capital assets additions for each year are reconciled to the capital outlay expenditures recorded on the general ledger. Written procedure/policy would allow the District to continue reconciling its capital assets activities in case of employee terminations/departures.

Current Status

Not implemented. Refer to 2018-001 for current year finding.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

2017-002 30000

Criteria or Specific Requirements

Amounts due to private persons, firms, or corporations for services rendered and goods received on or before the close of the fiscal year should be accrued as payable to ensure expenditures are recorded in the year they incur.

Condition

The District did not accrue liabilities associated with invoices related to capital outlay activities performed prior to the fiscal year-end amounting to $1,910,461.

Questioned costs

There were no questioned costs associated with the condition identified.

Context

The condition was identified through the course of our review and assessment of the District's year-end liability accrual procedures and through the examination of supporting documents.

Effect

Due to the conditions identified, the District's accounts payable and the associated expenditures in the Building Fund were understated by $1,910,461.

Cause

The cause of the condition identified appears to have originated as a result of the combination of invoices coming in late and not accruing invoices that did come in on a timely manner.

Recommendation

The District should develop a process to ensure all invoices received near fiscal year end and after the year end are reviewed by appropriate personnel and marked to be accrued if the services or goods were delivered during the fiscal year. The District should also inquire with its contractors and construction management vendors about any invoices it hasn't received for which the work was performed within the fiscal year and should be accrued as payable.

Current Status

Implemented.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

State Awards Findings

2017-003 40000

Criteria or Specific Requirements

California Education Code Section 42238.02(b)(4) states school districts should revise their submitted data on English learners, foster youth, and free or reduced-price meal eligible pupil counts to ensure the accuracy of data reflected in the California Longitudinal Pupil Achievement Data System (CALPADS).

Condition

The Unduplicated Local Control Funding Formula (LCFF) Pupil Counts submitted to the California Department of Education was inaccurate. It appears that the District inaccurately reported 62 students as having designation of English Learners (EL) on the "1.18 – FRPM/English Learner/Foster Youth – Student List" report.

Questioned Costs

The District over claimed the total eligible pupils by 62, resulting in a decrease of approximately $57,577 in Local Control Funding Formula (LCFF) funding.

Context

The condition was identified as a result of selecting a sample of students from the "1.18 – FRPM/English Learner/Foster Youth – Student List" CALPADS report in accordance to the 2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting, Section 19489(a)(1). From eight students selected for testing, two had been exited out of EL designation before the census date. Auditor requested that the District review all of its EL students and determine how many more students had been exited out of EL designation before census date but their status wasn't changed in CALPADS. The District's review resulted in total of 62 students who were incorrectly designated as EL on the "1.18 – FRPM/English Learner/Foster Youth – Student List" report.

Effect

As a result of our testing, it appears that the District did not properly update the 1.18 – FRPM/English Learner/Foster Youth – Student List" CALPADS report to align the reporting with the most current free and reduced eligibility information from the District's Food Services Department. The following schedule identifies the exceptions by the site and District-wide.

School Code	School Name	Total Enrollment	Total Certified Unduplicated Count	Adjustment for EL	Total Adjusted Unduplicated Count
6120463	Canyon Lake Middle	1,047	506	(2)	504
6120455	Cottonwood Canyon Elementary	898	343	(5)	338
6112734	David A. Brown Middle	1,040	737	(3)	734
6111090	Donald Graham Elementary	516	333	(4)	329
0113100	Earl Warren Elementary	901	603	(6)	597
6032031	Elsinore Elementary	575	565	-	565
3332350	Elsinore High	2,045	1,273	(3)	1,270
6071203	Elsinore Middle	812	642	(1)	641
0116343	Keith McCarthy Academy	287	125	-	125
0122960	Lakeland Village	922	829	(4)	825
0107920	Lakeside High	1,771	1,317	(1)	1,316
6109938	Luiseno	977	440	(5)	435
6032056	Machado Elementary	633	602	(1)	601
0000001	NPS School Group for Lake Elsinore Unified	19	3	-	3
3330115	Ortega High	328	251	(1)	250
6107189	Railroad Canyon Elementary	742	610	(3)	607
6118442	Rice Canyon Elementary	940	608	(4)	604
0108241	Ronald Reagan Elementary	748	449	(2)	447
3330487	Temescal Canyon High	2,169	1,119	(5)	1,114
6105548	Terra Cotta Middle	1,269	991	(2)	989
6111082	Tuscany Hills Elementary	745	284	(2)	282
6032064	Wildomar Elementary	702	562	(1)	561
6115174	William Collier Elementary	627	471	(2)	469
6108278	Withrow Elementary	787	641	(5)	636
TOTAL - District-Wide		**21,500**	**14,304**	**(62)**	**14,242**

Cause

The primary cause appears to originate from the manner in which the District was uploading the data to CALPADS. The District used the “add” files option instead of “replace” files option when uploading the information from its attendance system to CALPADS.

Recommendation

The District should emphasize the importance of completing Form 1.18 accurately, which would include ensuring that all changes are accurately and timely updated based on new eligibility documentation received. In addition, the District should identify and evaluate key CALPADS calendar dates to ensure that appropriate and necessary measure are taking place to ensure that CALPADS information is being updated.

Current Status

Implemented.

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE difference

Governing Board
Lake Elsinore Unified School District
Lake Elsinore, California

In planning and performing our audit of the financial statements of Lake Elsinore Unified School District (the District), for the year ended June 30, 2018, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 15, 2018 on the government-wide financial statements of the District.

Internal Controls - Food Services Bank Reconciliation

<u>Observation</u>

Based on the review of the food services' bank reconciliations, it appears that there is a lack of review over bank reconciliations prepared each month.

<u>Recommendations</u>

The District should assign an employee with required knowledge and experience to perform a review of the Food Services' bank reconciliations. The review process is necessary to ensure the reconciliation is performed accurately and all the activities are accounted for.

ASSOCIATED STUDENT BODY (ASB)

Cottonwood Canyon Elementary School

<u>Observations</u>

1. Cash collections are not accounted for properly. Cash collections are not supported by sub-receipts or logs that tie the total to the cash count sheet. All seven deposits tested did not have sufficient support or a paper trail; therefore, the auditor was unable to confirm if these deposits were intact.
2. Based on the review of the cash receipting procedures it was noted that four of the seven deposits tested contained receipts that were not deposited in a timely manner. Delay in deposit ranged from 14 to 29 days from the date of receipt. This could result in large cash balances being maintained at the site which can hinder the safeguarding of ASB assets.

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3. Five of seven disbursements tested were not approved prior to transactions taking place. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.
4. ASB disbursements were being made without explicit receiving documentation for goods being ordered. As a result, three of seven vendor invoices were paid without the direct knowledge of whether or not the goods being ordered have been received by the ASB.
5. ASB doesn't utilize revenue potential forms for its fundraisers activities.

Recommendations

1. Pre-numbered triplicate receipts or logs should be utilized when collecting money for all ASB events and transactions. If utilizing a log, the students name and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies for ASB events. Teachers and Administrators who collect monies should be equipped with a triplicate receipts book or log sheet. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a cash count sheet should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in.
2. The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
3. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
4. All goods being ordered should be documented with explicit receiving documentation. Documentation should indicate the date that the goods have been received and documentation regarding whether or not the goods have been received intact, undamaged, and in the correct quantities. Payments for vendor invoices should only be made once the receiving documentation is available.
5. Revenue potentials should be prepared completely to assist the ASB in identifying whether or not a fundraiser will be successful. By completing the expected results section of the revenue potential, the ASB will know how much profit should be made from the fundraiser. Once the fundraiser is complete, the actual results should be summarized and compared to the expected results to determine if the fundraiser generated the profit expected. Discrepancies should be investigated and explained and a determination should be made as to whether or not it is beneficial to conduct the fundraiser in the future.

Lakeside High School

Observations

1. Based on the review of the cash receipting procedures it was noted that three of the deposits contained receipts that were not deposited in a timely manner. Delay in deposit ranged from 11 to 21 days from the date of receipt. This could result in large cash balances being maintained at the site which can hinder the safeguarding of ASB assets
2. Two of three revenue potential forms tested were incomplete. The forms were not filled out with the actual amounts after the fundraiser is completed.

Governing Board
Lake Elsinore Unified School District

Recommendations

1. The ASB should, at a minimum, make their deposits once a week to minimize the amount of cash held at the sites. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.
2. Revenue potentials should be prepared completely to assist the ASB in identifying whether or not a fundraiser will be successful. By completing the expected results section of the revenue potential, the ASB will know how much profit should be made from the fundraiser. Once the fundraiser is complete, the actual results should be summarized and compared to the expected results to determine if the fundraiser generated the profit expected. Discrepancies should be investigated and explained and a determination should be made as to whether or not it is beneficial to conduct the fundraiser in the future.

We will review the status of the current year comments during our next audit engagement.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 15, 2018

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APPENDIX C

ECONOMIC AND DEMOGRAPHIC INFORMATION

*The territory of the District includes the cities of Lake Elsinore, Wildomar and Canyon Lake (the "**Cities**") and the County of Riverside (the "**County**"). The Bonds are not a debt, liability or obligation of the Cities or the County. The County, including its Board of Supervisors, officers, officials, agents and other employees, are required, only to the extent required by law, to: (i) levy and collect ad valorem taxes for payment of the Bonds in accordance with the law; and (ii) transmit the proceeds of such taxes to the paying agent for the payment of the principal of and interest on Bonds at the time such payment is due.*

*The following information is included only for the purpose of supplying general information regarding the Cities, and the County. This following information is provided only for general informational purpose, and provides prospective investors limited information about the Cities and their economic base. The Bonds are not a debt of the County, the State of California (the "**State**") or any of its political subdivisions, and note of the Cities, the county of the State or any of its political subdivisions is liable therefor.*

General

The County is the fourth largest county in 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 seat located in the City of Riverside.

Population

The County has experienced a long period of growth and development. It is currently the eleventh most populous county in the United States, and fourth largest in the State. Total population for the County is expected to be over three million by the year 2030. The County's population as of January 1, 2019, is estimated to be 2,440,124 people. The estimated population of the County is approximately 59.0% greater than the 2000 population, representing an average annual compound growth rate of 2.28%.

The District is located in the County and occupies the Cities. In addition, the District occupies a small portion of the southern region of the City of Corona and a small portion of the western region of the City of Perris. The Cities have also grown rapidly, as Lake Elsinore's population has grown by 118.9% since the year 2000, for an annual compound growth rate of approximately 4.00%, Wildomar's population has increased by over 10.6% since its incorporation in the year 2009, producing an annual compound growth rate of 1.17% and Canyon Lake's population has increased by over 3.1% since the year 2000, for an annual compound growth rate of approximately 0.62%.

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A summary of the population estimates of the Cities, County and State for the past 20 years is shown in the following table.

POPULATION ESTIMATES
Cities of Lake Elsinore, Wildomar and Canyon Lake, Riverside County and the State of California
2000-2019

	City of Lake Elsinore		City of Wildomar*		City of Canyon Lake		Riverside County		State of California	
Year (1)	Population	Annual Change	Population	Annual Change	Population	Annual Change	Population	Annual Change	Population	Annual Change
2000(2)	28,756	–	0	–	9,978	–	1,535,125	–	33,721,583	–
2001	29,999	4.3%	0	–	10,083	1.1%	1,589,708	3.6%	34,256,789	1.6%
2002	31,224	4.1	0	–	10,250	1.7	1,655,291	4.1	34,725,516	1.4
2003	33,456	7.1	0	–	10,410	1.6	1,730,219	4.5	35,163,609	1.3
2004	35,993	7.6	0	–	10,532	1.2	1,814,485	4.9	35,570,847	1.2
2005	38,271	6.3	0	–	10,579	0.4	1,895,695	4.5	35,869,173	0.8
2006	41,239	7.8	0	–	10,534	(0.4)	1,975,913	4.2	36,116,202	0.7
2007	47,705	15.7	0	–	10,448	(0.8)	2,049,902	3.7	36,399,676	0.8
2008	49,747	4.3	0	–	10,421	(0.3)	2,102,741	2.6	36,704,375	0.8
2009	50,616	1.7	31,732	–	10,511	0.9	2,140,626	1.8	36,966,713	0.7
2010	51,448	1.6	32,393	2.1%	10,550	0.4	2,179,692	1.8	37,223,900	0.7
2011	52,544	2.1	32,609	0.7	10,661	1.1	2,217,946	1.8	37,594,781	1.0
2012	53,529	1.9	33,096	1.5	10,771	1.0	2,246,951	1.3	37,971,427	1.0
2013	56,077	4.8	33,689	1.8	10,807	0.3	2,272,031	1.1	38,321,459	0.9
2014	57,165	1.9	34,069	1.1	10,873	0.6	2,295,798	1.0	38,622,301	0.8
2015	59,768	2.8	34,416	1.0	10,953	0.7	2,321,837	1.1	38,952,462	0.9
2016	60,760	3.4	34,948	1.5	11,021	0.6	2350,992	1.3	39,214,803	0.7
2017	61,433	1.1	35,261	0.9	11,138	1.1	2,384,660	1.4	39,504,609	0.7
2018	62,241	1.3	35,635	1.1	11,213	0.7	2,412,536	1.2	39,740,508	0.6
2019	62,949	1.1	36,066	1.2	11,285	0.6	2,440,124	1.1	39,927,315	0.5

* City of Wildomar incorporated on July 1, 2008.
(1) As of January 1.
(2) As of April 1.

Source: 2000, U.S. Department of Commerce, Bureau of the Census, for April 1. 2001-19 (2010 DRU Benchmark): California Department of Finance for January 1.

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Personal Income

The following table shows the per capita personal income for the City of Lake Elsinore, the City of Wildomar, the County, the State of California and the United States from 2009 through 2018.

PER CAPITA PERSONAL INCOME [1]
Cities of Lake Elsinore and Wildomar,
County of Riverside, State of California and United States
2009-2018

Year	City of Lake Elsinore	City of Wildomar	County of Riverside	California	United States
2009	21,876	[2]	29,748	42,050	39,284
2010	21,174	21,474	29,222	43,617	40,546
2011	19,302	21,945	29,927	46,183	42,735
2012	20,281	22,746	31,742	48,826	44,599
2013	19,679	22,995	33,278	49,259	44,851
2014	19,353	22,586	33,590	52,340	47,060
2015	19,140	22,700	34,169	55,793	48,985
2016	19,375	23,115	34,506	57,625	49,883
2017	19,099	21,702	35,286	60,004	51,731
2018	20,142	23,083	36,149	62,586	53,712

[1] Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. All dollar estimates are in current dollars (not adjusted for inflation).
[2] City of Wildomar was incorporated in July, 2008, therefore data is unavailable.

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

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Employment

The following table presents the annual average labor force for the Cities, County and State from 2014 through 2018.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT
City of Canyon Lake, City of Lake Elsinore, City of Wildomar,
County of Riverside and State of California
2014-2018

Year	Area	Labor Force	Employment	Unemployment	Unemployment Rate
2014	City of Canyon Lake	5,300	5,000	300	6.1%
	City of Lake Elsinore	24,900	22,700	2,200	8.8
	City of Wildomar	15,800	14,500	1,300	8.3
	Riverside County	1,010,700	927,300	83,400	8.2
	State of California	18,827,900	17,418,000	1,409,900	7.5
2015	City of Canyon Lake	5,400	5,200	300	5.0%
	City of Lake Elsinore	25,000	23,300	1,700	6.6
	City of Wildomar	15,900	14,900	1,000	6.3
	Riverside County	1,016,600	953,300	63,300	6.2
	State of California	18,981,800	17,798,600	1,183,200	6.2
2016	City of Canyon Lake	5,600	5,400	200	4.0%
	City of Lake Elsinore	27,500	26,000	1,600	5.7
	City of Wildomar	17,100	16,200	900	5.4
	Riverside County	1,059,400	1,002,900	56,500	5.3
	State of California	19,385,600	18,376,600	1,009,000	5.2
2017	City of Canyon Lake	5,500	5,300	200	3.7%
	City of Lake Elsinore	29,400	28,000	1,400	4.8
	City of Wildomar	17,300	16,400	800	4.7
	Riverside County	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 Canyon Lake	5,600	5,500	200	3.1%
	City of Lake Elsinore	30,000	28,800	1,200	4.0
	City of Wildomar	17,600	16,900	700	3.9
	Riverside County	1,092,400	1,044,600	47,800	4.4
	State of California	19,398,200	18,582,800	815,400	4.2

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2018 Benchmark.

Industry

The following figures represent industry employment estimates in the County from 2014 through 2018.

INDUSTRY EMPLOYMENT & LABOR FORCE
County of Riverside
2014-2018 (1)

	2014	2015	2016	2017	2018
Total Farm	11,900	12,600	12,800	12,300	12,500
Mining and Logging	300	300	300	400	400
Construction	47,500	52,900	58,600	62,200	67,300
Manufacturing	40,100	41,300	42,700	42,900	44,400
Wholesale Trade	23,100	23,300	23,800	23,900	24,900
Retail Trade	85,500	88,700	91,600	92,700	92,700
Transportation, Warehousing & Utilities	27,800	34,100	37,400	42,400	46,000
Information	6,300	6,400	6,300	6,100	6,300
Financial Activities	20,500	20,900	21,400	21,800	22,000
Professional & Business Services	60,900	62,600	65,200	66,600	70,500
Education & Health Services	89,500	95,200	100,200	107,000	115,000
Leisure & Hospitality	80,500	83,400	88,200	91,200	93,500
Other Services	21,600	21,700	22,300	22,600	22,600
Government	112,700	114,500	117,600	126,400	130,400
Total (all industries)	628,100	657,900	688,400	718,400	748,400

(1) Annual averages, unless otherwise specified.
Note: Items may not add to total due to independent rounding.

Source: California Employment Development Department, Labor Market Information Division. March 2018 Benchmark.

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Largest Employers

The following table show the largest employers located in the County as of Fiscal Year ending June 30, 2018.

LARGEST EMPLOYERS
County of Riverside
2018

Rank	Name of Business	Type of Business	Employees	% of County Employment
1.	County of Riverside	County Government	22,038	2.15%
2.	March Air Reserve Base	Military Reserve Base	9,000	0.88
3.	University of California, Riverside	University	8,829	0.86
4.	Kaiser Permanente Riverside Med. Center	Medical Center	5,500	0.54
5.	Corona-Norco Unified School District	School District	5,478	0.53
6.	Pechanga Resort Casino	Casino	4,750	0.46
7.	Riverside Unified School District	School District	4,200	0.41
8.	Hemet Unified School District	School District	4,058	0.40
9.	Riverside University Health Systems	Medical Center	3,965	0.39
10.	Morongo Casino, Resort & Spa	Casino	3,800	0.37

Source: County of Riverside 'Comprehensive Annual Financial Report' for the year ending June 30, 2018.

The following tables show the largest employers located in the City of Lake Elsinore and the City of Wildomar as of the Fiscal Year ending June 30, 2018. The City of Canyon Lake is one of five gated incorporated cities in the State. There are no major employers located within the city limits of Canyon Lake.

LARGEST EMPLOYERS
City of Lake Elsinore
2018

Rank	Name of Business	Type of Business	Employees	% of City Employment
1.	Lake Elsinore Unified School District	School District	2,497	8.55%
2.	M & M Framing	Construction Company	500	1.71
3.	Stater Brothers Markets	Supermarkets	329	1.13
4.	Lake Elsinore Hotel & Casino	Casino	275	0.94
5.	Costco	Warehouse Club	265	0.91
6.	Walmart	Retail Store	234	0.80
7.	Riverside Cnty-Dept. of Social Svcs.	County Agency	164	0.56
8.	Elsinore Valley Municipal Water Dist.	Water District	154	0.53
9.	Target	Retail Store	140	0.48
10.	Home Depot	Retail Store	130	0.45

Source: City of Lake Elsinore 'Comprehensive Annual Financial Report' for the year ending June 30, 2018.

LARGEST EMPLOYERS
City of Wildomar
2018

Rank	Name of Business	Type of Business	Employees
1.	Lake Elsinore Unified School District	School District	2,497
2.	Inland Valley Medical Center	Trauma Center	780
3.	Stater Brothers Markets	Grocery Store	105
4.	Cornerstone Community Church	Faith Community	102
5.	Albertson's	Grocery Store	94
6.	Wildomar Senior Leisure Community	Assisted Living	88
7.	Canyon Lake Animal Control	Animal Control Services	77
8.	Jack in the Box	Fast Food Restaurant	70
9.	FCP Inc.	General Contractor	55
10.	Sycamore Academy-Sci-Cultural Arts	Public Charter School	51

Source: City of Wildomar 'Comprehensive Annual Financial Report' for the year ending June 30, 2018.

Taxable Sales

The following tables show the recent history of taxable transactions in the County and Cities.

TAXABLE SALES
County of Riverside
(Dollars in Thousands)
2013-2017 *

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Outlets Taxable Transactions
2013	33,391	$21,306,774	46,805	$30,065,467
2014	34,910	22,646,343	48,453	32,035,687
2015	18,662	23,281,724	56,846	32,910,910
2016	38,378	24,022,136	57,748	34,231,044
2017	38,967	25,581,948	58,969	36,132,184

*2018 information is anticipated to be available approximately March 2020.

Source: For Years 2013-2016 "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization; For Year 2017 California Department of Tax and Fee Administration.

TAXABLE SALES
City of Lake Elsinore
(Dollars in Thousands)
2013-2017 *

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Outlets Taxable Transactions
2013	828	$620,558	1,176	$688,483
2014	809	647,941	1,176	728,088
2015	900	673,669	1,420	765,716
2016	939	689,897	1,510	791,622
2017	924	723,611	1,529	821,250

*2018 information is anticipated to be available approximately March 2020.

Source: For Years 2013-2016 "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization; For Year 2017 California Department of Tax and Fee Administration.

TAXABLE SALES
City of Wildomar
(Dollars in Thousands)
2013-2017 *

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Outlets Taxable Transactions
2013	299	$110,006	410	$122,793
2014	322	126,211	448	140,280
2015	360	125,571	553	139,384
2016	366	128,370	570	146,087
2017	391	134,115	616	152,142

*2018 information is anticipated to be available approximately March 2020.

Source: For Years 2013-2016 "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization; For Year 2017 California Department of Tax and Fee Administration.

TAXABLE SALES
City of Canyon Lake
(Dollars in Thousands)
2013-2017 *

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Outlets Taxable Transactions
2013	175	$14,838	227	$16,452
2014	171	13,511	221	15,084
2015	172	15,260	264	18,299
2016	169	17,058	267	20,820
2017	184	17,501	279	20,912

*2018 information is anticipated to be available approximately March 2020.

Source: For Years 2013-2016 "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization; For Year 2017 California Department of Tax and Fee Administration.

Building Activity

The following tables provide summaries of the building permit valuations and the number of new dwelling units authorized in the County and Cities from 2014 through 2018.

BUILDING PERMIT VALUATIONS
County of Riverside
2014-2018
(Dollars in thousands)

	2014	2015	2016	2017	2018
Valuation ($000):					
Residential	$1,621,751	$1,536,742	$1,759,535	$1,903,417	$2,558,081
Non-residential	814,990	113,488	1,346,020	1,433,691	1,959,680
Total	$2,436,741	$1,650,230	$3,105,554	$3,337,108	$4,517,761
Residential Units:					
Single family	5,007	5,007	5,662	6,265	7,540
Multiple family	1,931	1,189	1,039	1,070	1,628
Total	6,938	6,196	6,701	7,335	9,168

Note: Totals may not add to sums because of rounding.
Source: California Homebuilding Foundation/Construction Industry Research Board.

BUILDING PERMIT VALUATIONS
City of Lake Elsinore
2014-2018
(Dollars in thousands)

	2014	2015	2016	2017	2018
Valuation ($000):					
Residential	$80,159	$75,979	$121,212	$165,978	$102,858
Non-residential	5,390	643	18,588	13,739	13,307
Total	$85,550	$76,622	$139,800	$179,718	$116,165
Residential Units:					
Single family	429	375	457	569	345
Multiple family	–	–	–	–	–
Total	429	375	457	569	345

Note: Totals may not add to sums because of rounding.
Source: California Homebuilding Foundation/Construction Industry Research Board.

BUILDING PERMIT VALUATIONS
City of Wildomar
2014-2018
(Dollars in thousands)

	2014	2015	2016	2017	2018
Valuation ($000):					
Residential	$836	$36,111	$51,804	$21,773	$33,336
Non-residential	4,395	314	148,604	4,021	1,988
Total	$5,231	$36,424	$200,408	$25,794	$35,233
Residential Units:					
Single family	3	105	169	83	41
Multiple family	–	–	–	–	–
Total	3	105	169	83	41

Note: Totals may not add to sums because of rounding.
Source: California Homebuilding Foundation/Construction Industry Research Board.

BUILDING PERMIT VALUATIONS
City of Canyon Lake
2014-2018
(Dollars in thousands)

	2014	2015	2016	2017	2018
Valuation ($000):					
Residential	$5,314	$1,043	$5,494	$6,291	$6,018
Non-residential	293	0	948	1,633	2,016
Total	$5,608	$1,043	$6,443	$7,924	$8,034
Residential Units:					
Single family	4	3	11	14	15
Multiple family	0	0	0	0	0
Total	4	3	11	14	15

Note: Totals may not add to sums because of rounding.
Source: California Homebuilding Foundation/Construction Industry Research Board.

APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Bonds, Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Irvine, California, Bond Counsel to the Lake Elsinore Unified School District, proposes to render their final approving opinion with respect to the Bonds in substantially the following form:

September 17, 2019

Governing Board of the
Lake Elsinore Unified School District
545 Chaney Street
Lake Elsinore, CA 92530

Re: $21,500,000 Lake Elsinore Unified School District
General Obligation Bonds, 2016 Election, Series B
Final Opinion

Ladies and Gentlemen:

We have acted as Bond Counsel for the Lake Elsinore Unified School District ("District") in connection with the proceedings for the issuance and sale by the District of $21,500,000 principal amount of Lake Elsinore Unified School District General Obligation Bonds, 2016 Election, Series B ("Bonds"). The Bonds are being issued pursuant to the Resolution of Issuance of the Governing Board of the District, adopted on August 1, 2019 (Resolution No. 2019-20-028) ("Bond Resolution") which Bond Resolution was adopted in accordance with the provisions of the California Constitution, statutory authority set forth in Title 5, Division 2, Part 1, Chapter 3, Article 4.5 of the State of California Government Code, commencing with Section 53506, and pursuant to California Education Code Sections 15264, 15266(b), and, as applicable, the provisions of Title 1, Division 1, Part 10, Chapters 1 and 2 of the State of California Education Code, commencing with Section 15100 and related California law.

As Bond Counsel, we have examined copies certified to us as being true and complete copies of the proceedings in connection with the issuance of the Bonds. In this connection, we have also examined such certificates of public officials and officers of the District, the County of Riverside ("County") and the purchaser of the Bonds, including certificates as to factual matters, including, but not limited to the Tax Certificate, as we have deemed necessary to render this opinion.

Attention is called to the fact the we have not been requested to examine, and have not examined, any documents or information relating to the District or the County other than the record of proceedings hereinabove referred to, and no opinion is expressed as to any financial or other information, or the adequacy thereof, which has been, or may be supplied to any purchaser of the Bonds.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto (excepting only matters set forth as our opinion in the Official Statement).

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their execution and delivery, and we disclaim any obligation to update this letter. As to questions of fact material to our opinions, we have relied upon the documents and matters referred to above, and we have not undertaken by independent investigation to verify the authenticity of signatures or the accuracy of the factual matters represented, warranted or certified therein. Furthermore, we have assumed compliance with all covenants contained in the Bond Resolution and in certain other documents, including, without limitation, covenants compliance with which is necessary to assure that future actions or events will not cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of original issuance of the Bonds.

The Bond Resolution and other related documents refer to certain requirements and procedures which may be changed and certain actions which may be taken, in circumstances and subject to terms and conditions set forth in such documents, upon the advice or with an approving opinion of nationally recognized bond counsel. No opinion is expressed herein as to any Bond or the effect on interest thereon if any such change is made or action is taken upon the advice or approval of counsel other than ourselves.

Based on the foregoing, we are of the following opinions:

1. The Bonds are valid and binding general obligations of the District.

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

3. Interest on the Bonds (including any original issue discount properly allocable to the owner thereof) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and is exempt from State of California personal income taxes. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the Bonds or to the accrual or receipt of the interest on the Bonds.

We express no opinion(s) as to any matter other than as expressly set forth above. We specifically express no opinion with regard to “Blue Sky” laws in connection with the Bonds.

It is understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights and remedies, to the application of equitable principles heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to exercise of judicial discretion in appropriate cases and to limitations on legal remedies against school districts in the State of California.

Very truly yours,

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$21,500,000
LAKE ELSINORE UNIFIED SCHOOL DISTRICT
GENERAL OBLIGATION BONDS, 2016 ELECTION, SERIES B
(Riverside County, California)

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Lake Elsinore Unified School District (the "District") in connection with the issuance of $21,500,000 of the District's General Obligation Bonds, 2016 Election, Series B (the "Bonds"). The Bonds are being issued pursuant to a Resolution of the District adopted on August 1, 2019 (the "Bond Resolution"). The District covenants and agrees 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 Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

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

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

"Annual Report Date" shall mean April 1 (nine months after the end of the District's fiscal year, presently ending June 30) next following the end of the District's fiscal year, which fiscal year ends, as of the date of this Disclosure Certificate, are June 30.

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

"Disclosure Representative" shall mean the Disclosure Compliance Officer of the District (as outlined by the District's policies and procedures), acting on behalf of the District, or his or her designee, or such other officer or employee as each District shall designate in writing to the Dissemination Agent from time to time.

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

"EMMA System" shall mean the Electronic Municipal Market Access System of the MSRB (as defined below) or such other electronic system designated by the MSRB or the Securities and Exchange Commission (the "S.E.C.") for compliance with S.E.C. Rule 15c2-12(b).

"Financial Obligation" means a: (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation or (iii) guarantee of a clause (i) debt obligation or of a clause (ii) a derivative instrument described above;

provided, however, that the term "Financial Obligation" shall not include "municipal securities" (as such term is defined in the Securities Exchange Act of 1934, as amended) as to which a "final official statement" (as such term is defined in the Rule) has been provided to the MSRB consistent with the Rule.

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

"MSRB" shall mean the Municipal Securities Rulemaking Board and any successor entity designated under the Rule as the repository for filings made pursuant to the Rule.

"Obligated Person" means any person, including an issuer of municipal securities, who is either generally or thorough an enterprise, fund, or account of such person committed by contract or other arrangement (e.g., the Community Facilities District as to the Bonds) to support payment of all, or part of the obligations of the municipal securities to be sold (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities.

"Owners" shall mean registered owners of the Bonds.

"Participating Underwriter" shall mean Stifel, Nicolaus & Company, Incorporated, the original underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"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 April 1 (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 the MSRB through the EMMA System in an electronic format and accompanied by identifying information as prescribed by the MSRB, 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 MSRB through the EMMA System to the Dissemination Agent (if other than the District). If the District is unable to provide to the MSRB through the EMMA System an Annual Report by the date required in subsection (a), the District shall, in a timely manner, send a notice to the MSRB through the EMMA System in substantially the form attached as Exhibit A, with a copy to the Dissemination Agent.

(c) The Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the electronic filing requirements of the MSRB for the Annual Report;

(ii) (if the Dissemination Agent is other than the District), provide any Annual Report received by it to the MSRB as provided herein; and

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

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

(a) 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.

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

1. State funding received by the District for the last completed fiscal year;

2. average daily attendance of the District for the last completed fiscal year;

3. outstanding District indebtedness;

4. summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year;

5. assessed valuation of property within the District for the current fiscal year;

6. information regarding twenty taxpayers with the greatest combined ownership of taxable property in the District; and

7. total secured tax charges and tax delinquencies on taxable properties with the District only if the District's general obligation bonds are not included in the County's Teeter Plan.

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 the MSRB through the EMMA System or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each such other document so included by reference. The Annual Report shall be filed in an electronic format, and accompanied by identifying information, as prescribed by the MSRB.

SECTION 5. Reporting of Significant Events.

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

(i) Principal and interest payment delinquencies;

(ii) Tender offers;

(iii) Defeasances;

(iv) Rating changes;

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

(vi) Unscheduled draws on debt service reserves reflecting financial difficulties;

(vii) Unscheduled draws on credit enhancements reflecting financial difficulties;

(viii) Substitution of credit or liquidity providers, or their failure to perform;

(ix) Bankruptcy, insolvency, receivership or similar event of the Obligated Person;[2] and

(x) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Obligated Person, any of which reflect financial difficulties

(b) Pursuant to the provisions of this Section 5(b), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(i) Non-payment related defaults;

(ii) Modifications to rights of Bondowners;

(iii) Bond calls;

(iv) Unless described under Section 5(a)(5) above, material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(v) Release, substitution or sale of property securing repayment of the securities;

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

(vi) 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;

(vii) Appointment of a successor or additional trustee or paying agent with respect to the Bonds or the change of name of such a trustee or paying agent; and

(viii) Incurrence of a Financial Obligation of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Obligated Person, any of which affect security holders.

(c) Upon 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 and if the District determines that knowledge of such Listed Event would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the MSRB through the EMMA System 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 MSRB through the EMMA System in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a) or 5(c).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon fifteen (15) days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

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

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

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

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

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Bond Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Owners and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the MSRB through the EMMA System. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: September 17, 2019

LAKE ELSINORE UNIFIED SCHOOL DISTRICT

By: ____

Dr. Gregory J. Bowers, Assistant Superintendent,
Facilities & Operations Support Services

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of District: LAKE ELSINORE UNIFIED SCHOOL DISTRICT

Name of Bond Issue: General Obligation Bonds, 2016 Election, Series A

Date of Issuance: September 17, 2019

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate relating to the Bonds. The District anticipates that the Annual Report will be filed by _____________.

Dated: _______________________

LAKE ELSINORE UNIFIED SCHOOL DISTRICT

By ______[form only; no signature required]______

APPENDIX F

COUNTY OF RIVERSIDE
POOLED INVESTMENT FUND

The following information concerning the County of Riverside Pooled Investment Fund has been provided by the County Treasurer and has not been confirmed or verified by the District or the Underwriter. No representation is made in this Official Statement 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 of this Official Statement, or that the information contained or incorporated by this Official Statement by reference is correct as of any time subsequent to its date. Further information may be obtained from the County Treasurer but such information is not incorporated herein by this reference.

The County Treasurer maintains one Pooled Investment Fund (the "**PIF**") for all local jurisdictions having funds on deposit in the County Treasury. As of June 30, 2019, the portfolio assets comprising the PIF had a market value of $6,836,213,591.28.

State law requires that all operating moneys of the County, school districts, and certain special districts be held by the County Treasurer. On June 30, 2018, the Auditor-Controller performed an analysis on the County Treasury, which resulted in the identification and classification of "mandatory" vs. "discretionary" depositors. The County Auditor-Controller reports that collectively, these mandatory deposits constituted approximately 80.62% of the funds on deposit in the County Treasury, while approximately 19.38% of the total funds on deposit in the County Treasury represented discretionary deposits.

While State law permits other governmental jurisdictions to participate in the County's PIF, the desire of the County Treasurer is to maintain a stable depositor base for those entities participating in the PIF.

All purchases of securities for the PIF are to be made in accordance with the County Treasurer's 2018 Statement of Investment Policy, which is more restrictive than the investments authorized pursuant to Sections 53601 and 53635 of the California Government Code. The Policy Statement requires that all investment transactions be governed by first giving consideration to the safety and preservation of principal and liquidity sufficient to meet daily cash flow needs prior to achieving a reasonable rate of return on the investment. Investments are not authorized in reverse-repurchase agreements except for an unanticipated and immediate cash flow need that would otherwise cause the Treasurer to sell portfolio securities prior to maturity at a principal loss.

[*Remainder of Page Intentionally Left Blank*]

The investments in the Treasurer's Pooled Investment Fund as of June 30, 2019 were as follows:

U.S. Treasury Securities	$584,231,554.45	8.58%
Federal Agency Securities	3,865,922,356.83	56.76
Cash Equivalent & Money Market Funds	889,023,976.03	13.05
Commercial Paper	914,812,216.98	13.43
NCD	35,000,000.00	0.51
Medium Term Notes	288,841,412.34	4.824
Municipal Notes	233,302,074.65	3.43
Certificates of Deposit	-	-
Repurchase Agreements	-	-
Local Agency Obligations (1)	80,000.00	0.000
Total Book Value	$6,811,213,591.28	100.00%

Book Yield	2.32%
Weighted Average Maturity (years)	1.057

(1) Represents County Obligations issued by the Riverside District Court Financing Corporation.

As of June 30, 2019, the market value of the PIF was 100.46% of book value. The County Treasurer estimates that sufficient liquidity exists within the portfolio to meet daily expenditure needs without requiring any sale of securities at a principal loss prior to their maturity.

In keeping with Sections 53684 and 53844 of the California Government Code, all interest, income, gains and losses on the portfolio are distributed quarterly to participants based upon their average daily balance except for specific investments made on behalf of a particular fund. In these instances, Sections 53844 requires that the investment income be credited to the specific fund in which the investment was made.

The County Board has established an "Investment Oversight Committee" in compliance with California Government Code Section 27131. Currently, the Committee is composed of the County Finance Director, the County Treasurer-Tax Collector, the County Superintendent of Schools, a school district representative and a public member at large. The purpose of the committee is to review the prudence of the County's investment policy, portfolio holdings and investment procedures, and to make any findings and recommendations known to the County Board. As of September 29, 2004, the State no longer required the County to have a local oversight committee; however, the County has elected to maintain the committee. The committee is utilized by the County to safeguard public funds and to perform other internal control measures.

The County has obtained a rating on the PIF of "Aaa-bf" from Moody's Investors Service and "AAAf/S1" rating from Fitch Ratings. There is no assurance that such ratings will continue for any given period of time or that any such rating may not be lowered, suspended or withdrawn entirely by the respective rating agency if, in the judgment of such rating agency, circumstances so warrant.

APPENDIX G

COUNTY OF RIVERSIDE
OFFICE OF THE TREASURER-TAX COLLECTOR
STATEMENT OF INVESTMENT POLICY

COUNTY OF RIVERSIDE
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INTRODUCTION

The Treasurer's Statement of Investment Policy is presented annually to the County Investment Oversight Committee for review and to the Board of Supervisors for approval, pursuant to the requirements of Sections 53646(a) and 27133 of the California Government Code (Code Section). This policy will become effective immediately upon approval by the Board of Supervisors.

SCOPE

The Treasurer's Statement of Investment Policy is limited in scope to only those county, school, special districts and other fund assets actually deposited and residing in the County Treasury. It does not apply to bond funds or other assets belonging to the County of Riverside, or any affiliated public agency the assets of which reside outside of the County Treasury.

FIDUCIARY RESPONSIBILITY

Code Section 27000.3 declares each treasurer, or governing body authorized to make investment decisions on behalf of local agencies, to be a trustee and therefore a fiduciary subject to the prudent investor standard. This standard, as stated in Code Section 27000.3 requires that "When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the county treasurer or the board of supervisors, as applicable, shall act with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the county and other depositors, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the county and the other depositors."

PORTFOLIO OBJECTIVES

The first and primary objective of the Treasurer's investment of public funds is to **safeguard investment principal**; second, to maintain sufficient **liquidity** within the portfolio to meet daily cash flow requirements; and third, to achieve a reasonable rate of return or **yield** on the portfolio consistent with these objectives. The portfolio shall be actively managed in a manner that is responsive to the public trust and consistent with State law.

AUTHORITY

Statutory authority for the Treasurer's investment and safekeeping functions are found in Code Sections 53601 and 53635 et. seq. The Treasurer's authority to make investments is to be renewed annually, pursuant to state law. It was last renewed by the Board of Supervisors on October 30, 2018 by County Ordinance No.767.22. Code Section 53607 effectively requires the legislative body to delegate investment authority of the County on an annual basis.

AUTHORIZED INVESTMENTS

Investments shall be restricted to those authorized in Code Sections 53601 and 53635 as amended and as further restricted by this policy statement. All investments shall be governed by the restrictions shown in Schedule I which defines the type of investments authorized, maturity limitations, portfolio diversification, credit quality standards (two of the three nationally recognized ratings shall be used for corporate and municipal securities), and purchase restrictions that apply.

STAFF AUTHORIZED TO MAKE INVESTMENTS
Only the Treasurer-Tax Collector, Jon Christensen, Chief Investment Manager, Giovane Pizano, Deputy Investment Manager, Steve Faeth, and Assistant Investment Manager, Isela Licea, are authorized to make investments and to order the receipt and delivery of investment securities among custodial security clearance accounts.

AUTHORIZED BROKER/DEALERS
Securities transactions are limited solely to those noted on Schedule II of this policy.

DAILY ACCOUNTABILITY AND CONTROL
Except for emergencies or previous authorization by the Treasurer-Tax Collector, all investment transactions are to be conducted at the Treasurer-Tax Collector's office (if open and available to conduct business), documented, and reviewed by the Treasurer-Tax Collector. All investment transactions will be entered daily into the Treasurer's internal financial accounting system with copies to be filed on a timely basis. Portfolio income shall be reconciled daily against cash receipts and quarterly, prior to the distribution of earnings among those entities sharing in pooled fund investment income.

SECURITY CUSTODY & DELIVERIES
All securities, except for money market funds registered in the County's name and securities issued by the County or other local agencies shall be deposited for safekeeping with banks contracted to provide the County Treasurer with custodial security clearance services. These third party trust department arrangements provide the County with a perfected interest in, and ownership and control over, the securities held by the custodian on the County's behalf and are intended to protect the County from the bank's own creditors in the event of a bank default and filing for bankruptcy. Securities are **NOT** to be held in investment firm/broker dealer accounts. All security transactions are to be conducted on a "delivery versus payment basis." Confirmation receipts on all investments are to be reviewed immediately for conformity with County transaction documentation. Securities issued by local agencies purchased directly shall be held in the Treasurer's vault. The security holdings shall be reconciled with the custodian holding records daily. The Treasurer's Fiscal Compliance unit will audit purchases daily for compliance, and audit holding records monthly.

COMPETITIVE PRICING
Investment transactions are to be made at current market value and competitively priced whenever possible. Competitive pricing does not necessarily require submission of bids, but does require adequate comparative analysis. The current technology utilized by the Treasury provides this information.

MATURITY LIMITATIONS
No investment shall exceed a final maturity date of five years from the date of purchase unless it is authorized by the Board of Supervisors pursuant to Code Section 53601.

LIQUIDITY
The portfolio shall maintain a weighted average days to maturity (WAM) of less than 541 days or 1.5 years. To provide sufficient liquidity to meet daily expenditure requirements, the portfolio shall maintain at least 40% of its total value in securities having maturities 1 year or less.

SECURITIES LENDING
The Treasurer may engage in securities lending activity limited to 20% of the portfolio's book value on the date of transaction. Instruments involved in a securities lending program are restricted to those securities pursuant to Code Section 53601 and by the Treasurer's Statement of Investment Policy.

REVERSE REPURCHASE AGREEMENTS
The Treasury shall not engage in any form of leverage for the purpose of enhancing portfolio yield. There shall be no entry into reverse repurchase agreements except for temporary and unanticipated cash flow requirements that would cause the Treasurer to sell securities at a principal loss. Any reverse repurchase agreements are restricted pursuant to Code Section 53601 and by the Treasurer's Statement of Investment Policy.

MITIGATING MARKET & CREDIT RISKS
Safety of principal is the primary objective of the portfolio. Each investment transaction shall seek to minimize the County's exposure to market and credit risks by giving careful and ongoing attention to the: (1) credit quality standards issued by the nationally recognized rating agencies on the credit worthiness of each issuer of the security, (2) limiting the concentration of investment in any single firm as noted in Schedule I, (3) by limiting the duration of investment to the time frames noted in Schedule I, and (4) by maintaining the diversification and liquidity standards expressed within this policy.

TRADING & EARLY SALE OF SECURITIES
All securities are to be purchased with the intent of holding them until maturity. However, in an effort to minimize market and credit risks, securities may be sold prior to maturity either at a profit or loss when economic circumstances, trend in short-term interest rates, or a deterioration in credit-worthiness of the issuer warrants a sale of the securities to either enhance overall portfolio yield or to minimize further erosion and loss of investment principal. Such sales should take into account the short and long term impacts on the portfolio. However, the sale of a security at a loss can only be made after first securing the approval of the Treasurer-Tax Collector.

PURCHASE OF WHEN ISSUED SECURITIES
When issued (W.I.) purchases of securities and their subsequent sale prior to cash settlement are authorized as long as sufficient cash is available to consummate their acceptance into the Treasurer's portfolio on the settlement date.

PORTFOLIO REPORTS/AUDITING

Portfolio reports required by Code Sections 53607 and 27133(e) shall be filed monthly with the Board of Supervisors, Investment Oversight Committee, Superintendent of Schools, Executive Officer, County Auditor Controller and interested parties. Consistent with Board Policy B-21 (County Investment Policy Statement), § III A, an outside compliance audit will be conducted annually. Outside audits will be conducted at least biennially by an independent auditing firm selected by the Board of Supervisors, per Board Minute Order No. 3.48. Reports are posted monthly on the Treasurer's website:
http://www.countytreasurer.org/Treasurer/TreasurersPooledInvestmentFund/MonthlyReports.aspx

SPECIFIC INVESTMENTS

Specific investments for individual funds may be made in accordance with the Treasurer's Statement of Investment Policy, upon written request and approval of the responsible agency's governing board, and, approval of the Treasurer-Tax Collector. Investments outside of the policy may be made on behalf of such funds with approval of the governing Board and approval of the Treasurer-Tax Collector. All specific investments shall be memorialized by a Memorandum of Understanding. With the purchase of specific investments, the fund will be allocated the earnings and/or loss associated with those investments. The Treasurer-Tax Collector reserves the right to allocate a pro-rata charge for administrative costs to such funds.

PERFORMANCE EVALUATION

Portfolio performance is monitored daily and evaluated monthly in comparison to the movement of the Treasurer's Institutional Money Market Index (TIMMI), or other suitable index. Over time, the portfolio rate of return should perform in relationship to such an index. Regular meetings are to be conducted with the investment staff to review the portfolio's performance, in keeping with this policy, and, current market conditions.

INVESTMENT OVERSIGHT COMMITTEE

In accordance with Code Section 27130 et seq. of the Code, the Board of Supervisors has established an Investment Oversight Committee. The role of the Committee is advisory in nature. It has no input on day to day operations of the Treasury.

QUARTERLY DISTRIBUTION OF INVESTMENT EARNINGS

Portfolio income, including gains and losses (if any), will be distributed quarterly in compliance with Sections 53684 and 53844 of the Code which give the Treasurer broad authority to apportion earnings and losses among those participants sharing in pooled investment income, and, except for specific investments in which the interest income is to be credited directly to the fund from which the investment was made, all investment income is to be distributed pro-rata based upon each participant's average daily cash balance for the calendar quarter. Any subsequent adjustments of reported earnings by the Auditor-Controller will be first reviewed and approved by the Treasurer to assure compliance with Code Sections 53684 and 53844.

QUARTERLY APPORTIONMENT OF ADMINISTRATIVE COSTS

Prior to the quarterly apportionment of pooled fund investment income, the County Treasurer is permitted, pursuant to Code Section 27013, to deduct from investment income before the distribution thereof, the actual cost of the investment, audit, deposit, handling and distribution of such income. Accordingly, in keeping with Code Sections 27013, 27133(f), and 27135, the Treasury shall deduct from pooled fund investment earnings the actual cost incurred for: banking services, custodial safekeeping charges, the pro-rata annual cost of the salaries including fringe benefits for the personnel in the Treasurer-Tax Collector's office engaged in the administration, investment, auditing, cashiering, accounting, reporting, remittance processing and depositing of public funds for investment, together with the related computer and office expenses associated with the performance of these functions. Costs are apportioned based upon average daily ending balances. Prior to gaining reimbursement for these costs, the Treasurer-Tax Collector shall annually prepare a proposed budget revenue estimate per Code Section 27013.

TREASURY OPERATIONS

Treasury operations are to be conducted in the most efficient manner to reduce costs and assure the full investment of funds. The Treasurer will maintain a policy regarding outgoing wires and other electronic transfers. Requests for outgoing transfers which do not arrive on a timely basis may be delayed. The County Treasurer may institute a fee schedule to more equitably allocate costs that would otherwise be spread to all depositors.

POLICY CRITERIA FOR AGENCIES SEEKING VOLUNTARY ENTRY

Should any agency solicit entry, the agency shall comply with the requirements of Section 53684 of the Code and adopt a resolution by the legislative or governing body of the local agency authorizing the deposit of excess funds into the County treasury for the purpose of investment by the County Treasurer. The resolution shall specify the amount of monies to be invested, the person authorized by the agency to coordinate the transaction, the anticipated time frame for deposits, the agency's willingness to be bound to the statutory 30-day written notice requirement for withdrawals, and acknowledging the Treasurer's ability to deduct pro-rata administrative charges permitted by Code Section 27013. Any solicitation for entry into the TPIF must have the County Treasurer's consent before the receipt of funds is authorized. The depositing entity will enter into a depository agreement with the Treasurer.

POLICY CRITERIA FOR VOLUNTARY PARTICIPANT WITHDRAWALS

With the Treasury being required to maintain a 40% liquidity position at all times during the calendar year, it is anticipated that sufficient funds will be on hand to immediately meet on demand all participant withdrawals for the full dollar amounts requested without having to make any allowance or pro-rata adjustment based on the current market value of the portfolio. In addition, any withdrawal by a local agency for the purpose of investing or depositing those funds outside the Pool shall have the prior written approval of the County Treasurer.

The Treasurer's approval of the withdrawal request shall be based on the availability of funds; the circumstances prompting the request; the dollar volume of similar requests; the prevailing condition of the financial markets, and, an assessment of the effect of the proposed withdrawal on the stability and predictability of the investments in the county treasury.

POLICY ON RECEIPT OF HONORARIA, GIFTS AND GRATUITIES

Neither the Treasurer-Tax Collector nor any member of his staff, shall accept any gift, gratuity or honoraria from financial advisors, brokers, dealers, bankers or other persons or firms conducting business with the County Treasurer which exceeds the limits established by the Fair Political Practices Commission (FPPC) and relevant portions of Code Section 27133. IOC members shall be subject to the limits included in the Board of Supervisors Policy B-21.

ETHICS & CONFLICTS OF INTEREST

Officers and staff members involved in the investment process shall refrain from any personal business activity that compromises the security and integrity of the County's investment program or impairs their ability to make impartial and prudent investment decisions. In addition, the County Treasurer-Tax Collector, Assistant Treasurer-Tax Collector, , Investment Manager, and Assistant Investment Manager are required to file annually the applicable financial disclosure statements as mandated by the FPPC and County policy.

INVESTMENTS MADE FROM DEBT ISSUANCE PROCEEDS

The proceeds of a borrowing may be specifically invested per Schedule I of this policy (with the exception of Collateralized Time Deposits and Local Agency Obligations) as well as competitively bid investments (see County of Riverside Office Of The Treasurer-Tax Collector Policy Governing Competitively Bid Investments, dated March 3, 2011).

No pooled fund investments made from the proceeds of a borrowing, the monies of which are deposited in the County Treasury, shall be invested for a period of time exceeding the maturity date of the borrowing. Nor shall any monies deposited with a bank trustee or fiscal agent for the ultimate purpose of retiring the borrowing be invested beyond the maturity date of the borrowing.

POLICY ADOPTION & AMENDMENTS

This policy statement will become effective following adoption by the Board of Supervisors, and, will remain in force until subsequently amended in writing by the Treasurer-Tax Collector and approved by the Board.

12/04/2018

Jon Christensen
County of Riverside
Treasurer-Tax Collector

SCHEDULE I

AUTHORIZED INVESTMENTS	DIVERSIFICATION (1)	PURCHASE RESTRICTIONS	MATURITY	CREDIT QUALITY (S&P/MOODY'S/FITCH)
U.S. Treasury notes, bills, bonds or other certificates of indebtedness	100%	N/A	Maximum 5 years	N/A
Notes, participations, or obligations issued by the agencies of the federal government	100%	N/A	Maximum 5 years	N/A
Bonds, notes, warrants or certificates of indebtedness issued by the state of CA, or local agencies, or, the County of Riverside. Registered treasury notes or bonds of any of the other 49 United States per Government Code Section 53601 (d)	15% maximum	See Schedule VI	Maximum 4 years	Long term "AA-, Aa3, AA-" or better
Notes, participations or obligations issued or fully guaranteed as to principal and interest by the International Bank for Reconstruction and Development, and the International Finance Corporation	20%	Max 10% per issuer	Maximum 4 years	Long term "AA, Aa, AA" or better
Local Agency Investment Fund (LAIF)	$50 million	Maximum $50 million per LAIF	Daily Liquidity	N/A
Commercial Paper (CP)	40% maximum	See Schedule VI	Maximum 270 days	Short term "A-1,P-1,F-1" or better
Local Agency Obligations (LAO)	2.5% maximum	Board of Supervisors approval required. Issued by pool depositors only	Maximum 3 years	Non-rated, if in the opinion of the Treasurer, considered to be of investment grade or better
CalTRUST Short Term Fund (CLTR)	1% maximum	Board of Supervisors approval required	Daily liquidity	NR / Portfolio managed pursuant to California Government Code § 53601 & 53635
Negotiable CD's (NCD'S) issued by national or state chartered banks or a licensed branch of a foreign bank	25% maximum	See Schedule VI	Maximum 1 year	Short term "A-1,P-1,F-1" or better
Collateralized Time Deposits (TCD)	2% maximum	See Schedule IV	Maximum 1 year	N/A
Repurchase Agreements (REPO) with 102% collateral restricted to U. S. Treasuries, agencies, agency mortgages, CP, BA's	40% max, 25% in term repo over 7 days. No more than 20% w/one dealer in term repo	Repurchase agreements to be on file	Maximum 45 days	Short Term "A-1, P-1, F-1" or better If "A-2, P-2, F2" then overnight only
Reverse Repurchase Agreements on U. S. Treasury & federal agency securities in portfolio	10% maximum	For temporary cash Flow needs only.	Max 60 days with prior approval of Board of Supervisors	N/A
Medium Term Notes (MTNO) or Corporate Notes	20% maximum	See Schedule VI	Maximum 3 years	"AA, Aa2, AA" minimum if under 1 year
Interest bearing Checking Account	20%	N/A	Daily Liquidity	Fully collateralized
Money Market Mutual Funds (MMF) that invest in eligible securities meeting requirements of California Government Code	20% maximum	See Schedule V	Daily liquidity	Long Term "AAA" (2 of 3 nationally recognized rating services)

(1) Whichever is greater.

AUTHORIZED BROKER/DEALERS
SCHEDULE II

The Treasurer is authorized to conduct investment security transactions with the broker/dealers which are designated by the Federal Reserve Bank as primary government dealers. Security transactions with firms, other than those appearing on this list, are prohibited.

1. Other authorized firms:

   Union Bank
   Piper Jaffray & Co.
   SunTrust Bank
   FTN Financial
   InCapital
   Raymond James & Associates, Inc.
   Williams Capital Group

2. Direct purchases from major commercial paper issuers, money market mutual funds, banker's acceptance issuers, negotiable CD issuers, or savings and loan are authorized.

3. Incidental purchases of less than $10 million may be made with other firms if in the opinion of the Treasurer, such transactions are deemed advantageous.

To ensure compliance with the County Treasurer's investment guidelines, each newly authorized primary government dealer and other authorized firms (as listed above in section 1, 2 and 3) will be supplied a complete copy of this Investment Policy document approved by the Board of Supervisors.

POLICY CRITERIA FOR SELECTION OF BROKER/DEALERS
SCHEDULE III

1. The County Treasurer has elected to limit security transactions as mentioned in Schedule II. Accordingly, the financial institution must confirm that they are a member of the Financial Industry Regulatory Authority (FINRA), registered with the Securities & Exchange Commission (SEC), and possess all other required licenses. The Treasurer is prohibited from the selection of any broker, brokerage, dealer, or securities firm that has, within any consecutive 48-month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to the local treasurer, any member of the governing board of the local agency, or any candidate for those offices.

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

3. The firm must specify the types of securities it specializes in and will be made available for our account.

4. It is important that the firm provide related services that will enhance the account relationship which could include:
   (a) An active secondary market for its securities.
   (b) Internal credit research analysis on commercial paper, banker's acceptances and other securities it offers for sale.
   (c) Be willing to trade securities for our portfolio.
   (d) Be capable of providing market analysis, economic projections, and newsletters.
   (e) Provide market education on new investment products, security spread relationships, graphs, etc.

5. The firm must be willing to provide us annual financial statements.

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

7. Without exception, all transactions are to be conducted on a delivery versus payment (DVP) basis.

8. The broker/dealer must have been in operation for more than 5 years, and, if requested, the firm must be willing to provide us a list of local government clients or other reference, particularly those client relationships established within the State of California.

POLICY CRITERIA FOR COLLATERALIZED TIME DEPOSITS
SCHEDULE IV

Before the Treasury can place a time deposit with a local bank or savings and loan, the following criteria must be met:

1. The bank must provide us with an executed copy of the "Contract for Deposit of Moneys."

2. The interest rate on the Time Certificate of Deposit must be competitive with rates offered by other banks and savings and loans residing in Riverside County, as well as exceed that of U.S. Treasury Securities.

3. Investments less than the FDIC insurance limit will be sufficient without requiring any collateral to be pledged with the Federal Reserve to secure the public fund deposit.

4. Investments exceeding the FDIC insurance limit shall be fully collateralized by U.S. Treasury and Federal Agency securities having maturities five years or less. The County Treasury must receive written confirmation that these securities have been pledged in repayment of the time deposit. The securities pledged as collateral must have a current market value greater than the dollar amount of the deposit in keeping with the ratio requirements specified in Code Section 53652. Additionally, a statement of the collateral shall be provided on a monthly basis. A collateral waiver for the portion insured by the FDIC will be granted.

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

6. The County Treasurer will not place a public fund deposit for more than 10% of the present paid-in capital and surplus of the bank.

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

8. All time certificates must have a maturity date not exceeding one year from the date of the deposit, with interest payments based upon the stated interest rate.

9. The County Treasurer must receive a letter from an officer of the bank at the time the initial deposit is made, that there is no known pending financial disclosure or public announcement of an adverse financial event involving the bank or savings and loan, nor is there any knowledge that a conflict of interest situation exists between any County official and an officer or employee of the bank.

10. Time deposits will only be made with banks and savings and loans having branch office locations within Riverside County.

POLICY CRITERIA FOR ENTERING INTO A MONEY MARKET FUND
SCHEDULE V

Shares of beneficial interest issued by diversified management companies, also known as mutual funds, invest in the securities and obligations authorized by Code Sections 53601.7(10). Approved mutual funds will be registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et. seq.) and shall meet the following criteria:

1. The fund must have a “AAA” ratings from two of the nationally recognized rating services: Moody’s, Fitch, Standard & Poor’s.

2. The fund’s prospectus cannot allow hedging strategies, options or futures.

3. The fund must provide a current prospectus before participation in the fund and provide copies of their portfolio reports and shall provide at least at month-end, a complete listing of securities within the fund’s portfolio.

POLICY CRITERIA
CORPORATE AND MUNICIPAL SECURITIES
SCHEDULE VI

Corporate Criteria. Money market securities will be first restricted by short-term ratings and then further restricted by long term credit ratings. The long term credit ratings, including the outlook of the parent company will be used. Money market securities consist of negotiable certificates of deposit (NCDs), bankers acceptances, and commercial paper. Medium term securities will be restricted by the long term ratings of the legal issuer. Concentration limit restrictions will make no distinction between medium term notes and money market securities.

No short term negative credit watch or long-term negative outlook by 2 of 3 nationally recognized rating services except for entities participating in government guaranteed programs. Credit Category 1 and Category 2 with negative credit watch or long-term negative outlook, by more than one nationally recognized rating service is permitted as Category 3 and Category 4 respectively.

Municipal Criteria. Minimum of A or A2 or A, underlying credit rating for selecting insured municipal securities and a maximum of 5% exposure to any one insurer (direct purchases and indirect commitments).

Liquidity Provider Restrictions. Maximum of 5% exposure to any one institution (direct purchases and indirect commitments).

Category	Short-Term Ratings	Long-Term Ratings	Restrictions
1	A-1+/P-1/F-1+ (SP-1+/MIG1/F-1+)	AAA/Aaa/AAA	**Corp.** Maximum of 5% per issuer with no more than 2% greater than 1 year final maturity and no more than 1% greater than 2 year final maturity. **Muni.** Maximum of 5% per issuer with no more than 2% greater than 13 month final maturity.
2	A-1+/P-1/F-1+ (SP-1+/MIG1/F-1)	AA+/Aa1/AA+, AA/Aa2/AA	**Corp.** Maximum of 4% per issuer with no more than 1% greater than 1 year final maturity. No more than 13 month final maturity. **Muni.** Maximum of 5% per issuer with no more than 1% greater than 13 month final maturity. For the State of California debt only maximum of 2% greater than 13 month final maturity.
3	A-1+/P-1/F-1+ (SP-1+/MIG1/F-1)	AA-/Aa3/AA-	**Corp.** Maximum of 3% per issuer with no more than 1.5% greater than 90 days. No more than 270 days final maturity. **Muni.** Maximum of 5% per issuer. No more than 13 month final maturity. For the State of California Debt only, maximum of 2% greater than 13 month final maturity.
4	A-1/P-1/F-1 (SP-1/MIG1/F-1)	A/A2/A or better.	**Corp.** No Asset Backed programs. Maximum of 2% per issuer with no more than 1% greater than 7 days. No more than 45 days maximum maturity. **Muni.** For the State of California Debt only, maximum of 3% with no more than 2% greater than 1 year final maturity.

Rating Agency Comparison Table

Short-Term Scale

S&P	**A-1+, A-1**
Moody's	**P-1**
Fitch	**F-1+, F-1**

Long-Term Scale

S&P	**AAA, AA+, AA, AA-, A+, A**
Moody's	**Aaa, Aa1, Aa2, Aa3, A1, A2**
Fitch	**AAA, AA+, AA, AA-, A+, A**

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APPENDIX H

BOOK-ENTRY ONLY SYSTEM

The following description under the heading of "Procedures and Record Keeping" with respect to beneficial ownership interests in the Bonds, payment of principal of and interest on the Bonds to Direct Participants, Indirect Participants or Beneficial Owners (as such terms are defined below) of the Bonds, confirmation and transfer of beneficial ownership interests in the Bonds and other Bond-related transactions by and between DTC, Direct Participants, Indirect Participants and Beneficial Owners of the Bonds is based solely on information furnished by DTC to the District which the District believes to be reliable, but the District and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Procedures and Record Keeping

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial

Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bonds documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

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

Discontinuance of DTC Services

In the event that (a) DTC determines not to continue to act as securities depository for the Bonds, or (b) the District determines that DTC shall no longer act and delivers a written certificate to the Paying Agent to that effect, then the District will discontinue the Book-Entry-Only System with DTC for the Bonds. If the District determines to replace DTC with another qualified securities depository, the District will prepare or direct the preparation of a new single separate, fully-registered Bond for each maturity of the Bonds registered in the name of such successor or substitute securities depository as are not inconsistent with the terms of the Bond Resolution. If the District fails to identify another qualified securities depository to replace the incumbent securities depository for the Bonds, then the Bonds shall no longer be restricted to being registered in the Bond registration books in the name of the incumbent securities depository or its nominee, but shall be registered in whatever name or names the incumbent securities depository or its nominee transferring or exchanging the Bonds shall designate.

In the event that the Book-Entry-Only System is discontinued, the following provisions would also apply: (i) the Bonds will be made available in physical form, (ii) principal of and redemption premiums, if any, on the Bonds will be payable upon surrender thereof at the trust office of the Paying Agent identified in the Bond Resolution, and (iii) the Bonds will be transferable and exchangeable as provided in the Bond Resolution.

The District and the Paying Agent do not have any responsibility or obligation to DTC Participants, to the persons for whom they act as nominees, to Beneficial Owners, or to any other person who is not shown on the registration books as being an owner of the Bonds, with respect to (i) the accuracy of any records maintained by DTC or any DTC Participants; (ii) the payment by DTC or any DTC Participant of any amount in respect of the principal of or redemption price of or interest on the Bonds; (iii) the delivery of any notice which is permitted or required to be given to registered owners under the Bond Resolution; (iv) the selection by DTC or any DTC Participant of any person to receive payment in the event of a partial redemption of the Bonds; (v) any consent given or other action taken by DTC as registered owner; or (vi) any other matter arising with respect to the Bonds or the Bond Resolution. The District and the Paying Agent cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal of or interest on the Bonds paid to DTC or its nominee, as the registered owner, or any notices to the Beneficial Owners or that they will do so on a timely basis or will serve and act in a manner described in this Official Statement. The District and the Paying Agent are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner in respect to the Bonds or any error or delay relating thereto.

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APPENDIX I

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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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

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
200 Liberty Street, 27th floor
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)

CALIFORNIA

ENDORSEMENT TO

MUNICIPAL BOND INSURANCE POLICY

NO.

This Policy is not covered by the California Insurance Guaranty Association established pursuant to Article 15.2 of Chapter 1 of Part 2 of Division 1 of the California Law.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language

IN WITNESS WHEREOF, BUILDAMERICA MUTUAL ASSURANCE COMPANY has caused this policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By

Authorized Officer