NEW ISSUE — BOOK-ENTRY ONLY

RATINGS:
Moody's "A2" (Underlying)
S&P "AA" (Insured)
"A-" (Underlying)
(See "RATINGS" herein.)

In the opinion of Hawkins Delafield & Wood LLP, Special Counsel to the District, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest evidenced by the Certificates is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest evidenced by the Certificates is not treated as a preference item in calculating the alternative minimum tax under the Code. In addition, in the opinion of Special Counsel to the District, under existing statutes, interest on the Certificates is exempt from personal income taxes imposed by the State of California. See "Tax Matters" herein.

$17,960,000
CERTIFICATES OF PARTICIPATION
(Los Angeles County Schools Pooled Financing Program)
2019 Series A
(Compton Unified School District)

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

The Certificates evidence the proportionate undivided interests of the Owners thereof in the Lease Payments (as defined herein) to be made pursuant to a Lease Agreement (as defined herein) by and between the Los Angeles County Schools Regionalized Business Services Corporation (the "Corporation") and Compton Unified School District, as Lessee (the "Lessee" or the "District"), and a Trust Agreement, dated as of October 1, 2019, by and among the Corporation, the Lessee and The Bank of New York Mellon Trust Company, N.A., as Trustee (the "Trustee"). The Certificates are being executed and delivered to (i) finance the construction or installation of capital improvement projects and/or equipment, and (ii) pay delivery costs of the Certificates. See "PLAN OF FINANCE." The Certificates will be delivered in book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Purchasers of the Certificates will not receive certificates representing their interests therein.

Interest due with respect to the Certificates is payable semiannually on June 1 and December 1 of each year, commencing June 1, 2020 (each, a "Payment Date"). On each Payment Date, the Trustee will make all payments of principal, premium, if any, and interest, for so long as the Certificates are registered in the name of Cede & Co., to DTC, which, in turn, is obligated to remit such principal, premium, if any, and interest to DTC Participants (as defined herein) for subsequent distribution to the Beneficial Owners (as defined herein) of the Certificates. Principal with respect to the Certificates is payable upon surrender of the Certificates at maturity or earlier prepayment at the principal corporate trust office of the Trustee in Los Angeles, California. The Certificates are to be delivered as fully registered certificates without coupons, in authorized denominations of $5,000 or any integral multiple thereof.

The Certificates are subject to optional and mandatory prepayment as described herein. See the caption "THE CERTIFICATES – Optional Prepayment," and "– Mandatory Prepayment From Net Insurance and Condemnation Proceeds herein.

The Lessee has covenanted under the Lease Agreement that, so long as the Leased Property (as defined herein) is available for the Lessee's use, it will take such action as may be necessary to include in its annual budgets all of its Lease Payments due in each fiscal year and to make the necessary annual appropriations therefor, subject to abatement thereof in the event of damage, destruction, condemnation or any defect of title which substantially interferes with the Lessee's use and right of possession of the Leased Property.

The obligation of the Lessee to make Lease Payments does not constitute an obligation of the Lessee for which the Lessee is obligated to levy or pledge any form of taxation or for which the Lessee has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the Lessee to make Lease Payments under the Lease Agreement constitutes a debt of the Lessee, the Corporation, the County of Los Angeles, the State of California or any of its political subdivisions within the meaning of the Constitution of the State of California or otherwise, or a pledge of the full faith and credit of any of the foregoing.

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

BAM
BUILD AMERICA MUTUAL

MATURITY SCHEDULE
On Inside Cover

This cover page contains information for quick reference only. Investors must read this entire Official Statement in order to obtain information essential to making an informed investment decision.

The Certificates are offered when, as and if executed, delivered and received by the Underwriters set forth below, subject to the approval as to their validity and enforceability by Hawkins Delafield & Wood LLP, Los Angeles, California, Special Counsel to the Corporation, and certain other conditions. Certain legal matters will be passed on for the Lessee by Orbach Huff Suarez & Henderson LLP, Los Angeles, California, as Counsel to the District. Certain legal matters will be passed upon for the Underwriters by Norton Rose Fulbright US LLP, Los Angeles, California. It is anticipated that the Certificates will be available through the facilities of DTC on or about October 31, 2019.

RBC Capital Markets STIFEL

Dated: October 16, 2019

MATURITY SCHEDULE

Base CUSIP[1] Number: 204738

Maturity (June 1)	Principal Component	Interest Rate	Yield	CUSIP[2] Suffix
2020	$ 510,000	3.000%	1.210%	AN8
2021	190,000	4.000	1.250	AP3
2022	235,000	4.000	1.290	AQ1
2023	290,000	4.000	1.350	AR9
2024	345,000	4.000	1.380	AS7
2025	405,000	5.000	1.430	AT5
2026	475,000	5.000	1.520	AU2
2027	555,000	5.000	1.590	AV0
2028	635,000	5.000	1.680*	AW8
2029	725,000	5.000	1.770*	AX6
2030	820,000	5.000	1.870*	AY4
2031	920,000	5.000	1.950*	AZ1
2032	1,030,000	5.000	2.030*	BA5
2033	1,150,000	4.000	2.230*	BB3
2034	1,270,000	4.000	2.320*	BC1
2035	1,395,000	4.000	2.400*	BD9
2036	1,530,000	4.000	2.460*	BE7
2037	1,670,000	4.000	2.500*	BF4
2038	1,825,000	4.000	2.540*	BG2
2039	1,985,000	4.000	2.580*	BH0

* Yield to the first optional prepayment date of June 1, 2027.

[1] CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. CUSIP numbers have been assigned by an independent company and are included solely for the convenience of the holders of the Certificates. Neither the District nor the Underwriters or their agents or counsel assume responsibility for the accuracy of such numbers. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Certificates as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity 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 the Certificates. The Lessee, the Corporation and the Underwriters do not take any responsibility for the accuracy of such CUSIP numbers.

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

This Official Statement is not to be construed as a contract with the purchasers of the Certificates. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The information set forth in this Official Statement has been obtained from the Lessee, the County of Los Angeles (see APPENDIX F — "THE LOS ANGELES COUNTY POOLED SURPLUS INVESTMENTS"), and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstance create any implication that there has been no change in the affairs of the Lessee, the Corporation or the County of Los Angeles since the date hereof. All summaries of the Certificates, Lease Agreement, Site Lease, Trust Agreement, Assignment Agreement, and Continuing Disclosure Certificate (each as defined herein) and other documents, are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions.

This Official Statement is submitted in connection with the execution and delivery of the Certificates 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. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget," "project," "forecast" or other similar words.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE CERTIFICATES TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

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

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SUMMARY STATEMENT

THIS SUMMARY STATEMENT IS SUBJECT IN ALL RESPECTS TO THE MORE COMPLETE INFORMATION IN THIS OFFICIAL STATEMENT AND THE OFFERING OF THE CERTIFICATES TO POTENTIAL INVESTORS IS MADE ONLY BY MEANS OF THE ENTIRE OFFICIAL STATEMENT.

Purpose

Proceeds from the sale of the Certificates in the aggregate principal amount of $17,960,000. will be used to (i) finance the construction or installation of capital improvement projects and/or equipment for use by the Compton Unified School District (the "Lessee" or the "District") and (ii) pay costs of delivery of the Certificates. Certain real property of the Lessee has been leased by the Lessee under the Lease Agreement (the "Lease Agreement") from the Los Angeles County Schools Regionalized Business Services Corporation (the "Corporation"), as Lessor. For a detailed description of the Leased Property, see APPENDIX B – "THE LEASED PROPERTY" attached hereto.

Security for the Certificates

The Lessee is obligated under the Lease Agreement to make Lease Payments on each May 15 and November 15, commencing May 15, 2020, as the rental for the use and possession of the Leased Property (the "Lease Payments"). Each Certificate evidences and represents a proportionate undivided interest of the registered owner thereof (herein referred to as the "Owners" or "Certificate Owners") in Lease Payments to be made by the Lessee. The Lessee has covenanted under the Lease Agreement that so long as its Leased Property is available for the Lessee's use, it will take such action as may be necessary to include in its annual budget all of its Lease Payments due in such fiscal year and to make the necessary annual appropriations therefor. Under California law, the obligation of the Lessee to make Lease Payments (other than to the extent that funds are available for such purpose from insurance or in accounts established for the Lessee from proceeds of the Certificates) must be abated in whole or in part if the Lessee does not have full use and possession of its Leased Property. A Reserve Fund has been established for the Lease for the benefit of the Certificate Owners in the amount set forth herein which will be satisfied by the Reserve Surety Bond

Pursuant to the Assignment Agreement (as defined herein), the Corporation will assign to the Trustee for the benefit of the Owners of the Certificates its rights under the Lease Agreement, including (i) its right to receive amounts payable by the Lessee under the Lease Agreement, (ii) its right to receive and collect any proceeds of any insurance maintained under the Lease Agreement, and (iii) its right to enforce amounts payable upon default.

Bond Insurance

Concurrently with the execution and delivery of the Certificates, BAM will issue its Municipal Bond Insurance Policy (the "Policy") for the Certificates. The Policy guarantees the scheduled payment principal of and interest with respect to the Certificates when due as set forth in "APPENDIX I – SPECIMEN MUNICIPAL BOND INSURANCE POLICY." See also "BOND INSURANCE" herein.

Form of Certificates The Certificates will be sold and delivered in fully registered form in authorized denominations of $5,000 or any integral multiple thereof.

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

The Lessee The Lessee is duly organized and existing as a unified school district located in Los Angeles County, California. See APPENDIX A – "DISTRICT FINANCIAL INFORMATION" attached hereto.

The Trustee The Bank of New York Mellon Trust Company, N.A. will act as Trustee for the Certificates.

THE OBLIGATION OF THE LESSEE TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT IS AN OBLIGATION PAYABLE FROM THE LESSEE'S GENERAL FUND OR ANY OTHER SOURCE OF FUNDS LEGALLY AVAILABLE TO THE LESSEE FOR THE PAYMENT OF THE LEASE PAYMENTS. THE OBLIGATION OF THE LESSEE TO PAY LEASE PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION OF THE LESSEE FOR WHICH THE LESSEE IS OBLIGATED TO PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE LESSEE HAS PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE LESSEE TO PAY LEASE PAYMENTS UNDER THE LEASE AGREEMENT DOES NOT CONSTITUTE A DEBT OR INDEBTEDNESS OF THE LESSEE, THE CORPORATION, THE COUNTY OF LOS ANGELES, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

OFFICIAL STATEMENT

$17,960,000
CERTIFICATES OF PARTICIPATION
(Los Angeles County Schools Pooled Financing Program)
2019 Series A
(Compton Unified School District)

INTRODUCTION

The purpose of this Official Statement, including the cover page, inside cover, Summary Statement, Table of Contents and Appendices (the "Official Statement"), is to provide certain information concerning the execution, sale and delivery of certain Certificates of Participation, in the aggregate principal amount of $17,960,000 (the "Certificates"). The Compton Unified School District (the "Lessee" or the "District") will execute a Site Lease, dated as of October 1, 2019 (the "Site Lease"), pursuant to which the Lessee will lease certain real property (the "Leased Property") to the Corporation. The Certificates evidence and represent the proportionate undivided interest of the registered owners thereof (the "Owners") in lease payments (the "Lease Payments") to be made by the Lessee as the rental for the use and possession of the Leased Property to be leased from the Los Angeles County Schools Regionalized Business Services Corporation (the "Corporation") pursuant to a Lease Agreement, by and between the Corporation and the Lessee, dated as of October 1, 2019 (the "Lease Agreement"). Pursuant to the Assignment Agreement, dated as of October 1, 2019, by and between the Corporation and the Trustee (the "Assignment Agreement"), the Corporation has assigned to the Trustee, for the benefit of the Owners, its rights under the Lease Agreement, including (i) its right to amounts payable by the Lessee under the Lease Agreement, (ii) its right to receive the proceeds of casualty and rental interruption insurance on the Leased Property and (iii) its right to enforce payment of amounts due upon default. The Certificates are being executed, sold and delivered pursuant to a Trust Agreement, dated as of October 1, 2019 (the "Trust Agreement"), by and among the Lessee, the Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Capitalized terms used but not defined herein shall have the meanings set forth in the Trust Agreement. See APPENDIX C – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS" attached hereto.

The Certificates are being executed and delivered to (i) finance the construction or installation of capital improvement projects and/or equipment for use by the Lessee and (ii) pay costs of delivery in connection with the Certificates. The Leased Property consists of certain real property of the Lessee as described herein under APPENDIX B – "THE LEASED PROPERTY" attached hereto. The Leased Property has an annual fair market rental value of not less than the maximum annual Lease Payments.

The Lessee is required to pay to the Trustee, as assignee of the Corporation, the Lease Payments for use and possession of the Leased Property, which amounts are intended to be sufficient in both time and aggregate amount to pay, when due, the principal and interest payable with respect to the Certificates. See APPENDIX C – "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – THE LEASE – Lease Payments." In the Lease Agreement, the Lessee has covenanted that it will take such actions as may be necessary to include in its annual budgets all of the Lease Payments due in each fiscal year with respect to the Leased Property and to make the necessary annual appropriations therefor. **The obligation of the Lessee to make Lease Payments does not constitute an obligation of the Lessee for which the Lessee is obligated to pledge any form of taxation or for which the Lessee has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the Lessee to make Lease Payments constitutes an indebtedness of the Lessee, the Corporation, the County of Los Angeles, the State of California, or any of its**

political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. For certain financial information concerning the Lessee, see APPENDIX A – "DISTRICT FINANCIAL INFORMATION."

ESTIMATED USES OF PROCEEDS

The proceeds to be received from the sale of the Certificates are estimated to be applied as follows:

Sources	
Principal Amount of Certificates	$17,960,000.00
Plus Original Issue Premium	2,470,523.05
TOTAL SOURCES	$20,430,523.05
Uses	
Project Fund	$20,000,000.00
Costs of Delivery(1)	430,523.05
TOTAL USES	$20,430,523.05

(1) Includes legal fees, Trustee fees, Underwriters' discount (see the caption "UNDERWRITING" herein), insurance and reserve surety premiums, printing costs, rating agency fees and other miscellaneous costs of delivery.

PLAN OF FINANCE

The net proceeds of sale of the Certificates are expected to be used to finance the construction or installation of capital improvement projects and/or equipment for use by the Lessee. The improvements are expected to include energy efficiency upgrades to District facilities, including replacing school site heating, ventilation and air conditioning (HVAC) systems throughout the District.

THE CERTIFICATES

General Provisions

The Certificates will be executed, sold and delivered in the aggregate principal amount of $17,960,000, will be dated their date of delivery, and will represent and evidence interest from such date, at the rates per annum set forth on the inside cover page hereof. The Certificates will be payable semiannually on June 1 and December 1, commencing on June 1, 2020 (each, a "Payment Date"). The Certificates will mature on June 1 in each of the designated years and in the principal amounts shown on the inside cover page hereof.

The Certificates evidence and represent direct and proportionate undivided interests of the Owners thereof in the Lease Payments to be made by the Lessee. The total amount of each payment of principal and interest with respect to the Certificates, made to the Owners of the Certificates is comprised of various portions of the Lease Payments paid by the Lessee on the Payment Dates.

The Certificates will be executed, sold and delivered in fully registered form without coupons, in denominations of $5,000 each or any integral multiple thereof. On each Payment Date, the Trustee will, for so long as the Certificates are registered in the name of Cede & Co., make payments of principal, premium, if any, and interest with respect to the Certificates, to DTC, which, in turn, is obligated to remit such principal, premium, if any, and interest, to DTC Participants (as defined herein) for subsequent distribution to the Beneficial Owners (as defined herein) of the Certificates. Principal and premium, if any, with respect to the Certificates is payable upon surrender of the Certificates at maturity or earlier prepayment at the principal corporate trust office of the Trustee.

The Certificates will initially be executed and delivered in book-entry only form, registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Purchasers of the Certificates will not receive certificated securities representing their interests therein. See APPENDIX D – "BOOK-ENTRY SYSTEM" attached hereto.

Optional Prepayment

The Certificates maturing on or before June 1, 2027, are not subject to prepayment prior to their respective maturity dates. The Certificates maturing on and after June 1, 2028, may be prepaid before maturity, at the option of the Lessee, from moneys deposited into the Prepayment Fund as a result of the Lessee's election to prepay Lease Payments, on any date on or after June 1, 2027, as a whole or in part at a prepayment price equal to the principal amount thereof together with interest accrued thereon to the date fixed for prepayment.

Mandatory Prepayment From Net Insurance and Condemnation Proceeds

The Certificates are subject to prepayment on any Payment Date, in whole or in part, from Net Insurance and Condemnation Proceeds deposited in the Prepayment Fund at least 45 days prior to a Payment Date and credited towards the prepayment made by the Lessee pursuant to the Lease Agreement, at a prepayment price equal to the Principal Component thereof, together with the accrued Interest Component to the date fixed for prepayment, without premium. In the event of a prepayment of Certificates from Net Insurance and Condemnation Proceeds when fewer than all Outstanding Certificates are called for prepayment, the Trustee shall select Certificates for prepayment from the Outstanding Certificates, proportionately by maturity in Authorized Denominations. The Trustee shall promptly notify the Lessee and the Corporation in writing of the Certificates so selected for prepayment.

Selection of Certificates for Prepayment

Except as otherwise provided in the Trust Agreement, whenever provision is made in the Trust Agreement for the prepayment of Certificates and fewer than all Outstanding Certificates are called for prepayment, other than in the event of a prepayment of Certificates from Net Insurance and Condemnation Proceeds and extraordinary prepayment of Certificates from unexpended Certificate proceeds, the Trustee shall select Certificates for prepayment from the Outstanding Certificates not previously called for prepayment as the Lessee may direct, and, in the absence of such direction, in inverse order of maturity, and by lot within any maturity, in any manner which the Trustee shall in its sole discretion deem appropriate. All or a portion of any Certificate may be prepaid, but only in a Principal Component equal to an integral multiple of $5,000.

Notice of Prepayment

When prepayment is authorized or required pursuant to the Trust Agreement, the Trustee shall give notice of the prepayment of the affected Certificates. Such notice shall specify: (i) that the Certificates or a designated portion thereof are to be prepaid, (ii) the CUSIP numbers, numbers and dates of maturity of the Certificates to be prepaid, (iii) the date of prepayment, (iv) the prepayment price and (v) the place or places where prepayment will be made. Such notice shall further state that on the specified date there shall become due and payable upon each Certificate to be prepaid, the portion of the principal amount together with interest accrued to said date to be prepaid with respect to the Certificates, and that from and after such date, the Interest Component shall cease to accrue and become payable.

Notice of such prepayment shall be given by first class mail, postage prepaid, to the Lessee, the Corporation and the respective Owners of any Certificates designated for prepayment at their addresses appearing on the Certificate registration books not less than 20 days, but not more than 60 days, prior to the prepayment date; provided that neither failure to receive such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the prepayment of the Certificates.

Notice of prepayment having been given as aforesaid, the Certificates or portions of Certificates so to be prepaid shall, on the prepayment date, become due and payable at the prepayment price therein specified, and from and after the date on which prepaid, interest with respect to such Certificates or portions of Certificates shall cease to be payable. Upon surrender of such Certificates for prepayment in accordance with said notice, such Certificates shall be paid by the Trustee at the prepayment price. Amounts equal to the Interest Component due on or prior to the prepayment date shall be payable as herein provided for regular payments of the Interest Component. Upon surrender for any partial prepayment of any Certificate, there shall be prepared for the Owner of a Certificate a new Certificate or Certificates in the amount of the unpaid Principal Component. All Certificates which have been prepaid shall be canceled by the Trustee, shall not be redelivered and shall be destroyed pursuant to the Trust Agreement.

Effect of Notice of Prepayment

With respect to any notice of prepayment of the Certificates in accordance with the Trust Agreement, in whole or in part, such notice may state that such prepayment will be conditional upon the receipt by the Trustee, on or prior to the date fixed for such prepayment, of moneys sufficient to pay the prepayment price of and accrued interest on the such Certificates to be prepaid, and that if such moneys will not have been so received, said notice will be of no force and effect and the Lessee and the Lessor shall not be required to prepay such Certificates or to pay any amounts to the Owners of the Certificates except to pay principal and interest evidenced by the Certificates in accordance with the Trust Agreement. In the event that such conditional notice of prepayment contains such a provision and such moneys are not so received, the conditional prepayment shall not be made and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of prepayment was given, that such moneys were not so received and that the conditional prepayment was cancelled. The Lessee may rescind any prepayment, and notice thereof may be rescinded by Lessee for any reason, by providing written notice of such rescission to the Trustee on any date prior to the date fixed for prepayment. Within one (1) day of receipt of such written notice, the Trustee shall give written notice of the rescission to the Owners of the Certificates so called for prepayment. The actual receipt by the Owners of the Certificate of any Certificate of notice of such rescission will not be a condition precedent to such rescission and failure to receive such notice or any defect in such notice will not affect the validity of the rescission.

Notice having been given as aforesaid, and the moneys for the prepayment (including the Interest Component accruing to the applicable date of prepayment) having been set aside in the Prepayment Fund, the Certificates so called shall become due and payable on said date of prepayment, and upon presentation and surrender thereof at the office or offices specified in said notice, said Certificates shall be paid in the amount of the unpaid Principal Component, plus the Interest Component accrued and unpaid to said date of prepayment.

If, on the date of prepayment, moneys for the prepayment of all the Certificates to be prepaid, and premium, if any, shall be held by the Trustee so as to be available therefor on such date of prepayment, and, if notice of prepayment thereof shall have been given as aforesaid, then, from and after said date of prepayment, the Interest Component shall cease to accrue and become payable.

All moneys held by or on behalf of the Trustee for the prepayment of Certificates shall be held in trust for the account of the Owners of the Certificates to be so prepaid without liability for interest with respect thereto.

Partial Payment of Certificates

Upon surrender by an Owner of a Certificate for partial prepayment, excepting as otherwise provided for in the Trust Agreement, payment of such partial prepayment of the Principal Component will be made by check mailed by first class mail to the Owner at his or her address as it appears on the registration books of the Trustee. Upon surrender of any Certificate prepaid in part only, the Trustee shall execute and deliver to the Owner thereof, at the expense of the Lessee, a new Certificate or Certificates which shall be of authorized denominations equal in aggregate principal or issue amount to the unprepaid Principal Component of the Certificate surrendered and of the same interest rate or yield and the same maturity. Such partial prepayment shall be valid upon payment of the amount thereby required to be paid to such Owner, and the Lessee, the Corporation and the Trustee shall be released and discharged from all liability to the extent of such payment.

Security for the Certificates

Sources of Payment for the Certificates. Each Certificate evidences and represents a proportionate, undivided interest of the Owner in the Lease Agreement, including the right to receive the Lease Payments to be made by the Lessee to the Corporation. The Lessee and Lessor will enter into the Lease Agreement, pursuant to which the Lessee will agree to make Lease Payments in amounts sufficient to make the payments due with respect to the Certificates. The Lease Agreement may be amended pursuant to its terms to provide for additional lease payments secured by the Leased Property on a parity with the Lease Payments made with respect to the Certificates.

The Corporation and the Trustee will enter into an Assignment Agreement. The Corporation, pursuant to the Assignment Agreement, will assign its rights under the Lease Agreement to the Trustee under the Trust Agreement for the benefit of the Owners, including (i) its right to receive amounts payable by the Lessee under the Lease Agreement, (ii) its right to receive the proceeds of insurance maintained on the Leased Property, and (iii) its right to enforce amounts payable upon default by the Lessee.

Principal and the Interest Component due with respect to the Certificates will be made from the Lease Payments payable by the Lessee for the use and possession of the Leased Property, from condemnation proceeds, from title insurance proceeds, from rental interruption insurance proceeds, from casualty insurance net proceeds pertaining to the Leased Property (to the extent that such net proceeds are not used for repair or replacement), from interest or other income derived from the investment of the funds and accounts held by the Trustee for the Lessee pursuant to the Trust Agreement, or in certain instances, from the Reserve Fund established under the Trust Agreement.

The Lessee has covenanted under the Lease Agreement to make Lease Payments for the use and possession of the Leased Property and to take such action each year as may be necessary to include in its annual budget all of the Lease Payments due in such fiscal year and to appropriate annually an amount necessary to make the Lease Payments. Lease Payments received by the Trustee are to be used to make the payments of principal and interest with respect to the Certificates. Additional Payments payable by the Lessee under the Lease Agreement include amounts as shall be required for the payment of all administrative costs of the Corporation. Under California law, even though the Lease Agreement becomes effective as of the date of original execution of the Certificates, the obligation of the Lessee to make Lease Payments (other than to the extent that funds to make Lease Payments are available in the Reserve Fund and, in the case of termination of the Lease Agreement or partial prepayment of the Lease Payments, the Project Fund) must be abated in whole or in part if the Lessee does not have full use and possession of the Leased Property. See "RISK FACTORS – Abatement" herein.

The Lessee has further covenanted to also pay such amounts as shall be required for the payment of all administrative costs of the Corporation relating to the Leased Property or the execution, sale and delivery of the Certificates, including, without limitation, taxes of any sort whatsoever payable by the Corporation as a result of its ownership of the Leased Property or as may be related to the Lease Agreement, and certain costs resulting from the administration of the Trust Agreement, the fees of auditors, accountants, attorneys or engineers, insurance premiums, credit enhancement fees, and all other necessary administrative costs of the Corporation or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Certificates or of the Trust Agreement.

The obligation of the Lessee to make Lease Payments and Additional Payments does not constitute an obligation of the Lessee for which the Lessee is obligated to pledge any tax revenues. **Neither the Certificates nor the obligation of the Lessee to make Lease Payments and Additional Payments constitutes an indebtedness of the Lessee, the Corporation, the County of Los Angeles, the State of California or any of its political subdivisions within the meaning of the Constitution of the State of California or otherwise or a pledge of the faith and credit of the Lessee.**

The Trustee, pursuant to the Trust Agreement, will receive Lease Payments for the benefit of the Owners. The Lease Payments are scheduled to be sufficient in both time and amount to pay when due the portion of the principal and interest with respect to the Certificates due on the next Interest Payment Date. The Trustee shall not be required to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties under the Trust Agreement, and under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Certificates. Lease Payments and Additional Payments are subject to abatement during any period in which, by reason of condemnation, damage or destruction, there is substantial interference with the use and possession of the Leased Property, or any discrete portion thereof, by the Lessee. See “Abatement” below and APPENDIX C – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – THE LEASE” attached hereto. The Lessee is responsible for the repair and maintenance of the Leased Property and the replacement or repair of the Leased Property to the extent provided in the Lease Agreement.

Insurance. The Lease Agreement requires the Lessee to maintain insurance of the type and in the amounts set forth therein. See APPENDIX C – “DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – THE LEASE – Insurance” attached hereto. The Lease Agreement permits the Lessee to self-insure to meet insurance requirements (so long as the terms of the Lease Agreement are satisfied) except for rental interruption insurance. The Lease Agreement requires the Lessee to apply the proceeds of any insurance award either to replace or repair the portion of the Leased Property or to repay Certificates if certain certifications with respect to the adequacy of the proceeds to make repairs, and the timing thereof, cannot be made. The amount of Lease Payments will be abated and Lease Payments due under the Lease Agreement may be reduced during any period in which material damage or destruction to all or part of any component of the Leased Property substantially interferes with the Lessee’s use and possession thereof. Lease Payments may, however, be made from the proceeds of rental interruption insurance as described below. See “RISK FACTORS – Abatement” herein.

Abatement. Except to the extent of (i) amounts held by the Trustee in the Lease Payment Fund and the Reserve Fund, (ii) amounts received in respect of rental interruption insurance or liquidated damages, if any, and (iii) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Certificates during any period in which, by reason of material damage, destruction, title defect or condemnation there is substantial interference with the use and possession by the Lessee of any component of the Leased Property, Lease Payments due under the Lease Agreement with respect to such Leased Property shall be abated by the difference between the annual fair rental value of the facilities of the Leased Property with respect to which there is no such substantial interference, as set forth in a certification of the Lessee. Any abatement of Lease Payments pursuant to the Lease Agreement shall not be considered an Event of Default as defined therein. Such abatement will continue for the period commencing with the date of such interference and ending with the substantial completion of the work of repair or replacement of the portions of the Leased Property so damaged, destroyed, defective or condemned.

Such abated Lease Payments, together with other moneys legally available to the Trustee, including moneys from the Reserve Fund, rental interruption insurance and liquidated damages, if any, may not be sufficient to pay principal and interest represented by the Certificates in the amounts and at the rates set forth thereon. In such event, all Owners would forfeit the portion of interest attributable to abated Lease Payments payable during the period of abatement and, to the extent Certificates mature or are to be mandatorily prepaid during a period of abatement, the Owners of such Certificates would forfeit the portion of principal attributable to such abated Lease Payments. The failure to make such payments of principal and interest would not under such circumstances constitute a default under the Trust Agreement, the Lease Agreement or the Certificates.

Debt Service Reserve Fund

The Reserve Fund established under the Trust Agreement shall be funded in an amount equal to the Reserve Fund Requirement with a reserve fund surety bond (the "Reserve Surety Bond") issued by BAM, such amount, at any time, shall equal the least of: (i) ten percent (10%) of the net proceeds of the Outstanding Certificates; (ii) the maximum aggregate amount of the Lease Payments to be paid in any Certificate Year; or (iii) 125% of the average Lease Payments to be paid in the then-current or any future Certificate Year as certified in writing to the Trustee by the Lessee (the "Reserve Fund Requirement"). If the Lessee reduces the amount of Certificates Outstanding through optional or mandatory prepayment, the amounts under the Reserve Surety Bond may decrease proportionately. Amounts in the Reserve Fund or under the Reserve Surety Bond are to be used only for the payment of Lease Payments to the extent that funds in the Lease Payment Fund are insufficient therefor, *provided* that amounts in the Reserve Fund, if any, may be invested in Permitted Investments under the Trust Agreement.

Lease Payments

Lease Payments are required under the Lease Agreement to be made by the Lessee on each May 15 and November 15, commencing on May 15, 2020 (individually, a "Lease Payment Date") for use and possession of the Leased Property for the six-month periods commencing on the first day of the month next succeeding the Lease Payment Date, as applicable.

The Lease Agreement requires that Lease Payments be deposited in the Lease Payment Fund maintained by the Trustee. On each Interest Payment Date or Payment Date, the Trustee will withdraw from the Lease Payment Fund the aggregate amount of the Lease Payments and will apply such amounts to make principal and interest payments with respect to the Certificates, as shown in the following amortization schedule.

SCHEDULE OF CERTIFICATE PAYMENTS

Payment Dates	Principal Component	Interest Component	Total
June 1, 2020	$ 510,000	$450,690.14	$ 960,690.14
December 1, 2020		376,825.00	376,825.00
June 1, 2021	190,000	376,825.00	566,825.00
December 1, 2021		373,025.00	373,025.00
June 1, 2022	235,000	373,025.00	608,025.00
December 1, 2022		368,325.00	368,325.00
June 1, 2023	290,000	368,325.00	658,325.00
December 1, 2023		362,525.00	362,525.00
June 1, 2024	345,000	362,525.00	707,525.00
December 1, 2024		355,625.00	355,625.00
June 1, 2025	405,000	355,625.00	760,625.00
December 1, 2025		345,500.00	345,500.00
June 1, 2026	475,000	345,500.00	820,500.00
December 1, 2026		333,625.00	333,625.00
June 1, 2027	555,000	333,625.00	888,625.00
December 1, 2027		319,750.00	319,750.00
June 1, 2028	635,000	319,750.00	954,750.00
December 1, 2028		303,875.00	303,875.00
June 1, 2029	725,000	303,875.00	1,028,875.00
December 1, 2029		285,750.00	285,750.00
June 1, 2030	820,000	285,750.00	1,105,750.00
December 1, 2030		265,250.00	265,250.00
June 1, 2031	920,000	265,250.00	1,185,250.00
December 1, 2031		242,250.00	242,250.00
June 1, 2032	1,030,000	242,250.00	1,272,250.00
December 1, 2032		216,500.00	216,500.00
June 1, 2033	1,150,000	216,500.00	1,366,500.00
December 1, 2033		193,500.00	193,500.00
June 1, 2034	1,270,000	193,500.00	1,463,500.00
December 1, 2034		168,100.00	168,100.00
June 1, 2035	1,395,000	168,100.00	1,563,100.00
December 1, 2035		140,200.00	140,200.00
June 1, 2036	1,530,000	140,200.00	1,670,200.00
December 1, 2036		109,600.00	109,600.00
June 1, 2037	1,670,000	109,600.00	1,779,600.00
December 1, 2037		76,200.00	76,200.00
June 1, 2038	1,825,000	76,200.00	1,901,200.00
December 1, 2038		39,700.00	39,700.00
June 1, 2039	1,985,000	39,700.00	2,024,700.00
	$17,960,000	10,202,940.14	$28,162,940.14

Limitations on Remedies Available to Owners of the Certificates

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

Certain Definitions

Capitalized terms used but not defined herein shall have the meanings set forth in APPENDIX C "DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS."

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Certificates, BAM will issue the Policy. The Policy guarantees the scheduled payment of principal of and interest on the Certificates when due as set forth in the form of the Policy included as set forth in "APPENDIX I – SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

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 Certificates, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Certificates. BAM only guarantees scheduled principal and scheduled interest payments payable with respect to the Certificates on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Certificates, nor does it guarantee that the rating on the Certificates 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 Certificates or the advisability of investing in the Certificates. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE" herein.

Additional Information Available from BAM

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

Credit Profiles. Prior to the pricing of obligations that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those obligations. 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 obligations 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 obligations insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such obligations. (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 Corporation, the District or the Underwriters, and none of the Corporation, the District or the Underwriters assume any responsibility for their content.

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

For a discussion of certain risks associated with municipal bond insurance, see "RISK FACTORS – Municipal Bond Insurance Risk Factors."

INVESTMENT OF LESSEE FUNDS

All funds of the Lessee will be deposited into the County Treasury to the credit of the proper fund of the Lessee. All funds of the Lessee, including cash receipts and other moneys received by the Lessee for deposit to the general fund of the Lessee, are deposited with the County Treasury, to remain on deposit therein and generally available for the payment of current expenses and other obligations of the Lessee until deposited into the Lease Payment Fund or otherwise. For a discussion of the County Treasury, see APPENDIX F – "THE LOS ANGELES COUNTY POOLED SURPLUS INVESTMENTS."

THE CORPORATION

The Corporation is a nonprofit public benefit corporation organized under the Nonprofit Public Benefit Corporation Law of the State of California. The Corporation was formed in September 1985 to provide services necessary and appropriate for the establishment, operation and maintenance of regionalized business services and programs for public schools, community colleges and the Los Angeles County Board of Education. These programs and services are to (i) foster cost containment, cost reduction, revenue enhancement and efficiency measures, (ii) improve technical and management skills of school business personnel and (iii) provide financial assistance to public schools, community colleges, related entities and the Los Angeles County Board of Education by acquiring and financing land and equipment, acquiring and constructing various public facilities and leasing facilities, land and equipment.

None of the net earnings, if any, of the Corporation inure to the benefit of any private individual or any director, officer or member thereof, or any firm or other entity with the exception of public schools, community college districts and the Los Angeles County Board of Education.

The Corporation is governed by a board of directors consisting of five members appointed by the Los Angeles County Board of Education or its designee. Each member of the board of directors is elected for a two-year term.

RISK FACTORS

The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating the purchase of the Certificates. Such factors do not purport to be an exhaustive list of risks and other considerations may be relevant to an investment in the Certificates. Furthermore, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

Not a Pledge of Taxes

The obligation of the Lessee to pay the Lease Payments does not constitute an obligation of the Lessee for which the Lessee is obligated to levy or pledge any form of taxation or for which the Lessee has levied or pledged any form of taxation. The obligation of the Lessee to pay Lease Payments does not constitute a debt or indebtedness of the Lessee, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Although the Lease Agreement does not create a pledge, lien or encumbrance upon the funds of the Lessee, the Lessee is obligated under the Lease Agreement to pay Lease Payments from any source of legally available funds (subject to certain exceptions) and the Lessee has covenanted in the Lease Agreement that, for as long as the Leased Property is available for its use and possession, it will make the necessary annual appropriations within its budget for all Lease Payments. The Lessee is currently liable on certain other obligations payable from general revenues, including other certificates of participation.

Additional Obligations of the Lessee

The Lessee has the capability to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the Lessee, the funds available to make Lease Payments may be decreased.

The Lease Payments and other payments due under the Lease Agreement (including payment of costs of repair and maintenance of the Leased Property, taxes and other governmental charges levied against the Leased Property) are payable from funds lawfully available to the Lessee. In the event that the amounts which the Lessee is obligated to pay in a fiscal year exceed the Lessee's revenues for such year, the Lessee may choose to make some payments rather than making other payments, including Lease Payments, based on the perceived needs of the Lessee. The same result could occur if, because of California Constitutional limits on expenditures, the Lessee is not permitted to appropriate and spend all of its available revenues.

No Acceleration Upon Default

In the event of a default, there is no available remedy of acceleration of Lease Payments or the total Additional Payments due over the term of the Lease Agreement. The Lessee will only be liable for Additional Payments and Lease Payments on an annual basis, and the Trustee would be required to seek a separate judgment in each fiscal year for such fiscal year's Lease Payments and Additional Payments. **THE TRUSTEE MAY NOT DECLARE THE CERTIFICATES TO BE DUE AND PAYABLE AND ACCELERATE PAYMENT OF THE CERTIFICATES.** Any such suit for money damages would be subject to limitations on legal remedies against public agencies in the State of California, including a limitation on enforcement of judgments against funds of a fiscal year other than the fiscal year in which the Lease Payments were due and against funds needed to serve the public welfare and interest. See "THE CERTIFICATES – Security for the Certificates –*Sources of Payment for the Certificates*" herein.

Solar Panels on the Leased Property – Effect on Remedies

In 2017, the District installed solar energy generation systems and associated components on the William Jefferson Clinton Elementary School ("Clinton Elementary"), one of the Leased Properties. See "APPENDIX B – The Leased Property." In connection therewith, the District entered into a Power Purchase Agreement with Solarcity Corporation ("Solarcity") and Solarcity filed a UCC-1 Financing Statement as a fixture filing with respect to the solar energy generation systems and associated components installed at Clinton Elementary. The District does not believe that Solarcity's rights with respect to the solar energy generation system and associated components interfere with its use of the Leased Property. The District provides no assurance that Solarcity's rights will not impact the ability of the Certificate holders to re-let the Leased Property in the event of default by the Lessee in accordance with the provisions of the Lease. See "APPENDIX C - DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS - LEASE AGREEMENT – No Termination; Repossession and Re Lease on Behalf of Lessee."

Abatement

The obligation of the Lessee under the Lease Agreement to pay Lease Payments is in consideration for the use and possession of the Leased Property. The obligation of the Lessee to make Lease Payments may be abated in whole or in part if the Lessee does not have full use and possession of the Leased Property.

The amount of Lease Payments due under the Lease Agreement shall be abated during any period in which by reason of damage, destruction, eminent domain or otherwise there is substantial interference with the use and possession of the Leased Property. Such abatement will end with the substantial completion or replacement, repair or reconstruction of the Leased Property. The Reserve Fund will be funded in an amount equal to the Reserve Fund Requirement under the Reserve Surety Bond, and such funds may be used by the Trustee to make payments with respect to the Certificates in the event amounts received by the Trustee are insufficient to pay principal and interest represented by the Certificates as such amounts become due. If damage or destruction or eminent domain proceedings with respect to the Leased Property result in abatement of Lease Payments and the resulting Lease Payments, together with moneys in the Reserve Fund under the Reserve Surety Bond (and in the event of damage or destruction, together with rental interruption proceeds, if any), are insufficient to make all payments of principal and interest represented by the Certificates during the period that the Leased Property is being replaced, repaired or reconstructed, then such payments of principal and interest may not be made and no remedy is available to the Trustee or the Owners, under the Lease Agreement or Trust Agreement, for nonpayment under such circumstances. See "THE CERTIFICATES – Security for the Certificates –*Abatement*" herein.

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

Earthquakes

The Lessee is not obligated under the Lease Agreement to procure and maintain, or cause to be procured and maintained, earthquake insurance on their Leased Property. Depending on its severity, an earthquake could result in abatement under the Lease Agreement. See "RISK FACTORS – Abatement" herein.

No Liability by the Corporation to the Owners

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

Hazardous Substances

The public education activities of the Lessee will, from time to time, result in the use of limited amounts of hazardous substances on the facilities owned and operated by the Lessee, including, but not limited to, the Leased Property. Accordingly, it is possible that spills, discharges or other adverse environmental consequences of such use in the future could cause an adverse effect on the fair rental value of the Leased Property and lead, in an extreme case, to abatement, in whole or in part, of Lease Payments. See "Abatement" above. The Lessee has covenanted to limit its use of hazardous substances on its campuses to those permitted by the Environmental Regulations (as defined in the Lease Agreement).

Natural Disasters in California

In recent years, there have been several notable natural disasters throughout the State. These include drought conditions throughout the State, which led to a State-wide drought State of Emergency issued in January, 2014, and certain executive orders issued in 2015 and 2016 aimed to reduce water usage in local communities. The drought was declared to have ended in 2017 due to record-level precipitation in late 2016 and early 2017.

In addition, wildfires have occurred in recent years in different regions of the State. However, serious and significant property damage has resulted in other areas of the State due to fire damage. In 2018, several laws were enacted addressing issues related to increased wildfire risk in the State, including forest management, mutual aid for fire departments, emergency alerts and safety mandates.

Further, the Governor has taken several actions to expedite forest management and fuel reduction projects that purport to protect 200 wildfire-prone communities in the State. Also, the State continues to provide aid to those communities that are still recovering from fire damage sustained during 2017 and 2018.

The Lessee can make no prediction on the impact of any droughts, wildfires or other natural disasters upon economic activity within its boundaries or the extent to which there will be a material adverse impact on its finances, the majority of which come from State Aid. Depending on their severity, wildfires, droughts and other natural disasters could result in a loss of use of the Leased Property by the District and an abatement of Base Rental Payments under the Lease Agreement.

Bankruptcy

Generally. In addition to the limitations on remedies contained in the Lease Agreement and the Trust Agreement, the rights and remedies provided in the Lease Agreement and the Trust Agreement may be limited by and are subject to provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights.

Bankruptcy of Lessee. The Lessee may be eligible to become a debtor in a Chapter 9 bankruptcy case. If the State Superintendent or its appointed Trustee were to file for Chapter 9 bankruptcy on behalf of the Lessee, the Lessee may be able to reject the Site Lease or the Lease Agreement or assume the Site Lease or the Lease Agreement, despite any provision of the Site Lease or the Lease Agreement that makes the bankruptcy or insolvency of the Lessee an event of default thereunder.

If the Lessee rejects the Lease Agreement, the Lessee's obligation to pay Lease Payments and Additional Payments will terminate. The Trustee on behalf of the Owners of the Certificates will have a claim for damages in the bankruptcy case, but this claim for damages may be significantly limited.

If the Lessee rejects the Site Lease, the rights of the Trustee and the Owners of the Certificates to receive Lease Payments and Additional Payments may terminate, even if the Lessee remains in possession of the Leased Property. While the Trustee on behalf of the Owners of the Certificates may have a claim in the Lessee's bankruptcy, this claim for damages may be significantly limited, and the Owners of the Certificates could suffer substantial losses.

If the Lessee were to go into bankruptcy, the Trustee and the Owners of the Certificates could be prohibited from taking any action to enforce any of their rights or remedies against the Lessee or its property, unless the permission of the bankruptcy court was first obtained. This could prevent the Trustee from making payments to the Owners of the Certificates from funds in the possession of the Trustee.

Actions could be taken in a bankruptcy of the Lessee that could adversely affect the exclusion of interest evidenced by the Certificates from gross income for federal income tax purposes. In addition, there may be other possible effects of the bankruptcy of the Lessee that could result in delays or reductions in payments of the principal and interest evidenced by the Certificates, or in other losses to the Owners of the Certificates.

Regardless of any specific adverse determinations in a bankruptcy case of the Lessee, the fact of such a bankruptcy case could have an adverse effect on the liquidity and value of the Certificates.

Bankruptcy of Corporation. While the Corporation covenants in the Lease Agreement that it will not engage in any activities inconsistent with the purposes for which the Corporation is organized, the Corporation is not a special-purpose bankruptcy-remote entity, and could become a debtor in a bankruptcy case. The Lessee and the Corporation intend the assignment to the Trustee of all of Corporation's right, title, and interest to receive the Lease Payments and Additional Payments to be an absolute sale and not the grant of a security interest in such property to secure a borrowing of the Corporation. Nonetheless, if the Corporation were to become a debtor in a bankruptcy case, and a party in interest (including the Corporation itself) was to take the position that the transfer of the Lease Payments and Additional Payments to the Trustee should be recharacterized as the grant of a security interest in such property, then delays in payments on the Certificates could result. If a court were to adopt such position, then delays or reductions in payments evidenced by the Certificates, or other losses to the Owners of the Certificates, could result.

Because the Corporation is not assigning all its rights under the Site Lease and the Lease Agreement to the Trustee, if the Corporation goes into bankruptcy, the Corporation may be able to obtain authorization from the bankruptcy court to sell to a third party all rights under the Site Lease and the Lease Agreement, including the Lease Payments and Additional Payments, free and clear of rights of the Trustee and the Owners of the Certificates. While the Trustee (and thus the Owners of the Certificates) should be entitled to receive the value of the Lease Payments and Additional Payments as determined by the bankruptcy court, the bankruptcy court's valuation may be substantially different that the value placed on such payments by the Owners of the Certificates, and the Owners of the Certificates may suffer a loss.

Similarly, because the Corporation is not assigning all its rights under the Site Lease and the Lease Agreement, it may be able to reject the Site Lease and the Lease Agreement or assume the Site Lease or the Lease Agreement despite any provision of the Site Lease or the Lease Agreement which makes the bankruptcy or insolvency of the Corporation an event of default thereunder. If the Corporation rejects the Site Lease or the Lease Agreement, the rights of the Trustee and the Owners of the Certificates to receive Lease Payments and Additional Payments may be terminated. Under such circumstances, the Owners of the Certificates could suffer substantial losses, and any claim for damages may be significantly limited. If the Corporation assumes the Site Lease and the Lease Agreement, it may be able to assign them to a third party, notwithstanding the provisions of the transaction documents.

The Trustee and the Owners of the Certificates would be prohibited from taking any action to enforce any of their rights or remedies against the Corporation or its property, unless the permission of the bankruptcy court was first obtained. This could prevent the Trustee from making payments to the Owners of the Certificates from funds in the possession of the Trustee. In addition, the provisions of the transaction documents that require the Lessee to make payments directly to the Trustee, rather than to the Corporation, may no longer be enforceable, and all payments may be required to be made to the Corporation.

Actions could be taken in a bankruptcy case of the Corporation which could adversely affect the exclusion of interest evidenced by the Certificates from gross income for federal income tax purposes. In addition, there may be other possible effects of the bankruptcy of the Corporation that could result in delays or reductions in payments of the principal and interest evidenced by the Certificates, or in other losses to the Owners of the Certificates.

Regardless of any specific adverse determinations in a bankruptcy case of the Corporation, the fact of such a bankruptcy case could have an adverse effect on the liquidity and value of the Certificates.

Municipal Bond Insurance Risk Factors

In the event of default of the payment of principal or interest with respect to the Certificates when all or some becomes due, any owner of the Certificates shall have a claim under the Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional prepayment or acceleration resulting from default 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. The payment of principal and interest in connection with mandatory or optional prepayment of the Certificates by the District which is recovered by the District from the certificate holder as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the provider of the Policy (the “Insurer”) at such time and in such amounts as would have been due absence such prepayment by the District unless the 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 Insurer without appropriate consent. The Insurer may direct and must consent to any remedies and the Insurer's consent may be required in connection with amendments to any applicable legal documents.

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

The long-term ratings on the Certificates are dependent in part on the financial strength of the Insurer and its claim paying ability. The 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 Insurer and of the ratings on the Certificates insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates.

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

Neither the District or Underwriters have made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest with respect to the Certificates and the claims paying ability of the Insurer, particularly over the life of the investment. See “BOND INSURANCE” herein for further information provided by BAM and the Policy, which includes further instructions for obtaining current financial information concerning BAM.

Future Initiatives

Article XIIIA, Article XIIIB and Propositions 98, 218, 39 and 46 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. See APPENDIX A – "DISTRICT FINANCIAL INFORMATION" for a description of Article XIIIA, Article XIIIB and Propositions 98, 218, 39 and 46. From time to time, other initiative measures could be adopted, further affecting the Lessee's revenues or their ability to expend revenues.

TAX MATTERS

Opinion of Special Counsel. In the opinion of Hawkins Delafield & Wood LLP, Special Counsel to the District, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest evidenced by the Certificates is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest evidenced by the Certificates is not treated as a preference item in calculating the alternative minimum tax under the Code. In rendering its opinion, Special Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the District in connection with the Certificates, and Special Counsel has assumed compliance by the District with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest evidenced by the Certificates from gross income under Section 103 of the Code.

In addition, in the opinion of Special Counsel to the District, under existing statutes, interest evidenced by the Certificates is exempt from personal income taxes imposed by the State of California.

Special Counsel expresses no opinion as to any other federal, state or local tax consequences arising with respect to the Certificates, or the ownership or disposition thereof, except as stated above. Special Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Special Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Special Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest evidenced by the Certificates.

Certain Ongoing Federal Tax Requirements and Covenants. The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Certificates in order that interest evidenced by the Certificates be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Certificates, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest evidenced by the Certificates to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The District has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest evidenced by the Certificates from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences. The following is a brief discussion of certain collateral federal income tax matters with respect to the Certificates. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Certificate. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Certificates.

Prospective owners of the Certificates should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest evidenced by the Certificates may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Certificate Premium. In general, if an owner acquires a Certificate for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts on the Certificate after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "certificate premium" on that Premium Certificate (a "Premium Certificate"). In general, under Section 171 of the Code, an owner of a Premium Certificate must amortize the certificate premium over the remaining term of the Premium Certificate, based on the owner's yield over the remaining term of the Premium Certificate determined based on constant yield principles (in certain cases involving a Premium Certificate callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Premium Certificate). An owner of a Premium Certificate must amortize the certificate premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the certificate premium allocable to that period. In the case of a tax-exempt Premium Certificate, if the certificate premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Certificate may realize a taxable gain upon disposition of the Premium Certificate even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Certificates should consult their own tax advisors regarding the treatment of certificate premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of certificate premium on, sale, exchange, or other disposition of Premium Certificates.

Information Reporting and Backup Withholding. Information reporting requirements apply to interest paid on tax-exempt obligations, including the Certificates. 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 if the recipient is one of a limited class of exempt recipients. 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 a Certificate 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 evidenced by the Certificates 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 Internal Revenue Service.

Miscellaneous. Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest evidenced by the Certificates under federal or state law or otherwise prevent beneficial owners of the Certificates from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Certificates.

Prospective purchasers of the Certificates should consult their own tax advisors regarding the foregoing matters.

CERTAIN LEGAL MATTERS

Legal matters incident to the authorization, execution and delivery of the Certificates will be subject to the final approving opinion of Hawkins Delafield & Wood LLP, Los Angeles, California, Special Counsel to the Corporation, substantially in the form contained in Appendix E. Certain legal matters will be passed upon for the Lessee by Orbach Huff Suarez & Henderson LLP, Los Angeles, California, and for the Underwriters by their counsel, Norton Rose Fulbright US LLP, Los Angeles, California.

ABSENCE OF LITIGATION

There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining the execution or delivery of the Certificates, the Trust Agreement, the Lease Agreement, the Site Lease, the Assignment Agreement, the Continuing Disclosure Certificate or in any way contesting or affecting the validity of the foregoing or any proceedings of the Lessee or the Corporation taken with respect to any of the foregoing.

RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), has assigned a rating of "AA," based on the understanding that BAM will deliver its Policy with respect to the Certificates. See "BOND INSURANCE." In addition, S&P and Moody's Investor's Service, Inc. ("Moody's") have assigned underlying ratings of "A-" and "A2", respectively, to the Certificates. Such ratings reflect only the view of S&P and Moody's and an explanation of the significance of such ratings may be obtained as follows: S&P at Municipal Finance Department, 55 Water Street, New York, New York 10041, tel. (212) 208-8000 and Moody's Investors Service, Inc., 7 World Trade Center at 250 Greenwich Street, New York, New York 10007, telephone: (212) 533-0300. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely if, in the judgment of S&P and Moody's, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Certificates.

UNDERWRITING

The Certificates are to be purchased by RBC Capital Markets, LLC, on behalf of itself and Stifel, Nicolaus & Company, Incorporated (collectively, the "Underwriters") at a price of $20,286,843.05, reflecting an Underwriters' discount of $143,680.00, plus an original issue premium of $2,470,523.05. The certificate purchase agreement relating to the Certificates provides that all Certificates will be purchased if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said certificate purchase agreement, the approval of certain legal matters by Special Counsel and certain other conditions.

The Underwriters have provided the following information for inclusion in this Official Statement: The Underwriters and their affiliates are full-service financial institutions engaged in various activities, that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriters and their affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriters and their affiliates may engage in transactions for its own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Lessee. The Underwriters and their affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Lessee. The Underwriters and their affiliates may make a market in credit default swaps with respect to municipal securities in the future.

The Certificates may be offered and sold 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 Underwriters.

CONTINUING DISCLOSURE

The Lessee has covenanted for the benefit of the holders and beneficial owners of the Certificates to provide certain financial information and operating data relating to the Lessee (the "Annual Report") for each fiscal year by not later than the March 1 following the end of the Lessee's fiscal year (currently ending June 30) commencing with the Annual Report for Fiscal Year 2018-19 (which is due no later than March 1, 2020), and to provide notices of the occurrence of certain Listed Events. The Lessee will provide or cause to be provided the Annual Report and these notices to the Municipal Securities Rulemaking Board through the EMMA System or in the manner prescribed by the SEC. The specific nature of the information to be contained in the Annual Report and a notice of a Listed Event is set forth in Appendix G – "Form of Continuing Disclosure Certificate" attached hereto. These covenants have been made in order to assist the Underwriters in complying with SEC Rule 15c2-12(b)(5) (the "Rule").

The Lessee's obligations under the Continuing Disclosure Certificate shall terminate upon the defeasance, prior prepayment or payment in full of all of the Certificates. The undertakings in the Continuing Disclosure Certificate shall inure solely to the benefit of the Lessee, the Trustee, the Underwriters and the Owners and beneficial owners, from time to time, of the Certificates, and shall create no rights in any other person or entity. See APPENDIX G – "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

The Lessee has designated the Chief Administrative Officer as the primary contact for continuing disclosure. The Chief Administrative Officer coordinates with Government Financial Strategies inc. to file all appropriate documents and works with Lessee staff to ensure all filings are made in a timely manner.

MISCELLANEOUS

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. The presentation of information, including tables of receipt of revenues, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the Lessee. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future. This Official Statement is not to be construed as a contract or agreement between the Lessee and purchasers or Owners of any of the Certificates.

The delivery of this Official Statement has been duly authorized by the Lessee.

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APPENDIX A

DISTRICT FINANCIAL INFORMATION

DISTRICT GENERAL INFORMATION

General Information

The District became a unified school district in 1970. The boundaries of the District encompass approximately 30 square miles in the southern portion of the County of Los Angeles, California (the "County") and includes the City of Compton, portions of the Cities of Paramount and Carson, and unincorporated areas of the County which includes residential and industrial areas.

District Governance; Senior Management

The District is governed by a seven-member Board of Trustees (the "District Board") elected by voters within the District to serve alternating four-year terms. The chief executive officer of the District, appointed by the District Board to manage the day-to-day operations of the District, is the Superintendent (the "Superintendent"). Dr. Darin Brawley currently serves as the Superintendent. Brief biographical information for Superintendent Brawley and other senior management of the District is set forth below.

Superintendent, Darin Brawley. Dr. Brawley was appointed Superintendent of the District in September 2012. Dr. Brawley previously served as the Superintendent of Adelanto Elementary School District. His career in education also includes experience as a high school science teacher, middle school Assistant Principal, elementary school Principal, middle school Principal, Director of Human Resources, Executive Director of Human Resources, and Deputy Superintendent of Student Learning.

Deputy Superintendent, Chief Administrative Officer. Alejandro Alvarez. Dr. Alvarez was appointed Deputy Superintendent, Chief Administrative Officer by the District Board in November 2012. Dr. Alvarez previously served as the Associate Superintendent, Business Services for the Fontana Unified School District. His career in education includes experience as an elementary school teacher, elementary school Assistant Principal, elementary school Principal and Director, Certificated Human Resources.

School Facilities

As of June 30, 2018, the District operated 21 elementary schools, seven middle schools, and three high schools. The District also operates one early college high school, one school for adult education, three alternative schools and 10 children's centers. In addition, as of June 30, 2018, there were three fiscally independent charter schools and one affiliated charter school within the District's boundaries. The District had an estimated 20,062 students for Fiscal Year 2018-19.

DISTRICT FINANCIAL INFORMATION

General. State law requires that each school district maintain a balanced budget in each fiscal year, and that each district project beginning balances, revenues, expenditures, and ending balances for two subsequent years in order to provide, based upon the available information, that the district can project a positive, qualified or negative certification. See " – State Financial Accountability and Oversight Provisions—Interim Reporting Requirements" below.

The California Department of Education ("CDE") imposes a uniform budgeting and accounting format for school districts. Under current law, the District Board must file with the county superintendent of schools a budget by June 30 immediately prior to each fiscal year (referred to herein as the "Adopted Budget"). After approval of the Adopted Budget, the District's administration may submit budget revisions to the District Board during the fiscal year.

School districts in the State must also conduct a review of their budgets according to certain standards and criteria established by the CDE. A written explanation must be provided for any element in a budget that does not meet the established standards and criteria. The school district superintendent or designee must certify that such a review has been conducted and the certification, together with the budget review checklist and a written narrative, must accompany the budget when it is submitted to the school district's county office of education. The balanced budget requirement makes appropriation reductions necessary to offset any revenue shortfalls, unless sufficient balances exist to cover the shortfall.

Furthermore, county offices of education are required to review school district budgets, complete the budget review checklist and conduct an analysis of any budget item that does not meet the established standards and criteria. In addition, county offices of education are required to determine whether the adopted budget will allow the school district to meet its financial obligations during the fiscal year and is consistent with a financial plan that will enable the school district to satisfy its multiyear financial commitments. Pursuant to the Education Code, on or before August 15 of each year, the county superintendent of schools must approve, conditionally approve, or disapprove the adopted budget for each school district. The Education Code directs the county superintendent of schools to disapprove any school district budget if it determines that the budget does not include expenditures necessary to implement a Local Control Accountability Plan (the "LCAP") or an annual update to the LCAP. See "State Funding of Education – Local Control Funding Formula – Local Control Accountability Plan" herein.

In the event that the county office of education disapproves the school district's budget, the county superintendent will submit to the governing board of the school district on or before August 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 can conditionally approve that budget. In addition, school districts must make available for public review any revisions to revenues and expenditures that it has made to its budget to reflect the funding made available by the State Budget Act (defined herein) not later than 45 days after the enactment of the State Budget Act. If the county superintendent of schools disapproves a revised budget, he or she will call for the formation of a budget review committee. By November 30 of each year, every school district must have an adopted and approved budget, or the county superintendent of schools will impose one and report such school district to the State Legislature and the State Department of Public Finance.

Fiscal Year 2018-19 District Budget. The District Board adopted its budget for Fiscal Year 2018-19 on June 27, 2018 (the "Fiscal Year 2018-19 District Adopted Budget") and submitted the Fiscal Year 2018-19 District Adopted Budget to the Los Angeles County Office of Education ("LACOE") in a timely manner for review. In addition, the District Board approved the LCAP on June 27, 2018. See "District Financial Information – State Funding of Education – Local Control Funding Formula – General" and " – Local Control Accountability Plan" herein.

The Fiscal Year 2018-19 District Adopted Budget projects a General Fund beginning balance of $60.8 million, revenues of $284.7 million, total estimated expenditures of $284.2 million, net other financing uses (*i.e.*, transfers out) of $3.1 million and an ending balance of $58.2 million. The Fiscal Year 2018-19 District Adopted Budget projects that its General Fund ending balance of $58.2 million will consist of approximately $1.4 million of nonspendable funds, $10.4 million for the mandatory Reserve for Economic Uncertainty, $10.5 million of restricted funds and $35.9 million of assigned ending balances. The District's audited financial results for Fiscal Year 2017-2018 reflect on June 30, 2018 an ending General Fund balance of $52.0 million, which reflects a $8.7 million net decrease in the General Fund balance from the General Fund beginning balance on July 1, 2017 of $60.7 million.

Fiscal Year 2019-20 District Budget. The District Board adopted its budget for Fiscal Year 2019-20 on June 12, 2019 (the "Fiscal Year 2019-20 District Adopted Budget") and submitted the Fiscal Year 2019-20 District Adopted Budget to the LACOE in a timely manner for review. In addition, the District Board approved the LCAP on June 12, 2019. See "District Financial Information – State Funding of Education – Local Control Funding Formula – General" and " – Local Control Accountability Plan" herein.

The Fiscal Year 2019-20 District Adopted Budget projects a General Fund beginning balance of $52.9 million, revenues of $295.4 million, total estimated expenditures of $293.5 million, net other financing uses (*i.e.*, transfers out) of $3.1 million and an ending balance of $51.7 million. The Fiscal Year 2019-20 District Adopted Budget projects that its General Fund ending balance of $51.7 million will consist of approximately $1.5 million of nonspendable funds, $11.0 million for the mandatory Reserve for Economic Uncertainty, $16.2 million of restricted funds and $22.9 million of assigned ending balances.

The following Table A-1 sets forth the District's Adopted Budgets for the District General Fund for Fiscal Years 2015-16 through 2019-20, the District's General Fund actual amounts for Fiscal Years 2015-16 through 2017-18, and the District's General Fund projected year totals as of its March 13, 2019 Second Interim Report for Fiscal Year 2018-19. The beginning balance for each fiscal year reflects the estimated ending balance for the prior fiscal year based upon information as of the budget adoption date. Accordingly, the budgeted ending balance for a fiscal year and the subsequent budgeted beginning balance in the following Table A-1 may differ from the actual ending balance and actual beginning balance set forth in Table A-3 "Statement of Revenues, Expenditures and District General Fund Balances" herein. See " – Significant Accounting Policies, System of Accounts and Audited Financial Statements" herein for financial results for Fiscal Years 2013-14 through 2017-18.

TABLE A-1

COMPTON UNIFIED SCHOOL DISTRICT
District Budgets for Fiscal Years 2015-16 through 2019-20
for the District General Fund[(1)(2)]

	Fiscal Year 2015-16		Fiscal Year 2016-17		Fiscal Year 2017-18		Fiscal Year 2018-19		Fiscal Year 2019-20
	Budget	**Actual[(3)]**	**Budget**	**Actual[(3)]**	**Budget**	**Actual[(3)]**	**Budget**	**Estimated Actuals**	**Budget**
Revenue:									
LCFF/Revenue Limit Revenues[(4)]	$221,777,398	$220,616,286	$226,270,402	$217,947,571	$225,893,458	$219,714,976	$241,355,475	$240,943,833	$244,999,414
Federal	19,421,976	19,865,491	21,290,680	16,632,051	23,586,001	23,528,642	20,394,669	28,166,030	23,747,816
Other State	43,733,775	50,835,797	26,719,693	30,644,683	21,704,340	29,927,468	21,665,945	27,511,773	23,678,334
Other Local	1,058,141	3,359,728	965,841	3,274,683	3,005,709	6,518,287	1,300,000	3,419,301	3,011,416
Total Revenue	$285,991,290	$294,677,302	$275,246,616	$268,498,988	$274,189,508	$279,689,373	$284,716,089	$300,040,937	$295,436,980
Expenditures:									
Certificated Salaries	$120,092,089	$110,058,396	$116,372,002	$112,194,829	$120,694,332	$112,677,522	$127,404,297	$121,204,251	$121,201,866
Classified Salaries	42,469883	37,660,310	39,818,939	37,240,403	34,475,965	39,027,390	37,478,715	40,164,836	39,777,828
Employee Benefits	40,334,722	45,176,1145	49,008,680	48,294,252	42,025,550	58,425,221	45,033,674	55,816,976	53,114,020
Books and Supplies	17,101,199	16,039,194	18,775,361	16,966,574	17,417,933	19,197,039	17,140,757	20,982,941	24,550,457
Services & Other Operating Expenses	48,684,835	44,689,341	52,179,170	46,935,996	51,490,916	51,236,890	52,415,958	53,777,008	52,745,273
Capital Outlay	7,887,851	7,897,029	1,304,132	946,824	1,755,799	1,639,768	2,337,732	1,713,939	490,341
Other Outgo									
Excl. Transfers of Indirect Costs	2,280,443	4,450,184	2,840,675	2,624,953	2,599,305	2,710,617	2,640,200	2,653,273	2,700,550
Transfers of Indirect Costs	(862,978)	(872,164)	(891,137)	(168,251)	(22,165)	(182,438)	(207,420)	(298,383)	(1,048,972)
Total Expenditures	$277,988,044	$265,098,435	$279,407,822	$265,035,580	$270,437,635	$284,732,009	$284,243,913	$296,014,841	$293,531,363
Excess (Deficiency) of Revenues Over Expenditures	$ 8,003,246	$ 29,578,867	$ (4,161,206)	$ 3,463,408	$ 3,751,873	$(5,042,636)	$ 472,176	$ 4,026,096	$1,905,617
Total Other Financing Sources/(Uses)	$(4,751,659)	$(4,084,156)	$ (3,567,083)	$ (3,567,083)	$(3,667,083)	$(3,667,083)	$(3,103,754)	$(3,102,756)	$(3,139,784)
Net Increase (Decrease) in Fund Balance	$3,251,587	$25,494,711	$ (7,728,289)	$ (103,675)	$ 84,790	$(8,709,719)	$(2,631,578)	$923,340	$(1,234,167)
Beginning Fund Balance, July 1	$33,125,131	$33,792,642	$ 59,287,353	$ 59,287,353	$60,700,559	$60,700,559	$60,785,349	$51,990,840	$52,914,180
Ending Balance, June 30	$36,376,718	$59,287,353	$ 51,559,064	$ 59,183,678	$60,785,349	$51,990,840	$58,153,771	$52,914,180	$51,680,013

(1) Totals may not equal sum of component parts due to rounding.
(2) Includes the restricted and unrestricted portions of the General Fund.
(3) Actual amounts do not equal amounts reported in the District's statement of Revenues, Expenditures and Changes, as set forth for in Table A-2, due to various accounting adjustments.
(4) See State Funding of Education – Local Control Funding Formula" and " – Prior Revenue Limit Funding" herein.

Sources: Compton Unified School District Audited Financial Statements for Fiscal Years 2015-16 through 2017-18, the District's Second Interim Report for Fiscal Year 2018-19, and the District's Budget for Fiscal Year 2018-19 and 2019-20.

State Financial Accountability and Oversight Provisions

Interim Reporting Requirements. State law grants to each county superintendent of schools certain oversight with respect to the budget development process and interim financial reporting of public school districts. Pursuant to the Education Code, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the two subsequent fiscal years. 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 subsequent two fiscal years. A negative certification is assigned to any school district that, based on then-current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district, based on then-current projections, which may not meet its financial obligations for the current fiscal year or two subsequent fiscal years. In the event that a school district is certified as qualified or negative, the county superintendent of schools is required to report to the State Superintendent of Public Instruction on the financial condition of the school district and the proposed remedial actions and to take all actions that are necessary to ensure that the school district meets its financial obligations. The county office of education reviews the interim reports and certifications made by school districts and may change certification to qualified or negative if necessary. If a school district has a qualified or negative certification report in any year, the school district may not issue non-voter-approved debt instruments in that fiscal year or in the next succeeding fiscal year unless the county office of education, using criteria from the State Superintendent of Public Instruction, determines repayment is probable.

The District filed a positive certification in connection with its last interim report, being the Second Interim Report for Fiscal Year 2018-19. The First Interim Report for Fiscal Year 2019-20 will be submitted in December 2019.

Significant Accounting Policies, System of Accounts and Audited Financial Statements

The CDE imposes by law uniform financial reporting and budgeting requirements for K-12 school districts. Financial transactions are accounted for in accordance with the California School Accounting Manual. The District uses fund accounting and maintains governmental funds, proprietary funds and fiduciary funds. The General Fund is the chief operating fund of the District. For a description of the other major funds of the District, see the description thereof contained in Appendix B – "Audited Financial Statements of the District for the Fiscal Year ended June 30, 2018" attached hereto. Note 1 to such audited financial statements sets forth significant accounting policies that the District follows.

The District is required to file its audited financial statements for the preceding fiscal year with the State Controller's Office, the CDE and the County Superintendent of Schools by December 15 of each year. The audited financial information included in this Official Statement, including the audited financial statements for Fiscal Year 2017-18 (the "Fiscal Year 2017-18 Audited Financial Statements") attached as Appendix B hereto, were prepared by the District using information from the annual financial statements which are prepared for the District and audited by independent certified public accountants (the "Auditor") each year. Christy White Associates, Certified Public Accountants, served as Auditor to the District for its audited financial statements for Fiscal Year 2017-18. See Appendix B – "Audited Financial Statements of the District for the Fiscal Year ended June 30, 2018" attached hereto.

The following Table A-2 sets forth the District's audited District General Fund revenues, expenditures and fund balances for the Fiscal Years 2013-14 through 2017-18.

TABLE A-2

COMPTON UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenditures and District General Fund Balances [(1)]
Fiscal Years 2013-14 through 2017-18

	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18
Revenues					
Revenue Limit/ LCFF[(2)]	$178,863,078	$193,359,893	$220,616,286	$217,947,571	$216,047,893
Federal	24,047,405	21,599,186	19,865,491	16,632,051	23,528,642
Other State	34,482,167	34,847,910	50,835,797	30,644,683	29,927,468
Other Local	1,670,587	2,147,575	4,027,238	4,791,564	6,518,287
Total Revenues	$ 239,063,237	$ 251,954,564	$ 295,344,812	$ 270,015,869	$276,022,290
Expenditures					
Instruction	$ 148,283,299	$157,517,747	$160,502,229	$165,721,032	$172,708,283
Instruction – Related Services					
Instructional Supervision and Administration	6,597,688	7,598,340	7,253,937	8,532,848	10,832,042
Instructional Library, Media and Technology	1,783,175	1,710,374	1,676,128	1,665,257	1,721,224
School Site Administration	11,973,577	12,580,477	13,077,566	13,132,117	16,479,952
Pupil Services	--	--	--	--	--
Pupil Services - Home to School Transportation	4,648,819	5,252,405	5,231,412	7,570,121	6,060,089
Pupil Services - Food Services	--	219	--	--	2,847,143
Pupil Services – All Other Pupil Services	11,557,845	12,794,051	13,319,096	13,756,463	15,789,824
General Administration	--	--	--	--	--
General Admin. - Centralized Data Processing	1,895,112	2,758,664	2,999,346	3,647,526	2,223,219
General Admin - Other	13,473,608	18,366,361	17,602,280	19,171,394	20,135,035
Plant Services	29,475,520	29,178,498	30,119,476	26,914,880	30,686,301
Facility Acquisition & Construction	--	1,346,378	7,692,468	995,367	1,019,876
Ancillary Services	1,315,027	1,674,273	1,174,313	1,303,622	1,518,336
Enterprise Activities	--	--	--	--	68
Transfers to Other Agencies	4,349,857	--	1,873,352	45,354	131,617
Other Outgo	--	--	--	--	--
Debt Service – Principal	1,005,000	1,444,727	1,520,000	1,580,000	1,650,000
Debt Service – Interest	1,127,483	654,073	1,056,832	999,599	929,000
Debt Service – Issuance Costs/Discount					
Total Expenditures	$237,486,010	$252,876,587	$265,098,435	$265,035,580	$284,732,009
Excess (Deficiency) of Revenues	$ 1,577,227	$ (922,023)	$ 30,246,377	$ 4,980,289	$ (8,709,719)
Other Financings Sources/(Uses)					
Transfers In	--	--	--	--	--
Other sources	--	--	--	--	--
Transfers Out[(3)]	$ (4,400,000)	$ (6,011,788)	$ (4,084,156)	$ (3,567,083)	$ --
Other uses	--	--	--	--	--
Total Other Financing Sources/(Uses)	$ (4,400,000)	$ (6,011,788)	$ (4,084,156)	$ (3,567,083)	$ 0
Net Change in Fund Balance	$ (2,822,773)	$ (6,933,811)	$ 26,162,221	$ 1,413,206	$ (8,709,719)
Beginning Balance	$ 44,256,162	$ 40,058,943	$ 33,125,132	$ 59,287,353	$ 60,700,559
Ending Balance	$ 41,433,389	$ 33,125,132	$ 59,287,353	$ 60,700,559	$ 51,990,840

(1) Totals may not equal sum of component parts due to rounding.
(2) See "State Funding of Education – Local Control Funding Formula" and " – Prior Revenue Limit Funding" herein.
(3) The District's audited financial statements for Fiscal Year 2017-18 reported no "Transfers Out" for the District's General Fund. Instead, these transfers, which have typically consisted of a portion of the District's LCFF revenues, were reported as LCFF revenues in non-governmental funds.

Sources: Compton Unified School District's audited financial statements for Fiscal Years 2013-14 through 2017-18.

Employees and Labor Relations

The District's Fiscal Year 2019-20 District Adopted Budget authorizes 1,149.1 certificated (non-management) full-time equivalent ("FTE") positions and 546.9 classified (non-management) FTE positions, and 135.0 management, supervisor and confidential FTE positions.

The District has five bargaining units which maintain contracts with the District. Certificated employees are represented by the Compton Education Association. Classified employees are represented by the Teamsters, which includes classified Unit A - Operations Support Services Employees, Unit C - Operations Support Services Employees and Unit D - Operations Support Services Employees, and California School Employees Association, which includes classified Unit B. Classified supervisors are represented by Service Employees' International Union, Local 347. Police officers and safety personnel employed by the Federation Public Service Employees. In addition, certain employees are not represented by a formal bargaining unit (collectively, the "Non-Represented Employees"). The following Table A-3 sets forth the number of members of each bargaining unit as of June 1, 2019 and the expiration dates of the labor agreements with each of the District's employee bargaining units.

TABLE A-3

COMPTON UNIFIED SCHOOL DISTRICT
Employee Bargaining Units and Contract Expiration Dates [1]
As of June 1, 2019

Employee Bargaining Unit	Members	Contract Expiration Date[2]
Compton Education Association	1,181	February 28, 2019
Teamsters	581	June 30, 2019
California School Employees Association	396	June 30, 2019
Service Employees' International Union, Local 347	80	June 30, 2019
Police Officers' Association	13	June 30, 2021
Non-Represented Employees	146	N/A

(1) Does not reflect side letters, tentative agreements and other agreements by and between the District and each of the employee bargaining units pertaining to, among other things, job services and restoration, health care, and evaluations of personnel.
(2) The employee bargaining units with expired contracts are operating under the terms of the applicable expired contract. As of the date hereof, the District and such bargaining units are negotiating terms to be contained in new contracts.

Source: Compton Unified School District.

Retirement Systems

General. The District currently participates in the California State Teachers' Retirement System ("CalSTRS") and California Public Employees' Retirement System ("CalPERS"). Certificated employees are eligible to join CalSTRS, and classified employees are eligible to join CalPERS. Pursuant to federal law, all public sector employees who are not members of their employers existing retirement systems must be covered by Social Security or an alternative plan. The amounts of the District's contributions to CalSTRS and CalPERS are subject to, among other things, collective bargaining agreements and changes in State law. See Appendix B - "Audited Financial Statements of the District for the Fiscal Year ended June 30, 2018" attached hereto.

CalPERS and CalSTRS are operated on a statewide basis and, based on available information, both have substantial unfunded liabilities. Additional funding of CalSTRS by the State and the inclusion of adjustments to such State contributions based on consumer price changes are required under State law. The amounts of the pension/award benefit obligation with respect to CalPERS or actuarially accrued liability with respect to CalPERS and CalSTRS will vary from time to time depending upon actuarial assumptions, rates of return on investments, salary scales, and levels of contribution. The District is unable to predict what the amount of these liabilities will be in the future or the amount of the contributions which the District may be required to make to CalPERS and CalSTRS. Accordingly, there can be no assurances that the District's required contributions to CalPERS and CalSTRS will not significantly increase in the future in excess of the current rates approved by State law and the District as described herein.

The information set forth below regarding CalSTRS and CalPERS has been obtained from publicly available sources and has not been independently verified by the District or Disclosure Counsel, not guaranteed as to the accuracy or completeness of the information and is not to be construed as a representation by the District or Disclosure Counsel. Furthermore, the summary data below should not be read as current or definitive, as recent gains or losses on investments made by the retirement systems generally may have changed the unfunded actuarial accrued liabilities ("UAAL") stated below.

California State Teachers' Retirement System. CalSTRS is a defined benefit plan that covers all full-time certificated District employees and some classified District employees, which are District employees employed in a position that does not require a teaching credential from the State. Benefit provisions are established by State legislation in accordance with the State Teachers' Retirement Law. CalSTRS is operated on a Statewide basis and, based on publicly available information, has substantial unfunded liabilities. Additional funding of CalSTRS by the State and the inclusion of adjustments to such State contributions based on consumer price changes were provided for in 1979 Statutes, Chapter 282.

Member benefits are determined pursuant to the Education Code and are generally based on a member's age, final compensation and years of credited service. Members are 100% vested in retirement benefits after five years of credited service and are eligible for "normal" retirement at age 60 and for early retirement at age 55 or at age 50 with 30 years of credited service. The normal retirement benefit is 2% of final compensation (as defined in the Education Code) for each year of credited service (up to 2.4% of final compensation for members retiring after age 60), and members who retire on or after January 1, 2011 with 30 or more years of service by December 31, 2010 receive monthly bonus payments of up to $400 per month. Members hired on or after January 1, 2013 who retire at age 62 are eligible for a benefit equal to 2% of final compensation for each year of credited service (up to 2.4% of final compensation for members retiring after age 62). Benefits include a by 2% cost of living increase (computed on a simple, non-compounded, basis based on the initial allowance) on each September 1 following the first anniversary of the effective date of the benefit. See "District Financial Information – Retirement Systems - California Public Employees' Pension Reform Act of 2013" herein and Note 11 set forth in Appendix B – "Report on Audited Basic Financial Statements for the Fiscal Year Ended June 30, 2018" attached hereto.

The CalSTRS defined benefit plan (the "DB Plan") is funded through a combination of investment earnings and statutorily set contributions from members of CalSTRS, the participating employers (including the District) and the State. The State is not an employer (with certain limited exceptions) in any of the CalSTRS programs but contributes to the DB Plan and a supplemental benefits maintenance account pursuant to provisions of the Education Code. Pursuant to the Education Code, for Fiscal Year 2019-20, the State will contribute 10.328% of members' annual earnings to the CalSTRS DB Plan and an additional 2.5% of member earnings into the CalSTRS supplemental benefit maintenance account, which is used to maintain the purchasing power of benefits. In addition, the Board of CalSTRS is authorized to modify the percentages paid by employers and employees for Fiscal Year 2021-22 and each fiscal year thereafter in order to eliminate CalSTRS' unfunded liability by June 30, 2046 based upon actuarial recommendations. Contribution rates for the members and the employers to fund the DB Plan are based on contribution rates set by provisions of the Education Code and are not adjusted to reflect or offset actuarial investment returns or other factors that affect the funded status of the DB Plan. This methodology has contributed over time to an underfunding of the CalSTRS DB Plan. To address the underfunding, the State legislature enacted Assembly Bill 1469 (2014) ("AB 1469"), a funding plan that is intended to eliminate the current CalSTRS DB Plan unfunded liability by 2046. The funding plan began in Fiscal Year 2014-15 and is being phased in over several years.

The District's employer contribution rate increased by 1.85% of covered payroll annually beginning July 1, 2015 and will continue to increase until the employer contribution rate is 19.10% of covered payroll. Effective July 1, 2021 the employer contribution rate will be adjusted based on the contribution rate necessary to amortize the unfunded 1990 benefit and contribution rate structure (as described in the CalSTRS Defined Benefit Program Actuarial Valuation as of June 30, 2015, the "1990 Benefit Structure") attributable to service prior to July 1, 2014 that is not funded by the State. The District's employer contribution rate for Fiscal Year 2018-19 was 16.28% of covered payroll. The District's employer contribution rate for Fiscal Year 2019-20 is 17.10% of covered payroll (a decrease from 18.13% as a result of contributions to CalSTRS in the 2019-20 State Budget (as herein defined)). See "State Funding of Education – State Budget – 2019-20 State Budget" herein. The employee contribution rate for CalSTRS members first hired on or before December 31, 2012 to perform CalSTRS creditable activities (*i.e.*, CalSTRS 2% at 60 members) was 9.20% for Fiscal Year 2015-16, 10.25% for Fiscal Years 2016-17 through 2018-19, and will remain 10.25% for Fiscal Year 2019-20. The employee contribution rate for CalSTRS members first hired on or after January 1, 2013 to perform CalSTRS creditable activities (*i.e.*, CalSTRS 2% at 62 members)was 8.56% for Fiscal Year 2015-16, 9.205% for Fiscal Year 2016-17 and 2017-18, 10.205% for Fiscal Year 2018-19, and will remain 10.205% for Fiscal Year 2019-20.

DB Plan Actuarial Valuation. The State Teachers' Retirement Board has sole authority to determine the actuarial assumptions and methods used for the valuation of the DB Plan. CalSTRS actuarial consultant (the "Actuarial Consultant") determines the actuarial value of the DB Plan's assets by using a one-third smoothed recognition method of the difference between the actual market value of assets to the expected actuarial value of assets. Accordingly, the actuarial value of assets will not reflect the entire impact of certain investment gains or losses on an actuarial basis as of the date of the valuation or legislation enacted subsequent to the date of the valuation.

Based on the CalSTRS Actuarial Valuation dated as of June 30, 2018 (the "2018 CalSTRS Actuarial Valuation"), CalSTRS continues to make progress toward fully funding the system by June 30, 2046. The 2018 CalSTRS Actuarial Valuation reflects that the funding ratio increased from 62.6% in 2017 ($107.3 billion unfunded actuarial obligation) to 64.0% in 2018 ($107.2 billion unfunded actuarial obligation). The increase in funded status was due primarily to salary increases that were less than assumed and actuarial asset gains recognized from the current and prior fiscal years.

The actuarial assumptions set forth in the 2018 CalSTRS Actuarial Valuation use the "Entry Age Normal Cost Method" and, among other things, a 7.00% investment rate of return for measurements as of June 30, 2017 and an assumed 7.00% investment rate of return for measurements as of June 30, 2018, 3.00% interest on member accounts, projected 3.50% wage growth, projected 2.75% inflation, and demographic assumptions relating to mortality rates, length of service, rates of disability, rates of withdrawal, probability of refund, and merit salary increases. The actuarial assumptions and methods used in the 2018 CalSTRS Actuarial Valuation were based on the CalSTRS Experience Study and Review of Actuarial Assumptions for the period from July 1, 2010 to June 30, 2015 adopted by the Teacher's Retirement Board in February 2017. CalSTRS' unfunded liability will vary from time to time depending upon actuarial assumptions, actual rates of return on investment, salary scales and levels of contribution.

The UAAL and funded status of the CalSTRS pension fund as of valuation dates June 30, 2014 through June 30, 2018 are set forth in the following Table A-4. The individual funding progress for the District is not provided in the actuarial report from CalSTRS.

TABLE A-4

Actuarial Value of State Teachers' Retirement Fund Defined Benefit Program Valuation Dates June 30, 2014 through June 30, 2018 ($ in millions)

Valuation Date (June 30)	Actuarial Obligation	Actuarial Value of Assets [1]	Market Value of Assets	Unfunded Actuarial Obligation	Funded Ratio (Actuarial Value)	Funded Ratio (Fair Market Value)
2014	$231,213	$158,495	$179,749	$72,718	69%	78%
2015	241,753	165,553	180,633	76,200	69	70
2016	266,704	169,976	177,914	96,728	64	62
2017	286,950	179,689	197,718	107,261	63	64
2018	297,603	190,451	211,367	107,152	64	66

(1) Net Actuarial Value of Assets does not include amounts allocable to the CalSTRS Supplemental Benefits Maintenance Account.
(2) Funded Ratio – Market Value Basis percentage does not include the SBMA Reserve amount in the Market Value of Assets.
Sources: California State Teachers' Retirement System Defined Benefit Program Actuarial Valuations as of June 30, 2014 through June 30, 2018.

District's Proportionate Share of DB Plan. As of June 30, 2018, the District recognized $183,615,185 as its proportionate share of the CalSTRS net pension liability ("NPL") and $108,626,078 as the State's proportionate share of the net pension liability associated with the District, for a total of $292,241,263 in CalSTRS pension liability. The NPL was measured as of June 30, 2017, and the total pension liability used to calculate the NPL was determined by applying update procedures to an actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The District's proportion of the NPL was based on a projection of the District's long-term share of contributions to CalSTRS DB Plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the District's proportion was 0.199%, which was a decrease of 0.016% from its proportion measured as of June 30, 2016.

As of June 30, 2018, the District recognized pension expenses of $17,026,100 and pension expense and revenue of $3,122,060 for support provided by the State. The District also recognized as of June 30, 2018, deferred inflows of resources was $53,346,474 and deferred outflows of resources was $74,965,618. Based on the DB Plan actuarial valuation as of June 30, 2017, the District's NPL was projected to be $113,828,311 if the discount rate was increased to 8.10% and $269,605,385 if the discount rate was decreased to 6.10%.

In addition, the District received on-behalf of payments made by the State to CalSTRS for K-12 education, which payments consist of State general fund contributions of approximately $8,833,553 to CalSTRS.

The following Table A-5 sets forth the District's regular annual contributions to CalSTRS for Fiscal Years 2011-12 through 2016-17, and the contributions as a percentage of the District's General Fund expenditures for the same years.

TABLE A-5
COMPTON UNIFIED SCHOOL DISTRICT
Annual Regular CalSTRS Contributions
Fiscal Years 2013-14 through 2018-19

Fiscal Year	District Contribution (All Funds)	District Contribution as Percentage of General Fund Expenditures[(1)]	District General Fund Contribution	General Fund Contribution as Percentage of General Fund Expenditures[(1)]
2013-14	$ 8,413,273	3.54%	$ 8,333,474	3.59%
2014-15	12,531,812	5.06	12,444,994	5.03
2015-16	19,143,445	7.22	18,972,498	7.16
2016-17	18,491,022	6.96	18,289,644	6.90
2017-18	24,755,982	8.69	24,477,367	8.60
2018-19[(2)]	15,106,448	5.31	14,939,717	5.26

(1) Amount of General Fund used to calculate this percentage excludes transfers out for other fund expenditures.
(2) Budgeted.
Sources: Compton Unified School District.

Copies of the CalSTRS' comprehensive annual financial report may be obtained from CalSTRS, P.O. Box 15275, Sacramento, California 95851. The information presented in these reports is not incorporated by reference in this Official Statement.

California Public Employees' Retirement System. CalPERS is a defined benefit plan that covers classified personnel who work four or more hours per day. Benefit provisions are established by State legislation in accordance with the Public Employees' Retirement Law. The contribution requirements of the plan members are established by State statute. The actuarial methods and assumptions used for determining the rates are based on those adopted by Board of Administration of CalPERS.

Qualified employees of the District are eligible to participate in the Schools Pool Plan (the "Schools Pool Plan"), a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalPERS. The Schools Pool Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries as established by State statutes, as legislatively amended, set forth in the California Public Employees' Retirement Law (the "Public Employees' Retirement Law"). The Schools Pool Plan (commonly referred to as "PERF B") is a component of CalPERS' Public Employees' Retirement Fund ("PERF"), which also includes an agent multiple-employer plan for the State and most public agencies rate plan with more than 100 active members (commonly referred to as PERF A) and a plan for public agencies with generally less than 100 active members (commonly referred to as PERF C).

Employees, who were hired prior to January 1, 2013, are eligible for retirement at the age of 50 and are entitled to a monthly benefit of 1.1% of final compensation for each year of service credit. The rate is increased if retirement is deferred beyond the age of 50, up to age 63. The Schools Pool Plan also provides death and disability benefits. Retirement benefits fully vest after five years of credited service. Upon separation from the fund, members' accumulated contributions and interest earned on those funds are refundable through the date of separation. Under the provisions of PEPRA (as herein defined), all miscellaneous (non-safety) member hired on or after January 1, 2013 will be under a new defined benefit formula of a monthly benefit of 2% of their final compensation at age 62, with an early retirement age of 52 and a maximum benefit factor of 2.418% at age 67. Final compensation means the monthly average of a member's highest 12 consecutive months' full-time equivalent monthly pay for employees hired prior to

January 1, 2013. For PEPRA members, final compensation is based on the monthly average of the member's highest 36 consecutive months' full-time equivalent monthly pay, up to a certain cap, which may be adjusted annually.

The benefits for the CalPERS pension plans are funded by contributions from members and employers, and earnings from investment. Member and employer contributions are a percentage of applicable member compensation. Member and employer contributions are a percentage of applicable compensation. Member contributions rates are established pursuant to the Public Employees' Retirement Law and depend on the respective employer's benefit formulas. In certain circumstances, a portion of member contributions are paid for by the employer, including the District. Employer paid member contributions are reported as member contributions. Employer contribution rates are determined by periodic actuarial valuations or by statue. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions are credited with a market value adjustment in determining contribution rates. The cost of administering CalPERS is financed through contributions and investment earnings. For Fiscal Year 2018-19, the employee contribution rate for non-PEPRA members is 7% of monthly salary and the employee contribution rate for PEPRA members is 7% of monthly salary (being 0.5% higher than the prior year's rate). The District's employer contribution rate increased from 11.847% of covered payroll for Fiscal Year 2015-16, to 13.888% of covered payroll for Fiscal Year 2016-17, then to 15.531% of covered payroll for Fiscal Year 2017-18 and was 18.062% of covered payroll for Fiscal Year 2018-19. See Note 11 set forth in Appendix B – "Report on Audited Basic Financial Statements for the Fiscal Year Ended June 30, 2018" attached hereto.

Schools Pool Plan Actuarial Valuation. Since the June 30, 2015 valuation, CalPERS has employed an amortization and smoothing policy that apportions all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a five-year period. In contrast, the previous policy spread investment returns over a 15-year period with experience gains and losses spread over a rolling 30-year period. On December 21, 2016, the CalPERS Board of Administration (the "CalPERS Board") lowered the discount rate from 7.50 percent to 7.00 percent using a three-year phase-in beginning with the CalPERS Schools Pool Actuarial Valuation as of June 30, 2017 (the "2017 CalPERS Schools Pool Actuarial Valuation"). The amounts of the pension/award benefit obligation or UAAL will vary from time to time depending upon actuarial assumptions, and actual rates of return on investments, salary scales, and levels of contribution. See Table A-6 – "Actuarial Value of Schools Portion of CalPERS – Historical Funding Status" herein.

The actuarial funding method used in the 2017 CalPERS Schools Pool Actuarial Valuation is the "Entry Age Normal Cost Method". The 2017 CalPERS Schools Pool Actuarial Valuation assumes, among other things projected inflation of 2.75% and projected payroll growth of 3.00% compounded annually. The 2017 CalPERS Schools Pool Actuarial Valuation reflects a discount rate of 7.375% compounded annually (net of administrative expenses) as of June 30, 2017, 7.25% compounded annually (net of administrative expenses) as of June 30, 2018, and 7.0% compounded annually (net of administrative expenses) as of June 30, 2019. The first reduction in the investment rate of return will impact the District's employer contribution rates beginning in fiscal year 2018-19. The CalPERS Board also adopted new demographic assumptions on December 19, 2017, including a reduction in the inflation assumption from 2.75% as of June 30, 2017, to 2.625% as of June 30, 2018, and finally to 2.50% as of June 30, 2019. The reduction in the inflation assumption results in decreases in both the normal cost and the accrued liabilities in the future. The overall payroll growth will be reduced from 3.0% annually as of June 30, 2017, to 2.875% as of June 30, 2018, and finally to 2.75% as of June 30, 2019.

The 2017 CalPERS Schools Pool Plan Valuation projects that future employer contribution rates will be 20.7%, 23.4%, 24.5%, 25.0% and 25.5% for Fiscal Years 2019-20, 2020-21, 2021-22, 2022-23 and 2023-24 respectively. The projections are based on, among other things, a discount rate of 8.6% for Fiscal Year 2017-18 and 7.25% for Fiscal Year 2018-19, and 7.00% for every fiscal year thereafter. The projections also assume that all other actuarial assumptions will be realized and no changes to assumptions, contributions, benefits or funding will occur during the projection period. The actuarial assumptions include payroll growth of 2.875% in Fiscal Year 2018-19 and 2.75% for every fiscal year thereafter and an inflation rate of 2.625% for Fiscal Year 2018-19 and 2.50% for every fiscal year thereafter. An actuarial valuation by employer is not available. One actuarial valuation is performed for those employers (including the District) participating in the pool and the same contribution rate applies to each such employer.

On April 17, 2019, subsequent to the release of the 2017 CalPERS Schools Pool Plan Valuation, the CalPERS Board adopted Agenda Item 6d ("Agenda Item 6d"), which includes updated projections for future employer contribution rates. Specifically, Agenda Item 6d projects employer contribution rates will be 23.6%, 24.9%, 25.7%, and 26.4% in Fiscal Years 2020-21, 2021-22, 2022-23, and 2023-24, respectively. Agenda Item 6d did not adjust the employer contribution rate for Fiscal Year 2019-20.

On June 27, 2019, CalPERS released an Actuarial Circular Letter, which reflected a modified employer contribution rate of 19.7% (reduced from 20.7%) for Fiscal Year 2019-20 as a result of contributions to CalPERS included in the 2019-20 State Budget. See "State Funding of Education – State Budget – 2019-20 State Budget" herein.

The following Table A-6 sets forth the actuarial accrued liabilities, market value of assets, funded status (based on market value of assets), unfunded liabilities (based on market value of assets), projected payroll for determining contributions and unfunded liabilities as a percentage of covered payroll as of June 30, 2013 through 2017.

TABLE A-6

Actuarial Value of Schools Portion of CalPERS
Historical Funding Status
Valuation Dates June 30, 2013 through June 30, 2017
($ in millions)

Valuation Date (June 30)	Actuarial Accrued Liabilities	Market Value of Assets (MVA)	Funded Status (MVA)	Unfunded Liabilities/ (Surplus) (MVA)	Projected Payroll for Determining Contributions	Unfunded Liabilities/ (Surplus) as a % of Covered Payroll
2013	$61,487	$49,482	80.5%	$12,005	$10,424	115.2%
2014	65,600	56,838	86.6	8,761	11,294	77.6
2015	73,325	56,814	77.5	16,511	12,098	136.5
2016	77,544	55,785	71.9	21,759	13,022	167.1
2017	84,416	60,865	72.1	23,551	13,683	172.1

Source: CalPERS Schools Actuarial Valuations as of June 30, 2017.

District's Proportionate Share of Schools Pool Plan. As of June 30, 2018, the District's proportionate share of the Schools Pool Plan net pension liabilities was $70,997,380. The NPL was measured as of June 30, 2017, and the total pension liability used to calculate the NPL was determined by applying update procedures to an actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The District's proportion of the NPL was based on a projection of the District's long-term share of contributions to CalPERS relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2017, the District's proportion was 0.297%, which was a decrease of 0.018% from its proportion measured as of June 30, 2016.

As of June 30, 2018, the District's proportionate Schools Pool Plan pension expense was \$11,047,733, deferred inflows of resources was \$7,226,223 and deferred outflows of resources was \$23,017,745. Based on the 2017 CalPERS Schools Pool Actuarial Valuation, the District's proportionate share of the CalPER's NPL was projected to be \$43,237,420 if the discount rate was increased to 8.15% and \$104,459,897 if the discount rate was decreased to 6.15%.

Safety Members. The District previously established a pension plan through CalPERS for its safety members ("Safety Plan"). The District also recently established a pension plan through CalPERS for its police safety members ("Police Safety Plan"), although there is currently only one participating member. The Safety Plan and Police Safety Plan are part of the safety risk pool for CalPERS because of the limited number of District safety members.

According to the actuarial valuation for the Safety Plan as of June 30, 2017 (the "2017 Safety Plan Actuarial Valuation"), the most recent actuarial valuation for the Safety Plan available, there were 18 active members, 10 transferred members, 6 separated members and 40 retired members as of June 30, 2017. The projected payroll for contribution purposes for Fiscal Year 2018-19 and Fiscal Year 2019-20 are \$1,650,617 and \$1,330,956, respectively. The District's normal cost rate for Fiscal Year 2018-19 is 21.206%, its normal cost rate for Fiscal Year 2019-20 is 22.434% and its projected normal cost rate for Fiscal Years 2020-21 through 2024-25 is 23.8%. According to the 2017 Safety Plan Actuarial Valuation, the District's estimated total employer contribution for Fiscal Years 2018-19 and 2019-20 will be \$1,177,284 and \$1,186,965, respectively, in each case inclusive of the District's estimated employer normal costs for such fiscal years. The 2017 Safety Plan Actuarial Valuation projects that the District's payment for amortization of its unfunded accrued liability for Fiscal Years 2020-21 through 2024-25 will be \$917,000, \$956,000, \$997,000, \$1,039,000 and \$1,083,000, respectively. The foregoing amounts exclude the estimated employer normal cost that the District will be required to pay, which estimates remain to be determined pursuant to subsequent actuarial valuations. According to the 2017 Safety Plan Actuarial Valuation, as of June 30, 2017, the risk pool had an aggregate \$20,966,498,823 accrued liability and aggregate pool unfunded actuarial liabilities of \$5,939,788,240.

According to the actuarial valuation for the Police Safety Plan as of June 30, 2017 (the "2017 Police Safety Plan Actuarial Valuation"), the most recent actuarial valuation for the Police Safety Plan available, there was one active member and no transferred members, separated members or retired members as of June 30, 2017. The projected payroll for contribution purposes for Fiscal Year 2019-20 is \$52,618. The District's normal cost rate for Fiscal Year 2019-20 is 13.786% and its projected normal cost rate for Fiscal Years 2020-21 through 2024-25 is 13.9%. According to the 2017 Police Safety Plan Actuarial Valuation, the District's estimated total employer contribution for Fiscal Years 2019-20 will be \$7,254, inclusive of the District's estimated employer normal costs for such fiscal year. The 2017 Police Safety Plan Actuarial Valuation projects that the District's payment for amortization of its unfunded accrued liability for Fiscal Years 2020-21 through 2024-25 will be \$580, \$480, \$410, \$340 and \$290, respectively. The foregoing amounts exclude the estimated employer normal cost that the District will be required to pay, which estimates remain to be determined pursuant to subsequent actuarial valuations.

The following Table A-7 sets forth the Safety Plan's proportionate share of the risk pool accrued liability, its proportionate share of the risk pool unfunded actuarial liability, its proportionate share of the risk pool market value of assets and its funded ratio as of June 30, 2013 through 2017.

TABLE A-7

CalPERS Actuarial Value of the District's Safety Plan[(1)]
Historical Funding Status
Valuation Date of June 30, 2013 through June 30, 2017

Actuarial Valuation Date (June 30)	Accrued Liability	Share of Pool's Market Value of Assets	Share of Pool's Unfunded Liability	Funded Ratio Market Value	Annual Covered Payroll
2013	$18,673,098	$10,600,409	$8,072,689	56.8%	$1,786,554
2014	20,297,098	12,397,044	7,900,054	61.1	1,608,203
2015	21,106,045	12,622,108	8,483,937	59.8	1,594,819
2016	21,781,251	12,279,105	9,502,146	56.4	1,510,548
2017	21,581,981	12,078,437	9,503,544	56.0	1,222,459

(1) Data set forth in Table A-7 reflects information relating to the District's Safety Plan and does not include information relating to the Miscellaneous Plan. Actuarial information relating to the historical funding status of the District's Miscellaneous Plan is not available from CalPERS as a separate report.

Source: CalPERS Safety Plan of the Compton Unified School District (CalPERS ID 4627108958) Annual Valuation Report as of June 30, 2017.

For the Police Safety Plan, as of June 30, 2017, the plan had an accrued liability of $8,026, its share of the risk pool's market value of assets was $8,146, its share of the risk pool unfunded actuarial liability was $(120), its funded ratio was 101.5%, and the annual covered payroll was $48,329.

District's CalPERS Contributions. The following Table A-8 sets forth the District's regular annual contributions, inclusive of employee contributions paid by the District, to CalPERS for Fiscal Years 2013-14 through 2017-18 and the budgeted contribution for Fiscal Year 2018-19 and these contributions as a percentage of the District's General Fund expenditures for the same fiscal years.

TABLE A-8

COMPTON UNIFIED SCHOOL DISTRICT
Annual Regular CalPERS Contributions
Fiscal Years 2013-14 through 2018-19

Fiscal Year	District Contributions (All Funds)	District Contribution as Percentage of General Fund Expenditures[(1)]	District General Fund Contribution	General Fund Contribution as Percentage of General Fund Expenditures[(1)]
2013 14	$4,944,902	2.08%	$4,331,853	1.87%
2014 15	5,292,672	2.14	4,615,454	1.87
2015-16	4,966,156	1.87	4,313,809	1.63
2016-17	5,543,200	2.09	5,284,230	1.94
2017-18	6,348,967	2.22	5,515,374	2.45
2018-19[(2)]	5,973,432	2.01	5,185,096	2.22

(1) Amount of General Fund used to calculate this percentage excludes transfers out for other fund expenditures.
(2) Budgeted.
Sources: Compton Unified School District audited financial statements for Fiscal Years 2013-14 and 2017-18 and the District for Fiscal Year 2018-19.

CalPERS issues a comprehensive annual financial report and actuarial valuations that include financial statements and required supplementary information. Copies of the CalPERS CAFR and actuarial valuations may be obtained from the CalPERS Financial Services Division, P.O. Box 942703, Sacramento, California 94229-2703. The information set forth therein is not incorporated by reference in this Official Statement.

California Public Employees' Pension Reform Act of 2013. Among other things, the California Public Employees' Pension Reform Act of 2013 ("PEPRA") establishes new retirement formulas for employees hired on or after January 1, 2013 ("PEPRA Employees") and prohibits public employers from offering defined benefit pension plans to PEPRA Employees that exceed the benefits provided thereunder. PEPRA increases the retirement age for new State, school, city and local agency employees depending on job function and limits the annual CalPERS and CalSTRS pension benefit payouts. PEPRA applies to all public employers except the University of California, charter cities and charter counties. However, PEPRA is applicable to those entities which contract with CalPERS.

PEPRA mandates equal sharing of normal costs between a contracting agency or school employer and their employees and that employees pay at least 50% of normal costs and that employers not pay any of the required employee contribution. However, PEPRA limits the contribution to an amount not in excess of 8% of pay for local miscellaneous or school members, not more than 12% of pay for local police officers, local firefighters, and county peace officers, and not more than 11% of pay for all local Safety Members. PEPRA requires employers to complete a good faith bargaining process as required by law prior to implementing changes regarding the contribution requirements. The changes to required contribution requirements went into effect on January 1, 2018.

In addition, PEPRA amended then-existing laws to redefine final compensation for purposes of pension benefits for PEPRA Employees. Further, PEPRA permits certain public employers who have offered a lower defined benefit retirement plan before January 1, 2013 to continue to offer such plan to PEPRA Employees. However, if a public employer adopts a new defined benefit plan on or after January 1, 2013, such plan will be subject to PEPRA requirements unless, among other things, its retirement system's chief actuary and retirement board certify that the new plan is not riskier or costlier to the public employer than the defined benefit formula required under PEPRA.

Pension Accounting and Financial Reporting Standards. In 2012, the Governmental Accounting Standards Board issued Governmental Accounting Standards Board Statement No. 68 – "Accounting And Financial Reporting For Pensions" ("GASB 68"), which revises and establishes new financial reporting requirements for most public employers, such as the District, that provide pension benefits to their employees. GASB 68, among other things, requires public employers providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability and provides greater guidance on measuring the annual costs of pension benefits, including thorough guidelines on projecting benefit payments, use of discount rates and use of the "entry age" actuarial cost allocation method. GASB 68 also enhances accountability and transparency through revised and new note disclosures and required supplementary information. GASB 68 became effective for the financial statements of plan employers, including the District's financial statements, commencing the fiscal year ended June 30, 2015.

Pursuant to GASB 68, CalSTRS and CalPERS will use a new blended rate that reflects a long-term rate of return on plan assets, which reflects a pension fund's long-term investment strategy, and a high-quality, non-taxable municipal bond index rate, to account for the potential need to borrow funds to pay pension benefits after net assets have been fully depleted. CalSTRS has cautioned that use of the new, blended discount rate may cause the financial statements of plans, such as CalSTRS, to reflect an increased unfunded liability.

Other Postemployment Benefits

General. The District pays a portion of the medical costs for eligible retirees through the Compton Unified School District Retiree Benefit Plan (the "OPEB Plan"), which is a defined benefit plan for post-employment benefits other than pensions (such other post-employment benefits being referred to herein as "OPEB"). All active employees who retire directly from the District and meet other eligibility criteria may participate in the OPEB Plan. According to the actuarial valuation of the OPEB Plan as of June 30, 2017 (the "2017 OPEB Actuarial Valuation"), the most recent actuarial valuation of the OPEB Plan, membership in the OPEB Plan as of June 30, 2017 consisted of 351 retirees receiving benefits and 2,301 active employees who may become eligible to retire and receive benefits in the future.

The OPEB Plan pays benefits until the retiree reaches age 65, respectively, depending on their bargaining unit. Pursuant to the OPEB Plan, there is no age requirement for disability retirees and coverage for such retirees continues until the earlier of age 65 or a term of up to 36 months. Historically, the District has funded the OPEB Plan on a pay-as-you-go basis, paying an amount in each fiscal year equal to the benefits distributed or disbursed in that fiscal year. The District's annual OPEB cost is calculated based on the annual required contribution, as determined by the actuarial consultant, which represents a level of funding that, if paid on an on-going basis, is projected to be sufficient to pay the normal cost of OPEB each year and amortize any unfunded actuarial accrued liabilities over a period not to exceed 30 years.

Postemployment Benefits Other Than Pensions Accounting and Financial Reporting Standards. In June 2015, the Governmental Accounting Standards Board issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions" ("GASB 75"), which revised and established new accounting and financial reporting requirements for state and local governments, such as the District, that offer OPEB to employees. Pursuant to GASB 75, net OPEB liabilities are required to be recognized in the financial statements for such state and local governments. In addition, GASB 75 provides additional guidance with respect to recognizing and measuring liabilities, deferred outflows and inflows of resources, and expense/expenditures. GASB 75 directs the use of "entry age normal" as the actuarial cost allocation method to be used and the various procedures, assumptions and discount rates to be used in connection with the calculation of liabilities. In connection therewith, states and local governments that do not pre-fund their respective OPEB obligations may report increased liabilities. GASB 75, among other things, requires additional note disclosures and the presentation of required supplementary information in financial statements.

Fiscal Year 2017-18 OPEB Liability and the 2017 OPEB Actuarial Valuation. According to the 2017 OPEB Actuarial Valuation, the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (the "Total OPEB Liability) as of June 30, 2017 was $55,803,023. The Total OPEB Liability was determined using, among other things, an assumed inflation of 2.75%, salary increases of 3.00% and a discount rate of 3.40%. The 2017 OPEB Actuarial Valuation projected that the District's OPEB contributions would increase from approximately $1.6 million in Fiscal Year 2019-20 to approximately $3.5 million in Fiscal Year 2026-27.

The District implemented GASB 75 for its Fiscal Year 2017-18 Audited Financial Statements. Utilizing the "roll-back" option under GASB 75, which permits a valuation measurement date 12 months prior to the reporting date to be used, the Fiscal Year 2017-18 Audited Financial Statements relied on the amounts set forth in the 2017 OPEB Actuarial Valuation and reported a Total OPEB Liability of $55,803,023. Consistent with the 2017 OPEB Actuarial Valuation, which reflected no qualifying assets in the OPEB Plan as of June 30, 2017, the 2017-18 Audited Financial Statements reported a fiduciary net position of $0 and net OPEB liability (being the difference between the Total OPEB Liability and the fiduciary net position, the "Net OPEB Liability") of $55,803,023. The Fiscal Year 2017-18 Audited Financial Statements also reflect $1,374,630 in contributions that were made subsequent to the measurement date of June 30, 2017, which will be recognized as a reduction of the Total OPEB Liability for Fiscal Year 2018-19, and deferred inflows of $3,882,003 relating to changes in assumptions. See Note 10 of Appendix B for information on projected changes to the District's Total OPEB Liability if the discount rate was increased or decreased by 1% and if the healthcare cost trend rate was increased or decreased by 1%.

The District subsequently commissioned its GASB No. 75 Actuarial Valuation for the Fiscal Year Ending June 30, 2019 (Measured at June 30, 2018) (the "GASB 75 Actuarial Valuation"). Starting with the Total OPEB Liability of $55,803,023 set forth in the 2017 OPEB Actuarial Valuation (calculated as set forth below), the GASB 75 Actuarial Valuation determined that the Net OPEB Liability as of June 30, 2018 was $59,239,849, determined as follows:

Total OPEB Liability	Fiscal Year 2017-18	Fiscal Year 2016-17
Service Cost	$ 3,113,634	$ 3,414,597
Interest	1,988,611	1,683,118
Changes of assumptions	(809,196)	(4,529,038)
Benefit payments, including refunds of member contributions	(856,223)	(815,657)
Net change in Total OPEB Liability	3,436,826	(246,980)
Total OPEB Liability – Beginning of Fiscal Year	55,803,023	56,050,003
Total OPEB Liability – End of Fiscal Year	$59,239,849	$55,803,023
Fiduciary Net Position	0	0
Net OPEB Liability – End of Fiscal Year	$59,239,849	$55,803,023
OPEB Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	0.0%	0.0%
Covered employee payroll	$132,662,000	$132,662,000
Net OPEB Liability as a percentage of covered employee payroll	44.7%	42.1%

Source: Compton Unified School District GASB No. 75 Actuarial Valuation for the Fiscal Year Ending June 30, 2019 (Measured at June 30, 2018).

The GASB 75 Actuarial Valuation included, among other things, an assumed inflation of 2.75%, salary increases of 3.00% and a discount rate of 3.50%.

The following Table A-9 sets forth the District's funding of the OPEB Plan for Fiscal Years 2014-15 through 2017-18, the estimated actual contribution for Fiscal Year 2018-19, the budgeted contribution for Fiscal Year 2019-20 and the contributions as a percentage of the District's Total General Fund expenditures for the same fiscal years.

TABLE A-9

COMPTON UNIFIED SCHOOL DISTRICT
Expenditures for Other Postemployment Benefits
Fiscal Years 2014-15 through 2019-20

Fiscal Year	Amount	Expenditure as Percentage of Total General Fund Expenditures
2014-15	$ 683,652	0.27%
2015-16	1,292,330	0.48
2016-17	1,292,329	0.50
2017-18	1,374,630	0.50
2018-19(1)	5,427,247	1.82
2019-20(2)	4,613,790	1.55

(1) Estimated as of July 29, 2019. Excludes other employee benefits in the estimated amount of $625,432.
(2) Budgeted.

Sources: District OPEB expenditures from the Compton Unified School District Audited Financial Statements for Fiscal Years 2013-14 through 2017-18, the District for Fiscal Year 2018-19 and 2019-20 amounts and the percentage of Total General Fund Expenditures.

Table A-10 below sets forth the District's ARC, annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the Net OPEB Obligation for Fiscal Years 2013-14 through 2017-18.

TABLE A-10

COMPTON UNIFIED SCHOOL DISTRICT
Annual Required Contributions and OPEB Costs
Fiscal Years 2013-14 through 2017-18

Fiscal Year Ended June 30	Annual Required Contribution	Annual OPEB Cost	Actual Contribution	Percentage Annual OPEB Cost Contributed
2014	$3,095,453	$2,882,393	$ 674,700	23%
2015	3,095,453	2,843,030	683,652	24
2016	4,796,443	4,505,520	1,292,330	29
2017	4,796,443	4,448,226	1,292,329	29
2018(1)	4,796,443	3,414,597	1,374,630	40

(1) The District implemented GASB 75 for its Fiscal Year 2017-18 Audited Financial Statements and utilized the "roll-back" option under GASB 75, which permits a valuation measurement date 12 months prior to the reporting date to be used. In connection therewith, the District restated its Total OPEB Liability as of June 30, 2017 and used such amount as the base from which subsequent liabilities are calculated. See description of GASB 75 Actuarial Valuation above.

Source: Compton Unified School District audited financial statements for Fiscal Years ended June 30, 2014 through June 30, 2018.

Table A-11 below sets forth the schedule of funding progress as of July 1, 2009, July 1, 2011, July 1, 2013, July 1, 2015, and July 1, 2017.

TABLE A-11

COMPTON UNIFIED SCHOOL DISTRICT
Schedule of Funding Progress
As of July 1, 2009, 2011, 2013, 2015 and 2017

Valuation Date	Actuarial Valuation of Assets	AAL	UAAL	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2009	0%	$21,530,631	$21,530,631	0%	$163,794,208	13%
2011	0	21,598,646	21,598,646	0	144,833,489	15
2013	0	27,039,808	27,039,808	0	139,876,101	19
2015	0	38,208,733	38,208,733	0	165,876,878	23
2017	0	55,803,023	55,803,023	0	132,662,000	42

Source: Compton Unified School District Audited Financial Statements for Fiscal Year 2014-2018 and the 2017 OPEB Actuarial Valuation.

On May 10, 2017, the District Board approved the establishment of an OPEB trust fund (the "Special Reserve Postemployment Benefits Fund"). On March 9, 2018, the District deposited approximately $1 million in the Special Reserve Postemployment Benefits Fund. Effective July 1, 2018, the District established a 1% contribution for retirees and in February 2019 the District established a fixed contribution amount of $169 for active employees. These contributions are based on total payroll amount for all full-time District employees. Based on these contributions, on June 6, 2019, the District made a second deposit into the Special Reserve Postemployment Benefits Fund of approximately $2.7 million.

For additional information regarding the District's OPEB, see Appendix B – "Audited Financial Statements of the District for the Fiscal Year ended June 30, 2018" attached hereto.

Insurance

The District participates in two insurance joint ventures under joint powers agreements. These include the Schools Excess Liability Fund ("SELF") for excess workers' compensation coverage and the Southern California Regional Liability Excess Fund ("SCR") for the District's property and liability coverage. SELF and SCR are governed by a separate boards consisting of representatives from each member district. The governing boards which control the operations of SELF and SCR, including selection of management and approval of operating budgets, are independent of the District and other local agency members beyond representation on the governing board. SELF arranges for and provides a self-funded or additional insurance for excess liability for the District. The District pays an annual premium based upon the amounts calculated by SELF and shares surpluses and deficits proportionate to its participation in SELF.

SELF and SCR are not component units of the District. The operating budgets and financial reports of SELF and SCR are not set forth in the District's financial statements. However, fund transactions between the District and SELF and SCR, respectively, are included in the District's financial statements. Audited financial statements are available from the respective entities.

The District maintains self-insurance programs for property and liability and workers' compensation. The District funds property and liability coverage from a contribution from the unrestricted portion of General Fund. Worker's compensation is funded through payroll charges. Based upon prior claims experience, the District believes that its self-insured program and participation in SELF and SCR are sufficient to satisfy pending claims.

District Debt

General Obligation Bonds. The District's voters approved an $80 million general obligation bond authorization on November 5, 2002 (the "Measure I Authorization") and approved a $350 million general obligation bond authorization on November 3, 2015 (the "2015 Authorization"). All of the Measure I Authorization has been issued. The District has issued $249,996,079.85 aggregate principal amount of the total $350 million amount of the 2015 Authorization. There are currently approximately $100,003,920.15 remaining under the 2015 Authorization. Pursuant to Sections 15106 of the Education Code, as a unified school district the District's bonding capacity for general obligation bonds may not exceed 2.5% of taxable property valuation in the District as shown by the last equalized assessment roll of the County.

The following Table A-12 sets forth the general obligation bonds issued and outstanding as of October 1, 2019.

TABLE A-12

COMPTON UNIFIED SCHOOL DISTRICT
Outstanding General Obligation Bonds

Bond Issue	Original Principal Amount	Outstanding Amount as of October 1, 2019	Date of Issue
General Obligation Bonds, 2002 Election, 2006 Series C	$19,999,970.15	$5,999,970.15	June 8, 2006
General Obligation Refunding Bonds, 2002 Election, 2006 Series D[1]	50,789,740.85	11,259,528.10	June 8, 2006
General Obligation Refunding Bonds, 2002 Election, 2015 Series E[2]	5,505,000.00	5,180,000.00	April 14, 2015
General Obligation Refunding Bonds, 2002 Election, 2016 Series F[3]	7,785,000.00	3,245,000.00	November 17, 2016
General Obligation Bonds, 2015 Election, 2016 Series A	20,000,000.00	7,570,000.00	November 17, 2016
General Obligation Bonds, 2015 Election, 2019 Series B	229,996,079.85	229,996,079.85	August 29, 2019
TOTAL	$334,075,790.85	$263,250,578.10	

(1) The 2006 Series D Bonds refunded portions of the 2002 Election General Obligation Bonds, Series A.
(2) The 2015 Series E Bonds refunded portions of the 2002 Election General Obligation Bonds, 2006 Series C.
(3) The 2016 Series F Bonds refunded portions of the 2002 Election General Obligation Bonds, 2006 Series C.
Source: Compton Unified School District.

Certificates of Participation. The District has outstanding lease obligations relating to the 2015 Refunding Series A Certificates. The proceeds of the 2015 Refunding Series A Certificates were used to advanced refund all of the District's outstanding 2004 Series B Certificates and to partially refund the 2007 Series B Certificates.

The following Table A-13 sets forth the outstanding certificates of participation (the "Certificates") of the District and the amount outstanding as of October 1, 2019.

TABLE A-13

COMPTON UNIFIED SCHOOL DISTRICT
Outstanding Certificates of Participation

Certificates of Participation	Original Principal Amount	Outstanding Amount as of October 1, 2019	Date of Delivery
Certificates of Participation (Los Angeles County Schools Pooled Financing Program) 2015 Refunding Series A (Compton Unified School District)	$20,135,000	$15,535,000	April 14, 2015

Source: Compton Unified School District.

The District has entered into a lease agreement with Central Avenue Industrial Park, LLC for the use of a 20.15 acre parcel of land owned by the District, dated April 12, 2001 (the “Truck Company Lease”) pursuant to which the District deposits the lease payments received under the Truck Company Lease (the “Trucking Lease Payments”) into a fund separate and apart from the District’s General Fund. The District uses the Trucking Lease Payments to pay a portion of the lease payments with respect to the Certificates.

Overlapping Debt Obligations

Set forth on Table A-14 on the following page is the report prepared by California Municipal Statistics, Inc. which provides information with respect to direct and overlapping debt within the District as of April 1, 2019 (the “Overlapping Debt Report”) based on information as of April 1, 2019. The Overlapping Debt Report is included for general information purposes only. The District has not reviewed the Overlapping Debt Report for completeness or accuracy and makes no representations in connection therewith. The Overlapping Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The first column in Table A-14 names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. Column 2 shows the percentage of each overlapping agency’s assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in Table A-14) produces the amount shown in column 3, which is the apportionment of each overlapping agency’s outstanding debt to taxable property in the District.

TABLE A-14

COMPTON UNIFIED SCHOOL DISTRICT
Schedule of Direct and Overlapping Bonded Debt
As of October 1, 2019

COMPTON UNIFIED SCHOOL DISTRICT

2019-20 Assessed Valuation: $12,513,537,826

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 10/1/19
Metropolitan Water District	0.405%	$ 194,603
Compton Community College District	55.288	62,496,136
Compton Unified School District	**100.000**	**263,250,578**(1)(2)
City of Carson Assessment District No. 2001-1	100.000	18,975,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$344,916,317
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Los Angeles County General Fund Obligations	0.776%	$18,410,476
Los Angeles County Superintendent of Schools Certificates of Participation	0.776	40,216
Compton Unified School District Certificates of Participation	**100.000**	**15,535,000**
City of Compton Certificates of Participation	99.489	35,139,515
Other City General Fund and Pension Obligation Bonds	Various	498,035
Los Angeles County Sanitation District No. 1 Authority	21.762	796,015
Los Angeles County Sanitation District No. 2 Authority	0.132	7,455
Los Angeles County Sanitation District No. 8 Authority	19.865	443,791
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$70,870,503
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		$89,766,842
COMBINED TOTAL DEBT		$505,553,662(3)

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

Ratios to 2019-20 Assessed Valuation:
Direct Debt ($263,250,578)........................... 2.10%
Total Overlapping Tax and Assessment Debt . 2.76%
Combined Direct Debt ($278,785,578)......... 2.23%
Combined Total Debt 4.04%

Ratio to Redevelopment Incremental Valuation ($3,198,794,301):
Total Overlapping Tax Increment Debt........... 2.81%

Source: California Municipal Statistics, Inc.

Academic Performance and Instructional Initiatives

In connection with the reauthorization of the Elementary and Secondary Education Act of 1965, the United States Congress passed the federal No Child Left Behind Act of 2001 (the "NCLB Act"). Under the NCLB Act, a state is required to identify a local educational agency ("LEA") for improvement ("Program Improvement") if the LEA fails to make federal Adequate Yearly Progress ("AYP") requirements, evaluated by state standards, for two consecutive years. The State evaluates AYP based on, among other things, a LEA's (1) percentage participation rates in English-language arts and mathematics assessments measured LEA-wide, by grade span (grades 2 through 5, grades 6 through 8 and grade 10) and by numerically significant subgroups within grade spans, (2) graduation rate criteria LEA-wide, if a LEA has high school students, and (3) percentage of students performing at or above the proficient level in English-language arts and mathematics (also measured LEA-wide, by grade span and by subgroups) as compared to performance targets established under the NCLB Act. In addition, the NCLB Act requires that each LEA identified for Program Improvement take a variety of actions, including but not limited to developing or revising an improvement plan, promptly implementing that plan and informing parents of the LEA's Program Improvement status. The District adopted an LEA Program Improvement Plan designed to address these academic performance concerns and has received additional categorical funding from the State for this purpose.

The District cannot predict what actions it will take or what actions will be taken in the future by the State, Congress or the President in connection with the proposed reauthorization of the Elementary and Secondary Education Act of 1965 or the waiver of certain requirements set forth therein. Further, the United States Secretary of Education may terminate any waivers that the Department of Education has granted if such waivers are superseded by the reauthorization of the Elementary and Secondary Education Act of 1965. To the extent that the reauthorization of the Elementary and Secondary Education Act of 1965 or the waivers result in reduced revenues or increased expenses for the District or requires programmatic changes, the District will be required to make adjustments to its budget.

STATE FUNDING OF EDUCATION

General

Public school district revenues consist primarily of guaranteed State moneys, *ad valorem* property taxes and funds received from the State and federal government in the form of categorical aid, which are amounts restricted to specific categories of use, under various ongoing programs. All State apportionment of funds pursuant to the Local Control Funding Formula (collectively, "State Aid") is subject to the appropriation of funds in the State's annual budget. Decreases in State revenues may affect appropriations made by the State Legislature to the District. See "District Financial Information" herein. Beginning with the Fiscal Year ending June 30, 2014, the State has replaced the former revenue limit formula for State Aid to school districts with the Local Control Funding Formula.

Historically, approximately 91% of the annual District General Fund revenues have consisted of payments from or under the control of the State. Payments made to K-12 public schools and public colleges and universities are priority payments for State funds and are expected to be made prior to other State payment obligations. Although the State Constitution protects the priority of payments to K-12 schools, college and universities, it does not protect the timing of such payments and other obligations may be scheduled and have been scheduled to be paid in advance of those dates on which payments to school districts are scheduled to be made.

A large percentage of a school district's budgeted revenues comes from categorical funds provided exclusively by the State and federal government. These funds are to be used for specific programs and typically cannot be used for any other purpose. The State lottery is another source of funding for school districts, providing approximately 1.7% of a school district's general fund budget. Every school district receives the same amount of lottery funds per pupil from the State. The initiative authorizing the State lottery mandates the funds be used for instructional purposes and prohibits their use for land acquisition, construction or research and development. A small part of a school district's budget is from local sources other than property taxes, such as interest income, donations and sales of property. Some school districts derive a significant portion of their operating funds from voter-approved parcel taxes.

Local Control Funding Formula

General. Funding for school districts, charter schools and county offices of education in connection with the Local Control Funding Formula ("LCFF") includes State apportionments for general operating costs ("State Aid") and funding for categorical programs. During Fiscal Year 2017-18, approximately 78.55% of the District's General Fund revenues were pursuant to the LCFF. During Fiscal Year 2018-19, approximately 80.30% of the District's General Fund revenues consisted of funds determined under the LCFF.

Pursuant to the LCFF, LEAs are required to, among other things show progress toward an average class enrollment of no more than 24 pupils in kindergarten through grade 3 unless the LEA has collectively bargaining an annual alternative average class enrollment in those grades for each school. The LCFF allocates State funding based on a school district's demographics. Each school district receives a base grant (the "Base Grant") per ADA in an amount determined by the State. In addition, based on the ADA of the given demographic classification, school districts are eligible to receive a 20% supplemental grant (the "Supplemental Grant") for students classified as English learners ("EL"), students eligible to receive a free or reduced price meal ("FRPM"), and students classified as foster youth ("LI"). The State expects the Supplemental Grants to reflect the additional costs associated with the education of EL, FRPM and LI students. In addition, school districts are eligible to receive a concentration grant (the "Concentration Grant") if the school district has a significant concentration of students classified as EL, FRPM or LI (collectively, "Targeted Disadvantaged Students"). The LCFF uses an unduplicated student count to determine the amount of the Supplemental Grant and Concentration Grant authorized for a school district. A school district may only count a student one time if such student classified in more than one of the categories EL, FRPM and LI. In the event the percentage of EL or LI students exceeds 55% of the school district's total enrollment, the LCFF provides additional funding to the school district through a Concentration Grant. The Concentration Grant will be an amount equal to an additional 50% of the school district's adjusted Base Grant for each EL or LI student above the 55% threshold.

The Base Grants are based on four uniform, grade-span base rates. For Fiscal Year 2018-19, the LCFF proposes to provide to school districts and charter schools: (a) a Target Base Grant for each LEA equivalent to $8,235 per ADA for kindergarten through grade 3; (b) a Target Base Grant for each LEA equivalent to $7,571 per ADA for grades 4 through 6; (c) a Target Base Grant for each LEA equivalent to $7,796 per ADA for grades 7 and 8; (d) a Target Base Grant for each LEA equivalent to $9,269 per ADA for grades 9 through 12. However, the amount of funding allocated to the Base Grant, Supplemental Grants and Concentration Grants will be subject to the discretion of the State.

The 2018-19 State Budget (as defined herein) provided $3.7 billion in new funding for the LCFF, which fully implements the LCFF two years earlier than originally scheduled, including both a 2.71% cost of living adjustment and an additional $570 million above the cost of living adjustment as an ongoing increase to the LCFF.

The following Table A-15 sets forth the District's projected ADA for EL Students, FRPM Students, and Foster Youth on an unduplicated basis and the District's projected LCFF annual allocation amounts for Fiscal Years 2019-20 through 2021-22. LCFF funding reflects the aggregate of, among other things, Base Grant, Supplemental Grant and Concentration Grant funding, funding from K-3 class size reduction and grades 9-12 adjustment. The estimated ADA and enrollment of EL Students, FRPM Students, and Foster Youth on an unduplicated basis are based on, among other things, surveys of District students and estimated financial information prepared by the District.

TABLE A-15

COMPTON UNIFIED SCHOOL DISTRICT
Local Control Funding Formula
Projected Annual Allocation
Fiscal Years 2019-20 through 2021-22 (1)(2)

Fiscal Year	ADA(3)	LCFF Annual Allocation
2019-20	20,170	$244,999,414
2020-21	20,092	251,935,401
2021-22	20,092	258,661,086

(1) Estimated at P-2.
(2) Assumes 90% of District enrollment is comprised of unduplicated EL Students, FRPM Students and Foster Youth.
(3) Excludes charter schools.
Source: Compton Unified School District.

Economic Recovery Target. During the period in which LCFF was phased in, certain LEAs were eligible for an additional funding amount (the "Economic Recovery Target"). The Economic Recovery Target consists of funding, which the State adds on to LCFF funding for school districts and charters. The Economic Recovery Target was generally available if the school district or charter school would have generated greater revenues if the revenue limit's deficit factor were retired and categorical funding had been restored than under the LCFF. Under the LCFF, only school districts and charter schools that were at, or below, the 90th percentile of per-pupil funding rates of school districts under the prior revenue limit system as determined at the 2013-14 P-2 Certification were eligible for Economic Recovery Target payments. With the full implementation of the LCFF in Fiscal Year 2018-19, the Economic Recovery Target has become a permanent add-on to LCFF formula funding for eligible LEAs. The District expects to receive the full amount of the Economic Recovery Target in Fiscal Year 2019-20.

Local Control Funding Formula Gap Funding. Prior to the full implementation of the LCFF in Fiscal Year 2018-19, each school district had a gap between the school district's prior year funding and the target amount of funding under the LCFF for the current year. In order to address this shortfall, the LCFF provided school districts with additional funding based on the percentage of the gap ("LCFF Gap Funding"). The State provided school districts with the same percentage of LCFF Gap Funding, but the dollar amount of the LCFF Gap Funding varied between school districts. For Fiscal Year 2014-15 and each fiscal year thereafter, an LEA's funding amount was based on a calculation of its target entitlement under the LCFF and technical calculations related to adjustments to its prior year's funding. With the full implementation of the LCFF in Fiscal Year 2018-19, the target entitlement represents the actual amount of funding received by the District.

Local Control and Accountability Plan. Pursuant to the LCFF, school districts, county offices of education and charter schools are required to develop, adopt and annually update a three-year local control and accountability plan ("LCAP") beginning July 1, 2014. The LCAP is required to identify goals and measure progress for student subgroups across multiple performance indicators. On June 12, 2019, the District Board adopted the LCAP for the District for Fiscal Year 2019-20.

The State's priorities include, among other things, compliance with the *Williams* settlement with respect to appropriateness of teacher assignments, ensuring that teachers are fully credentialed in the subject areas and for the pupils they are teaching, and ensuring that every pupil in the school district has sufficient access to the standards-aligned instructional materials as determined in accordance with the Education Code. See "District Financial Information – Funding from the Quality Education Investment Act of 2006" herein. In addition, school facilities are to be maintained in good repair. The State requires proper implementation of the academic content and performance standards adopted by the State Board of Education and will measure parental involvement (e.g., efforts to seek input from parents or guardians regarding decisions for the district and the school site), pupil achievement (e.g. performance on Statewide assessments, the Academic Performance Index, readiness for college or career technical education, progress towards English proficiency, performance on advance placement examinations), pupil engagement (e.g., school attendance rates, chronic absenteeism rates, middle school dropout rates, high school dropout and graduation rates, pupil suspension and expulsion rates, etc.), access and enrollment in a broad course of study including the core subject areas and programs and services developed and provided to Targeted Disadvantaged Students, and pupil outcomes in the subject areas comprising a broad course of study.

In November 2014, the State Board of Education adopted final regulations to govern the expenditure of the Supplemental Grant and Concentration Grant funding. These regulations require school districts, county offices of education, and charter schools to increase and improve services for Targeted Disadvantaged Students and provide authority for school districts to spend funds school-wide when significant populations of Targeted Disadvantaged Students attend a school. Pursuant to the regulations, LEAs are required to obtain input from parents of students and the general public in connection with the development, revision and updates of LCAPs. In addition, the regulations require County superintendents to review school district LCAPs and require county offices of education to provide technical assistance if they disapprove an LCAP. The Education Code grants the State Superintendent of Public Instruction authority to intervene if a school district or charter school fails to show improvement across multiple subgroups in three out of four consecutive years.

Average Daily Attendance

The Fiscal Year 2019-20 District Adopted Budget projects a decrease in the ADA as compared to Fiscal Year 2018-19. The following Table A-16 sets forth the District's annual ADA record for Fiscal Year 2014-15 through 2017-18, the estimated annual ADA for Fiscal Year 2018-19, and the projected annual ADA for Fiscal Year 2019-20.

TABLE A-16

COMPTON UNIFIED SCHOOL DISTRICT
Annual Average Daily Attendance[1]
Fiscal Years 2014-15 through 2019-20

Fiscal Year	K-12
2014-15	22,464
2015-16	21,593
2016-17	20,884
2017-18	20,979
2018-19[2]	20,062
2019-20[3]	20,062

(1) Includes non-public school special education students.
(2) Estimated.
(3) Projected.
Sources: Compton Unified School District audited financial statements for Fiscal Years 2015-16 through 2017-18, 2019-20 District Adopted Budget for Fiscal Years 2018-19 and 2020-21.

Education Revenue Augmentation Fund. As part of the Fiscal Year 1992-93 State budget resolution, the State required counties, cities and special districts to shift *ad valorem* property tax revenues to school districts by contributing to the Education Revenue Augmentation Fund ("ERAF") in lieu of direct payments to school districts from the general fund of the State (the "State General Fund"). This transfer is commonly referred to as the "ERAF shift." The Fiscal Year 1993-94 State Budget Act required a similar shift of *ad valorem* property taxes to school districts from local government entities, which shift of *ad valorem* property taxes has continued. The manner in which the shift of *ad valorem* property taxes has occurred has varied year by year. As a result of the various shifts of *ad valorem taxes*, school districts no longer receive ERAF funds. See Table 6 in the forepart of this Official Statement which sets forth real property tax levies and collections for the District's last ten Fiscal Years, in the Section entitled "- Assessed Valuation of Property within the District – Tax Rates, Levies and Collections".

Proposition 1A (defined herein) generally prohibited the State from shifting to schools or community colleges any share of *ad valorem* property tax revenues allocated from the 1% levy to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. However, Proposition 1A provided that beginning in Fiscal Year 2008-09, the State could shift to schools and community colleges up to 8% of local government property tax revenues from the general 1% *ad valorem* property tax levy, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe State financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. Notwithstanding the aforementioned shifts in property tax revenues in prior fiscal years, certain levels of funding are guaranteed as described in " – Proposition 98" below. *Ad valorem* property taxes levied to pay debt service on the District's general obligation bonds, are not subject to the shifts described above for *ad valorem* property taxes provided from the 1% levy. Further, the State's ability to initiate future exchanges and shifts of funds will be limited by Proposition 22. See "California Constitutional and Statutory Provisions relating to *Ad Valorem* Property Taxes, District Revenues and Appropriations—Proposition 1A" and " – Proposition 22" herein.

Charter School Funding

A charter school is a public school authorized by a school district, county office of education or the State Board of Education. State law requires that charter petitions be approved if they comply with the statutory criteria. The District has certain fiscal oversight and other responsibilities with respect to both affiliated and independent charter schools located in the District geographic boundaries. However, independent charter schools are separate local education agencies, the funding for which is primarily revenues from the State. According, independent charter schools are not included in the District's audit report and have control over their staffing and budgets. Accordingly, information regarding enrollment, average daily attendance ("ADA"), budgets and other financial information relating to such independent charter schools is not included in the District's audit reports or in this Official Statement unless otherwise noted.

Pursuant to the LCFF, charter schools will receive a Base Grant per ADA and will be eligible to receive Supplemental Grants and Concentration Grants in the same manner as school districts. See " – Local Control Funding Formula" herein. In addition, charter schools are eligible for certain categorical funds which are provided separate from the Base Grant. As of June 30, 2018, there were three fiscally independent charter schools and one affiliated charter schools within the District's boundaries.

Proposition 98

On November 8, 1988, voters of the State approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act." Proposition 98 changed State funding of public education below the university level and the operation of the State's appropriation limit as described in Article XIIIB of the State Constitution, primarily by guaranteeing K-14 schools a minimum share of State General Fund revenues. Under Proposition 98 (as modified by Proposition 111, which was enacted on June 5, 1990), there are currently three tests which determine the minimum level of K-14 funding. See "Constitutional and Statutory Provisions Relating to *Ad valorem* Property Taxes, District Revenues and Appropriations" herein. Proposition 98 also contains provisions transferring certain State tax revenues in excess of the revenue limit to K-14 schools under Article XIIIB of the State Constitution.

Proposition 98 permits the State Legislature, by two-thirds vote of both houses and with the Governor's concurrence, to suspend the K 14 schools' minimum funding formula for a one-year period. The amount of suspension is eventually repaid according to a specified State Constitutional formula, thereby restoring Proposition 98 funding to the level that would have been required in the absence of such suspension. The 2019-20 State Budget (as herein defined) fully funds the Proposition 98 minimum guarantee for Fiscal Year 2019-20. In addition, the 2019-20 State Budget allocates approximately $687 million in Fiscal Year 2019-20 for Proposition 98 settle-up payments.

State Budget

General. The District's operating income consists primarily of two components, which include the State Aid portion funded from the State General Fund and a locally generated portion derived from the District's share of the general 1% *ad valorem* property tax levy authorized by the State Constitution. In addition, school districts, such as the District, may be eligible for other special categorical funding, including funding for certain State and federal programs. Currently, the District receives approximately 91% of District General Fund revenues from funds of or controlled by the State. As a result, decreases in State revenues, or in State legislative appropriations made to fund education, may significantly affect District operations.

The following description of the State's budget has been obtained from publicly available information which the District believes to be reliable; however, none of the District, its counsel (including Disclosure Counsel or the Financial Advisor guarantees the accuracy or completeness of this information and have not independently verified such information. Additional information regarding State budgets is available at various State-maintained websites, including www.dof.ca.gov. These websites are not incorporated herein by reference and none of the District, its counsel (including Disclosure Counsel), or the Financial Advisor make any representation as to the accuracy of the information provided therein.

The State Budget Process. The State's fiscal year begins on July 1 and ends on June 30. According to the State Constitution, the Governor of the State (the "Governor") is required to propose a budget for the next fiscal year (the "Governor's Budget") to the State Legislature no later than January 10 of each year. State law requires the Governor to update the Governor's Budget projections and budgetary proposals by May 14 of each year (the "May Revision"). Proposition 25, which was adopted by voters in the State at an election held on November 2, 2010, amended the State Constitution such that a final budget must be adopted by a simple majority vote of each house of the State Legislature by no later than June 15 and the Governor must sign the adopted budget by no later than June 30. The budget becomes law upon the signature of the Governor (the "Budget Act").

Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor's Budget, the State Legislature takes up the proposal. Under the State Constitution, money may be drawn from the State Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act, as approved by the State Legislature and signed by the Governor. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each House of the State Legislature. Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (except for K-14 education) must be approved by a two-thirds majority vote in each House of the State Legislature and be signed by the Governor. Bills containing K-14 education appropriations require only a simple majority vote. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution. Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt. However, delays in the adoption of a final State budget in any fiscal year may affect payments of State funds during such budget impasse. See " – State Funding of Schools Without a State Budget" herein for a description of payments of appropriations during a budget impasse.

2018-19 State Budget. The Governor signed the fiscal year 2018-19 State Budget (the "2018-19 State Budget") on June 27, 2018. The 2018-19 State Budget sets forth a balanced budget for fiscal year 2018-19 that projects approximately $133.33 billion in revenues, and $83.82 billion in non-Proposition 98 expenditures and $54.87 billion in Proposition 98 expenditures. The 2018-19 State Budget includes a $1.96 billion reserve in the Special Fund for Economic Uncertainties. The 2018-19 State Budget uses dedicated proceeds from Proposition 2 to pay down approximately $1.75 billion in past budgetary borrowing and State employee pension liabilities. The 2018-19 State Budget includes total funding of $97.2 billion ($56.1 billion General Fund and $41.1 billion other funds) for all kindergarten through grade 12 ("K-12") education programs. The 2018-19 State Budget provides $3.7 billion in new funding for the LCFF, which fully implements the school district and charter school formula two years earlier than originally scheduled, including both a 2.71% cost of living adjustment and an additional $570 million above the cost of living adjustment as an ongoing increase to the formula. The 2018-19 State Budget also provides $300 million one-time Proposition 98 General Fund resources for the Low-Performing Students Block Grant, which will provide resources in addition to LCFF funds to local educational agencies with students who perform at the lowest levels on the State's academic assessments and do not generate supplemental LCFF funds or State or federal special education resources.

Certain budgeted adjustments for K-12 education set forth in the 2018-19 State Budget include the following:

- Statewide System of Support. The 2018-19 State Budget includes $57.8 million in Proposition 98 General Fund resources for county offices of education to provide technical assistance to school districts, of which $4 million will go towards geographical regional leads to build systemwide capacity to support school district improvement.

- Multi-Tiered Systems of Support (MTSS). The 2018-19 State Budget includes $15 million one-time Proposition 98 General Fund resources to expand the State's MTSS framework to foster positive school climate in both academic and behavioral areas.

- Community Engagement Initiative. The 2018-19 State Budget includes $13.3 million one-time Proposition 98 General Fund resources for the California Collaborative for Educational Excellence and a co-lead county office of education to help school districts build capacity for community engagement in the local control and accountability plan ("LCAP") process.

- California Collaborative for Educational Excellence. The 2018-19 State Budget includes $11.5 million Proposition 98 General Fund resources to support the California Collaborative for Educational Excellence in its role within the statewide system of support.

- Special Education Local Plan Area (SELPA) Technical Assistance. The 2018-19 State Budget includes $10 million Proposition 98 General Fund resources for SELPAs to assist county offices of education in providing technical assistance to school districts identified for differentiated assistance (specific to students with exceptional needs) within the statewide system of support.

- Strong Workforce Program. The 2018-19 State Budget includes $164 million ongoing Proposition 98 General Fund resources to establish a K-12 specific component within the Strong Workforce Program designed to encourage local educational agencies to offer high-quality career technical education programs that are aligned with needed industry skills and regional workforce development efforts occurring through the existing Strong Workforce Program.

- Career Technical Education Incentive Grant Program. The 2018-19 State Budget includes $150 million ongoing Proposition 98 General Fund resources to make permanent the Career Technical Education Incentive Grant Program.

- Inclusive Early Education Expansion Program. The 2018-19 State Budget creates the Inclusive Early Education Expansion Program, providing $167.2 million one-time Proposition 98 General Fund resources through a competitive grant program to increase the availability of inclusive early education and care for children aged zero to five years old, especially in low-income areas and in areas with relatively low access to care.

The complete 2018-19 State Budget is available from the California Department of Finance website at www.dof.ca.gov. The District can take 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.

2019-20 State Budget. On June 27, 2019, Governor Newsom signed a final State budget for Fiscal Year 2019-20 (the "2019-20 State Budget") in the total amount of $214.8 billion, of which $147.8 billion was General Fund. The 2019-20 State Budget ends Fiscal Year 2018-19 with total reserves of $19.2 billion, of which $16.5 billion is in the Rainy Day Fund, $1.4 billion in the Special Fund for Economic Uncertainties, $900 million in the Safety Net Reserve, and approximately $380 million in the Public School System Stabilization Account. See APPENDIX A – "STATE FUNDING OF EDUCATION – *Limitation on School District Reserves"* herein. The 2019-20 State Budget makes an additional payment of $9 billion over the four succeeding fiscal years to pay down unfunded pension liabilities, including $3 billion to CalPERS, $2.9 billion to CalSTRS on behalf of the State, and $3.15 billion to CalSTRS and CalPERS on behalf of schools. The 2019-20 State Budget also invests $4.5 billion to eliminate the so-called 'Wall of Debt' and reverses the debt deferral undertaken during the last recession.

With respect to K-12 education, the 2019-20 State Budget sets the minimum funding guarantee at $81.1 billion, including $55.9 billion from the State general fund, reflecting an increase of $2.7 billion from the prior-year level. For K-12 schools, the 2019-20 State Budget sets ongoing per-pupil spending at $11,993 and includes total funding of $103.4 billion ($58.8 billion General Fund and $44.6 billion other funds) for all K-12 education programs. For Fiscal Year 2019-20, the 2019-20 State Budget includes the constitutionally required deposit into the Public School System Stabilization Account of $376.5 million which does not initiate school district reserve caps (as the amount in the account is not equal to or greater than 3 percent of the total K-12 share of the Proposition 98 Guarantee). The 2019-20 State Budget also provides $1.9 billion in new Proposition 98 funding for the LCFF, reflecting a 3.26-percent COLA. Other significant features in the 2019-20 State Budget affecting K-12 schools include the following:

- Special Education. The 2019-20 State Budget includes $152.6 million to provide all Special Education Local Plan Areas with at least the Statewide target rate for base special education funding, approximately $557 per unit of average daily attendance, under the existing special education funding formula. The 2019-20 State Budget also includes $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.

- CalSTRS and CalPERS. The 2019-20 State Budget includes a $3.15 billion non-Proposition 98 General Fund payment on their behalf to CalSTRS and the CalPERS Schools Pool. Of this amount, an estimated $850 million will buy down the employer contribution rates in 2019-20 and 2020-21. this payment is expected to save employers $6.1 billion over the next three decades, with an estimated reduction in the out-year contribution rate to CalSTRS of 0.3 percentage points, and to the CalPERS Schools Pool of 0.1 to 0.3 percentage points.

- After School Programs. The 2019-20 State Budget includes $50 million ongoing Proposition 98 General Fund to provide an increase of approximately 8.3 percent to the per-pupil daily rate for After School Education and Safety Program (increasing this rate from $8.19 to $8.87 per day).

- Teacher Training and Resources. The 2019-20 State Budget includes $43.8 million one-time non-Proposition 98 General Fund to provide training and resources for classroom educators, including teachers and paraprofessionals, comprised of $37.1 million for the Educator Workforce Investment Grants for teachers and paraprofessionals, and $6.7 million for the California Subject Matter Projects. The 2019-20 State Budget also 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.

- Teacher Recruitment. To recruit and retain qualified teachers in school districts with high rates of under-prepared teachers, the 2019-20 State Budget includes $89.8 million one-time non-Proposition 98 General Fund 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.

- Kindergarten Programs. The 2019-20 State Budget includes $300 million one-time non-Proposition 98 General Fund 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 to provide an additional year of funding for this program, which provides a State match for classified employee savings used to provide income during summer months.

The complete 2019-20 State Budget is available from the California Department of Finance website at www.dof.ca.gov. The District can take 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.

LAO Overview of 2019-20 State Budget. On July 18, 2019, the Legislative Analyst's Office (the "LAO") released its preliminary analysis of the Fiscal Year 2019-20 State Budget Act, entitled "The 2019-20 Budget: Overview of the California Spending Plan" (the "LAO Overview"). The LAO Overview summarizes the 2019-20 State Budget Act and highlights certain major features. The LAO Overview notes that Proposition 98 funding for Fiscal Year 2019-20 is $81.1 billion, an increase of $2.9 billion from the revised amount for Fiscal Year 2018-19. The LAO Overview states that the approved funding amounts for Fiscal Years 2018-19 and 2019-20 meet the Proposition 98 minimum guarantee. The LAO Overview notes that the 2019-20 State Budget Act commits approximately $21.5 billion in discretionary general fund spending to four major purposes: $9 billion to pay down State debts and liabilities, $4 billion in new ongoing programmatic spending, $6.5 billion in one-time programmatic spending, and $2.1 billion in optional reserves. The LAO Overview estimates that ongoing spending will grow to approximately $5.9 billion at full implementation of the 2019-20 State Budget Act, and that the cost of new discretionary ongoing spending in Fiscal Year 2019-20 is $4 billion, which is an increase in funding from available surplus compared to other recent budgets. The LAO Overview also notes that the increase in reserve level from $15.9 billion in the 2018-19 State Budget Act to $19.2 billion in the 2019-20 State Budget Act results from the net effect of required deposits into the Budget Stabilization Account, an optional deposit of $700 million in to the safety net reserve, a deposit into the school reserve, and a reduction of $550 million, relative to the amount in the 2018-19 State Budget Act, in the State's special fund for economic uncertainties. The LAO Overview highlights the following as some of the major features of the 2019-20 State Budget Act: the expansion of the Earned Income Tax Credit, the creation of a State-wide individual health insurance coverage mandate, the payment of approximately $2.2 billion in constitutionally required debt payments, the allocation of $5.9 billion to pay down unfunded pension liabilities on behalf of the State and school districts, various programmatic spending projects, and the allocation of approximately $1 billion to affordable housing programs.

The LAO Overview is available on the LAO website at www.lao.ca.gov. The District can take 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.

Additional Information. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of the State budget may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." Various analyses of the budget may be found at the website of the LAO at www.lao.ca.gov. In addition, various State official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found via the website of the State Treasurer, www.treasurer.ca.gov. The information presented in these websites is not incorporated by reference in this Official Statement.

Future State Budgets. The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address the State's current or future budget deficits and cash management practices. Future State budgets will be affected by national and State economic conditions, including the current economic downturn, over which the District has no control, and other factors over which the District will have no control. To the extent that the State budget process results in reduced revenues deferred revenues or increased expenses for the District, the District will be required to make adjustments to its budget and cash management practices. In the event current or future State Budgets decrease the District's revenues or increase required expenditures by the District from the levels assumed by the District, the District will be required to generate additional revenues, curtail programs or services, or use its reserve funds to ensure a balanced budget.

State Funding of Schools without a State Budget

Although the State Constitution requires that the State Legislature adopt a budget for the State by June 15 of the prior fiscal year and that the Governor sign a budget by June 30, this deadline has been missed from time to time. Delays in the adoption of a Budget Act in any fiscal year could impact the receipt of State funding by the District. 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), et al. (also referred to as *White v. Davis*) ("*Connell*"). The California Court of Appeal concluded that, absent an emergency appropriation, the State Controller may authorize the payment of State funds during a budget impasse only when payment is either (i) authorized by a "continuing appropriation" enacted by the State Legislature, (ii) authorized by a self-executing provision of the State Constitution, or (iii) mandated by federal law. The Court of Appeal specifically concluded that the provisions of Article XVI, Section 8 of the State Constitution—the provision establishing minimum funding of K-14 education enacted as part of Proposition 98—did not constitute a self-executing authorization to disburse funds, stating that such provisions merely provide formulas for determining the minimum funding to be appropriated every budget year but do not appropriate funds. Nevertheless, the State Controller has concluded that the provisions of the State Education Code establishing K-12 and county office of education revenue limit funding do constitute continuing appropriations enacted by the State Legislature and, therefore, has indicated that State payments of such amounts would continue during a budget impasse. The State Controller, however, has concluded that K-12 categorical programs are not authorized pursuant to a continuing appropriation enacted by the State Legislature and, therefore, cannot be paid during a budget impasse. To the extent the *Connell* decision applies 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 some payments to the District while such required legislative action is delayed, unless the payments are self-executing authorizations, continuing appropriations or are subject to a federal mandate. However, the District does not expect any delays in payments from the State to adversely affect its ability to pay the principal of and interest with respect to the Certificates described in the forepart of this Official Statement, which are payable from voter-approved *ad valorem* property taxes.

Limitations on School District Reserves

On June 15, 2014, the State Legislature approved Senate Bill 858 ("SB 858"), an education omnibus bill. SB 858 was approved by the Governor on June 21, 2014. In connection with voter approval of Proposition 2 (2014) in November 2014 with respect to the State's Rainy Day Fund, SB 858 amended the Education Code to limit school district reserves. In addition to the conditions described herein, additional conditions must be satisfied before the reserve limitations are operative. Pursuant to Proposition 2 (2014), in any fiscal year following a year in which the State has made a transfer into the Public School System Stabilization Account and all other applicable conditions have been satisfied, the combined unassigned and assigned ending fund balance in any budget adopted or revised by a school district may not be (i) more than two times the amount of the minimum recommended reserve specified under the Education Code for school districts such as the District with an ADA of less than 400,000 or (ii) more than three times the amount of the minimum recommended reserve specified under the Education Code for school districts with an ADA of 400,000 or greater. Further, a county superintendent of schools may grant a school district a waiver from this limitation on reserves for up to two consecutive fiscal years within a three-year period if certain extraordinary fiscal circumstances exist.

The State-imposed minimum recommended reserve for the District, which is accounted for in the Reserve for Economic Uncertainties, is an amount equal to 6% of General Fund expenditures and other financing uses. The District cannot predict the extent to which the State will fund the Public School System Stabilization Account. In addition, the District cannot predict what steps it will implement, if any, to adjust its budgeted reserves to comply with the amended Education Code. Further, the District cannot predict whether the limitations on reserves in the Education Code, as amended, will apply solely to fund balances in the District's General Fund or if it will apply to other funds of the District. However, the District does not expect the limitations on reserves in the Education Code, as amended, to adversely affect its ability to pay the principal of and interest with respect to the Certificates described in the forepart of this Official Statement, which are payable from voter-approved *ad valorem* property taxes.

CALIFORNIA CONSTITUTIONAL AND STATUTORY PROVISIONS RELATING TO *AD VALOREM* PROPERTY TAXES, DISTRICT REVENUES AND APPROPRIATIONS

Constitutionally Required Funding of Education

The State Constitution requires that from all State revenues there shall first be set apart the moneys to be applied by the State for the support of the public school system and public institutions of higher education. California school districts receive a significant portion of their funding from State appropriations. As a result, decreases as well as increases in State revenues can significantly affect appropriations made by the State Legislature to school districts.

Article XIIIA of the California Constitution

On June 6, 1978, California voters approved Proposition 13 ("Proposition 13"), which added Article XIIIA to the State Constitution ("Article XIIIA"). On June 3, 1986, California voters approved Proposition 46 ("Proposition 46") which amended Article XIIIA to permit local governments and school districts to increase the ad valorem property tax rate above 1% if two-thirds of those voting in a local election approve the issuance of such bonds and the proceeds of such bonds are used to acquire or improve real property.

The provisions of Article XIIIA were subsequently modified pursuant to Proposition 39, which was approved by California voters on November 7, 2000. See " – Proposition 39" below. Article XIIIA limits the amount of any ad valorem property tax to 1% of the full cash value thereof, except that additional ad valorem property taxes may be levied to pay debt service on (i) bonded indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness approved by a two-thirds vote on or after July 1, 1978, for the acquisition or improvement of real property, and (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 school district or community college district, but only if certain accountability measures are included in the proposition. The Measure R Authorization and the Measure Y Authorization were approved under Proposition 39. See " – Proposition 39" herein.

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." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by substantial damage, destruction or other factors including a general economic downturn. Subsequent amendments further limit the amount of any ad valorem tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on bonded indebtedness approved by the requisite percentage of voters voting on the proposition.

Legislation Implementing Article XIIIA

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any ad valorem property tax (except to pay voter-approved indebtedness). The 1% ad valorem property tax is automatically levied by the County and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the up to 2% annual inflationary adjustment of the 1% tax base 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. Separate ad valorem property taxes to pay voter approved indebtedness such as general obligation bonds are levied by the County on behalf of the local agencies. Article XIIIA effectively prohibits the levying of any other ad valorem property tax above the Proposition 13 limit except for taxes to support such indebtedness.

The full cash value of taxable property under Article XIIIA represents the maximum taxable value for property. Accordingly, the fair market value for a given property may not be the equivalent of the full cash value under Article XIIIA. During periods in which the real estate market within the District evidences an upward trend, the fair market value for a given property, which has not been reappraised due to a change in ownership, may exceed the full cash value of such property. During periods in which the real estate market demonstrates a downward trend, the fair market value of a given property may be less than the full cash value of such property and the property owner may apply for a "decline in value" reassessment pursuant to Proposition 8. Reassessments pursuant to Proposition 8, if approved by the Office of the County Assessor, lower valuations of properties (where no change in ownership has occurred) if the current value of such property is lower than the full cash value of record of the property. The value of a property reassessed as a result of a decline in value may change, but in no case may its full cash value exceed its fair market value. When and if the fair market value of a property which has received a downward reassessment pursuant to Proposition 8 increases above its Proposition 13 factored base year value, the Office of the County Assessor will enroll such property at its Proposition 13 factored base year value.

Article XIIIB of the State Constitution

An initiative to amend the State Constitution entitled "Limitation of Government Appropriations" was approved on September 6, 1979 thereby adding Article XIIIB to the State Constitution ("Article XIIIB"). In June 1990, Article XIIIB was amended by the voters through their approval of Proposition 111. Under Article XIIIB, the State and each local governmental entity have an annual "appropriations limit" and are not permitted to spend certain moneys that are called "appropriations subject to limitation" (consisting of tax revenues, State subventions and certain other funds) in an amount higher than the appropriations limit. Article XIIIB does not affect the appropriations of moneys that are excluded from the definition of "appropriations subject to limitation," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the appropriations limit is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in costs of living and changes in population, and adjusted where applicable for transfer of financial responsibility of providing services to or from another unit of government. Among other provisions of Article XIIIB, if these entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years. However, in the event that a school district's revenues exceed its spending limit, the district may, in any fiscal year, increase its appropriations limit to equal its spending by borrowing appropriations limit from the State, provided the State has sufficient excess appropriations limit in such year. See "State Funding of Education—State Budget" herein.

The District's annual appropriation limit for Fiscal Year 2017-18 was $144,092,652.22. The limitation applies only to proceeds of taxes and therefore does not apply to service fees and charges, investment earnings on non-proceeds of taxes, fines, and revenue from the sale of property and taxes received from the State and federal governments that are tied to special programs. For Fiscal Year 2018-19, the annual appropriations limit is estimated to be $149,663,667.53.

Article XIIIC and Article XIIID of the State Constitution

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

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. Proposition 218 does not affect the *ad valorem* property taxes to be levied to pay debt service with respect to the Certificates.

Proposition 98

On November 8, 1988, State voters approved Proposition 98, a combined initiative, constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). The Accountability Act changed State funding of public education below the university level, and the operation of the State's Appropriations Limit, primarily by guaranteeing State funding for K-12 school districts and community college districts (collectively, "K-14 districts").

Under Proposition 98 (as modified by Proposition 111, which was enacted on June 5, 1990), K-14 districts are guaranteed the greater of (i) in general, a fixed percent of the State General Fund's revenues ("Test 1"), (ii) the amount appropriated to K-14 districts in the prior year, adjusted for changes in the cost of living (measured as in Article XIIIB by reference to State per capita personal income) and enrollment ("Test 2"), or (iii) a third test, which would replace Test 2 in any year when the percentage growth in per capita State General Fund revenues from the prior year plus 0.05% is less than the percentage growth in State per capita personal income ("Test 3"). Under Test 3, schools would receive the amount appropriated in the prior year adjusted for changes in enrollment and per capita State General Fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 would become a "credit" to schools which would be the basis of payments in future years when per capita State General Fund revenue growth exceeds per capita personal income growth. Legislation adopted prior to the end of Fiscal Year 1988-89 that implemented Proposition 98, determined the K-14 districts' funding guarantee under Test 1 to be 40.3% of the State General Fund tax revenues, based on 1986-87 appropriations. However, that percentage has been adjusted to 34.559% to account for a subsequent redirection of local property taxes whereby a greater proportion of education funding now comes from local property taxes.

Proposition 98 permits the State Legislature, by a two-thirds vote of both houses of the State Legislature and with the Governor's concurrence, to suspend the K-14 districts' minimum funding formula for a one-year period. In the fall of 1989, the State Legislature and the Governor utilized this provision to avoid having 40.3% of revenues generated by a special supplemental sales tax enacted for earthquake relief go to K-14 districts. In the fall of 2004, the State Legislature and the Governor agreed to suspend the K-14 districts' minimum funding formula set forth pursuant to Proposition 98 in order to address a projected shortfall during Fiscal Year 2004-05. Proposition 98 also contains provisions transferring certain State tax revenues in excess of the Article XIIIB limit to K-14 districts.

The 2018-19 State Budget projects Proposition 98 expenditures for Fiscal Year 2018-19 of approximately $78.4 billion, which reflects an increase of approximately $2.8 billion compared to the Proposition 98 expenditures for Fiscal Year 2017-18. For further information concerning the impact of State Budgets on Proposition 98 funding, see "District Financial Information—State Budget" herein.

Proposition 39

Proposition 39, which was approved by California voters in November 2000 ("Proposition 39"), provides an alternative method for passage of school facilities bond measures by lowering the constitutional voting requirement from two-thirds to 55% of voters and allows property taxes to exceed the current 1% limit in order to repay such bonds. The lower 55% vote requirement would apply only to bond issues to be used for construction, rehabilitation, or equipping of school facilities or the acquisition of real property for school facilities. The State Legislature enacted additional legislation which placed certain limitations on this lowered threshold, requiring that (i) two-thirds of the governing board of a school district approve placing a bond issue on the ballot, (ii) the bond proposal be included on the ballot of a Statewide or primary election, a regularly scheduled local election, or a Statewide special election (rather than a school district election held at any time during the year), (iii) the tax rate levied as a result of any single election not exceed $25 for a community college district, $60 for a unified school district, or $30 for an elementary school or high school district per $100,000 of taxable property value, and (iv) the governing board of the school district appoint a citizen's oversight committee to inform the public concerning the spending of the bond proceeds. In addition, the school board of the applicable district is required to perform an annual, independent financial and performance audit until all bond funds have been spent to ensure that the funds have been used only for the projects listed in the measure. The District's Measure I Authorization was authorized pursuant to Proposition 39. See "District Financial Information – District Debt – General Obligation Bonds" herein. The District is in full compliance with all Proposition 39 requirements.

Proposition 1A

Proposition 1A ("Proposition 1A"), proposed by the Legislature as a Senate Constitutional Amendment in connection with the 2004-05 Budget Act and approved by California voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provided, however, that beginning in Fiscal Year 2008-09, the State could shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the

State reduces the vehicle license fee rate below 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates. The State's ability to initiate future exchanges and shifts of funds will be limited by Proposition 22. See " – Proposition 22" below.

Proposition 22

Proposition 22 ("Proposition 22"), which was approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. Due to the prohibition with respect to State's ability to take, reallocate, and borrow money raised by local governments for local purposes, Proposition 22 supersedes certain provisions of Proposition 1A of 2004. See " – Proposition 1A" herein. In addition, Proposition 22 generally eliminated the State's authority to temporarily shift property taxes from cities, counties, and special districts to schools, temporarily increased school and community college district's share of property tax revenues, prohibited the State from borrowing or redirecting redevelopment property tax revenues or requiring increased pass-through payments thereof, and prohibited the State from reallocating vehicle license fee revenues to pay for State-imposed mandates. In addition, Proposition 22 requires a two-thirds vote of each house of the State Legislature and a public hearing process to be conducted in order to change the amount of fuel excise tax revenues shared with cities and counties. The LAO stated that Proposition 22 would prohibit the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies. However, the California Supreme Court, in *California Redevelopment Association v. Matosantos*, held that the dissolution provisions set forth in Assembly Bill No. 26 of the First Extraordinary Session (2011) were constitutional and permitted the State to allocate revenues that would have been directed to the redevelopment agencies to make pass-through payments (*i.e.*, payments that such entities would have received under prior law) to local agencies and to successor agencies for retirement of the debts and certain administrative costs of the redevelopment agencies.

Proposition 22 prohibits the State from borrowing sales taxes or excise taxes on motor vehicle fuels or changing the allocations of those taxes among local government except pursuant to specified procedures involving public notices and hearings. In addition, Proposition 22 requires that the State apply the formula setting forth the allocation of State fuel tax revenues to local agencies revert to the formula in effect on June 30, 2009. The LAO stated that Proposition 22 would require the State to adopt alternative actions to address its fiscal and policy objectives, particularly with respect to short-term cash flow needs. The District does not believe that the adoption of Proposition 22 will have a significant impact on their respective revenues and expenditures.

Proposition 30

Proposition 30, which was approved voters in the State in November 2012 ("Proposition 30") authorizes the State to temporarily increase the maximum marginal personal income tax rates for individuals, heads of households and joint filers above 9.3 percent by creating three additional tax brackets of 10.3 percent, 11.3 percent and 12.3 percent. The tax increases set forth in Proposition 30 are in effect from tax year 2012 to tax year 2018. In addition, Proposition 30 temporarily increases the State's sales and use tax rate by 0.25 percent from 2013 to 2016.

Pursuant to Proposition 30, the State will include revenues from the temporary tax increases in the General Fund calculation of the Proposition 98 minimum guarantee for education spending. The State will deposit a portion of the new General Fund revenues into an Education Protection Account be established to support funding for schools and community colleges. The remainder of the new General Fund revenues will be available to help the State balance its budget through Fiscal Year 2017-18. However, the allocation of such revenues to particular programs is subject to the discretion of the Governor and the State Legislature.

In addition, Proposition 30 amends the State Constitution to address certain provisions relating to the realignment of State program responsibilities to local governments. Proposition 30 requires the State to continue to provide tax revenues that were redirected in calendar year 2011 (or equivalent funds) to local governments to pay for transferred program responsibilities. Further, Proposition 30 permanently excludes sales tax revenues that are redirected to local governments from the calculation of the Proposition 98 minimum guarantee for schools and community colleges.

Pursuant to Proposition 30, the State's ability to expand program requirements will be limited. Local governments will not be required to implement any future State laws that increase local costs to administer realigned program responsibilities unless the State provides such local governments with additional money to pay for the increased costs. Further, Proposition 30 requires the State to pay part of any new local costs that result from certain court actions and changes in federal statutes or regulations that are related to the realigned program responsibilities. Proposition 30 eliminates potential funding liability on the part of the State for mandates imposed upon local governments. Previously, the State was required to reimburse local governments when the State imposed new mandates upon them. In addition, Proposition 30 eliminates the State's practice of reimbursing local governments for costs resulting from certain provisions of the Ralph M. Brown Act including, among other things, the requirement to prepare and post agendas for public meetings.

The Proposition 30 sales and use tax increases expired at the end of the 2016 tax year. Under Proposition 30, the personal income tax increases were set to expire at the end of the 2018 tax year. However, the voters approved on November 8, 2016 the California Tax Extension to Fund Education and Healthcare Initiative ("Proposition 55"), which extends by twelve years the temporary personal income tax increases on incomes over $250,000 that was first enacted by Proposition 30. Revenues from the tax increase will be allocated to school districts and community colleges in the State.

Future Initiatives

The foregoing described amendments to the State Constitution and propositions were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted that further affect District revenues or the District's ability to expend revenues.

ASSESSED VALUATION OF PROPERTY WITHIN THE DISTRICT

General. As required by State law, the District uses the services of the County for the assessment and collection of taxes for District purposes. District taxes are collected at the same time and on the same tax rolls as are the County, the City of Los Angeles and other local agency and special district taxes.

State law exempts $7,000 of the full cash value of an owner-occupied dwelling from property tax, but this exemption does not result in any loss of revenue to local entities, including the District, because an amount equivalent to the taxes which would have been payable on such exempt values is paid by the State to the County for distribution to local agencies.

The County levies property taxes on behalf of taxing agencies in the County for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases or decreases in real property assessed valuation (the "Supplemental Assessment"). In such instances, the property is reassessed and a supplemental tax bill is sent to the new owner based on the new value prorated for the balance of the tax year. Accordingly, each school district is to receive allocations of revenue from such Supplemental Assessments and, in accordance with various apportionment factors, to the County, the County superintendent of schools, each community college district, each city and each special district within the County. Such allocations are to be from amounts remaining after allocations to the successor entity to each redevelopment agency in the County in connection with the 1% *ad valorem* property tax levy.

The 2019-20 Assessment Roll for property within the District's boundaries reflects an approximately 6.0% increase in assessed value from the prior year. Under State law, in addition to reassessments requested by property owners pursuant to Proposition 8 (1978) when the current market value of property is less than assessed value as of January 1, the county assessor annually initiates reviews of property for reassessments due to decline-in-value.

The following table sets forth the gross assessed valuation of taxable property within the boundaries of the District in Fiscal Years 2015-16 through 2019-20.

TABLE A-17

COMPTON UNIFIED SCHOOL DISTRICT
Historical Gross Assessed Valuation of Taxable Property [(1)]
Fiscal Years 2015-16 through 2019-20

Fiscal Year	Local Secured	Utilities	Unsecured	Total
2015-16	$ 9,238,148,945	$1,928,158	$803,048,296	$10,043,125,399
2016-17	9,807,331,824	1,928,158	800,582,428	10,609,842,410
2017-18	10,254,529,688	2,923,504	819,323,142	11,076,776,334
2018-19	10,852,808,500	2,923,504	949,619,355	11,805,351,359
2019-20	11,583,545,929	2,923,504	927,068,393	12,513,537,826

(1) Full cash value.
Source: California Municipal Statistics, Inc.

The following table sets forth the assessed valuation by land use of property within the District in Fiscal Year 2019-20.

TABLE A-18

COMPTON UNIFIED SCHOOL DISTRICT
Assessed Valuation and Parcels by Land Use
Fiscal Year 2019-20

	2019-20 Local Secured Assessed Valuation [(1)]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Commercial	$1,081,171,081	9.33%	1,309	4.05%
Vacant Commercial	40,747,297	0.35	125	0.39
Industrial	3,604,617,820	31.12	1,036	3.21
Vacant Industrial	52,885,758	0.46	231	0.72
Recreational	37,890,154	0.33	40	0.12
Government/Social/Institutional	92,323,934	0.80	553	1.71
Miscellaneous	60,102,963	0.52	219	0.68
Subtotal Non-Residential	$4,969,739,007	42.90%	3,513	10.88%
Residential:				
Single Family Residence	$5,182,441,291	44.74%	23,740	73.51%
Condominium/Townhouse	210,377,195	1.82	738	2.29
Mobile Home and Lots	7,986,214	0.07	38	0.12
Mobile Home Park	62,821,296	0.54	23	0.07
2-4 Residential Units	799,761,738	6.90	2,747	8.51
5+ Residential Units/Apartments	290,556,176	2.51	420	1.30
Vacant Residential	59,863,012	0.52	1,074	3.33
Subtotal Residential	$6,613,806,922	57.10%	28,780	89.12%
Total	$11,583,545,929	100.00%	32,293	100.00%

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

The following table sets forth the distribution of single-family homes within the District within various assessed valuation ranges in Fiscal Year 2019-20.

TABLE A-19

COMPTON UNIFIED SCHOOL DISTRICT
Assessed Valuations of Single Family Homes Per Parcel
Fiscal Year 2019-20

	No. of Parcels	2019-20 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	23,740	$5,182,441,291	$218,300	$203,296

2019-20 Assessed Valuation	No. of Parcels [(1)]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	364	1.533%	1.533%	$ 6,571,616	0.127%	0.127%
$25,000 - $49,999	2,730	11.500	13.033	103,532,473	1.998	2.125
$50,000 - $74,999	1,151	4.848	17.881	69,489,834	1.341	3.465
$75,000 - $99,999	763	3.214	21.095	66,412,211	1.281	4.747
$100,000 - $124,999	981	4.132	25.227	111,324,628	2.148	6.895
$125,000 - $149,999	1,349	5.682	30.910	186,108,102	3.591	10.486
$150,000 - $174,999	1,991	8.387	39.297	325,484,803	6.281	16.767
$175,000 - $199,999	2,235	9.414	48.711	419,274,842	8.090	24.857
$200,000 - $224,999	1,895	7.982	56.693	401,294,419	7.743	32.600
$225,000 - $249,999	1,529	6.441	63.134	362,492,792	6.995	39.595
$250,000 - $274,999	1,325	5.581	68.715	347,901,184	6.713	46.308
$275,000 - $299,999	1,238	5.215	73.930	355,478,954	6.859	53.167
$300,000 - $324,999	1,045	4.402	78.322	326,775,785	6.305	59.473
$325,000 - $349,999	994	4.187	82.519	335,599,625	6.476	65.948
$350,000 - $374,999	923	3.888	86.407	334,291,800	6.450	72.399
$375,000 - $399,999	880	3.707	90.114	340,860,786	6.577	78.976
$400,000 - $424,999	768	3.235	94.349	315,918,996	6.096	85.072
$425,000 - $449,999	546	2.300	95.649	238,052,558	4.593	89.666
$450,000 - $474,999	322	1.356	97.005	148,534,174	2.866	92.532
$475,000 - $499,999	226	0.952	97.957	110,106,307	2.125	94.656
$500,000 and greater	485	2.043	100.000	276,935,402	5.344	100.000
Total	23,740	100.000%		$5,182,441,291	100.000%	

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

Tax Rates, Levies and Collections. Taxes are levied for each fiscal year on taxable real and personal property as of the preceding January 1. Real property that changes ownership or is newly constructed is revalued at the time the change occurs or the construction is completed. The current year property tax rate is applied to the reassessed value, and the taxes are then adjusted by a proration factor that reflects the portion of the remaining tax year for which taxes are due. The annual tax rate is based on the amount necessary to pay all obligations payable from *ad valorem* property taxes and the assessed value of taxable property in a given year. Economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster such as earthquake, flood, 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 District's outstanding general obligation bonds. The District cannot predict and does not make any assurances regarding the effects that natural disasters, such as fire, drought, 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 such natural disasters might have on economic activity in the District.

For assessment and collection purposes, property is classified as either "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 property (real or personal) the taxes on which are a lien sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is listed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and June 1 of each fiscal year, and become delinquent on December 10 and April 10, respectively. A penalty of 10% attaches immediately to all delinquent payments. Properties on the secured roll with respect to which taxes are delinquent become tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then may be sold at public auction by the County Treasurer and Tax Collector.

Property taxes on the unsecured roll are due in one payment on the January 1 lien date and become delinquent after August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The County has four ways of collecting delinquent unsecured personal property taxes: (i) a civil action against the taxpayer; (ii) filing a judgment in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (iii) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (iv) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. The County has not adopted the "Teeter Plan" for the distribution of tax levies and collections within the County. Accordingly, the District's receipt of property taxes is subject to delinquencies, and the District's tax receipts reflect the receipt of interest and penalties relating to delinquent taxes.

Proposition 13 and its implementing legislation impose the function of property tax allocation on counties in the State and prescribe how levies on countywide property values are to be shared with local taxing entities within each county. The limitations in Proposition 13, however, do not apply to *ad valorem* property taxes or special assessments to pay the interest and redemption charges on indebtedness, such as the District's general obligation bonds, approved by the voters.

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

State Government Code Sections 29100 through 29107 provide the procedures that all counties must follow for calculating tax rates. The secured tax levy within the District consists of the District's share of the 1% general *ad valorem* property and unitary taxes assessed on a County-wide basis and amounts levied that are in excess of the 1% general *ad valorem* property taxes. These tax receipts are part of the District's operations. In addition, the secured tax levy also includes the amount for the District's share of special voter-approved *ad valorem* property taxes assessed on a District-wide basis, such as the *ad valorem* property taxes assessed for the District's general obligation bonds issued pursuant to the authorizations received at elections held on November 5, 2002 and November 3, 2015 at which more than 55% of the persons voting on the proposition voted to authorize the issuance and sale of not more than $80,000,000 and $350,000,000, respectively, of general obligation bonds and any related general obligation refunding bonds. *Ad valorem* property taxes levied for general obligation bonds are deposited with the County and may only be applied to pay the principal of, redemption premium, if any, and interest on the District's general obligation bonds and general obligation refunding bonds. The District does not receive such funds nor are they available to pay any of the District's operating expenses. In addition, the total secured tax levy includes special assessments, improvement bonds, supplemental taxes or other charges which have been assessed on property within the District. Since State law allows homeowners' exemptions (described above) and certain business exemptions from *ad valorem* property taxation, such exemptions are not included in the total secured tax levy.

Further, State Education Code Section 15251 provides that all taxes levied with respect to general obligation bonds when collected will be paid into the county treasury of the county whose superintendent of schools has jurisdiction over the school district on behalf of which the tax was levied, to the credit of the debt service fund (or interest and sinking fund) of the school district, and will be used for the payment of the principal of and interest on the general obligation bonds and general obligation refunding bonds of the school district and for no other purpose. Accordingly, the County may not borrow or spend such amounts nor can the District receive such funds and use them for operating purposes.

The following table sets forth the tax rates for the general percentage of the levy applied to all property owners for all of the District's outstanding general obligation bonds and general obligation refunding bonds and State school loan repayment and the total overlapping tax rate levied on real property owners within the District from Fiscal Year 2015-16 through 2019-20.

TABLE A-20

COMPTON UNIFIED SCHOOL DISTRICT
Typical Tax Rates
Typical Tax Rate per $100 of Assessed Valuation (TRA 2800)[(1)]
Fiscal Years 2015-16 through 2019-20

	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20
General Tax Rate	1.000000	1.000000	1.000000	1.000000	1.000000
Compton Unified School District	0.072373	0.125918	0.122296	0.118344	0.111310
Compton Community College District	0.022019	0.021936	0.022806	0.045071	0.046868
City of Compton	0.451632	0.451632	0.451632	0.451632	0.451632
Metropolitan Water District	0.003500	0.003500	0.003500	0.003500	0.003500
Total Tax Rate	1.549524	1.602986	1.600234	1.618547	1.613310

(1) 2019-20 assessed valuation of TRA 2800 is $2,865,878,746, which is 22.90% of the District's total assessed valuation.
Source: California Municipal Statistics, Inc.

The following table sets forth the secured tax charges for the one percent General Fund apportionment and the District's general obligation bond debt service levy on property in the District from Fiscal Years ended June 30, 2015 through June 30, 2019 and the amount and percent delinquent as of June 30 of each such fiscal year.

TABLE A-21

COMPTON UNIFIED SCHOOL DISTRICT
Property Tax Levies and Collections
Fiscal Years ended June 30, 2015 to June 30, 2019

	1% General Fund Apportionment			District's General Obligation Bond Debt Service Levy		
Fiscal Year ended June 30	**Secured Tax Charge** [1]	**Amount Delinquent (June 30)**	**Percent Delinquent (June 30)**	**Secured Tax Charge** [2]	**Amount Delinquent (June 30)**	**Percent Delinquent (June 30)**
2015	$19,741,470.27	$281,441.77	1.43%	$ 5,873,791.48	$144,714.49	2.46%
2016	20,730,911.03	290,859.13	1.40	6,675,766.68	129,855.78	1.95
2017	21,819,949.41	256,511.62	1.18	12,241,905.88	218,571.34	1.79
2018	22,897,048.86	281,613.17	1.23	12,548,991.69	194,831.22	1.55
2019	24,347,328.06	329,459.92	1.35	13,014,858.74	324,476.21	2.49

(1) 1% General Fund apportionment. Excludes redevelopment agency impounds. Reflects countywide delinquency rate.
(2) Bond debt service levy only.
Source: California Municipal Statistics, Inc.

Largest Taxpayers in the District. The following table sets forth the 20 largest secured taxpayers in the District for Fiscal Year 2019-20.

TABLE A-22

COMPTON UNIFIED SCHOOL DISTRICT
Largest Local Secured Taxpayers
Fiscal Year 2019-20

	Property Owner	**Primary Land Use**	**2019-20 Assessed Valuation**	**% of Total** [1]
1.	Prologis LP	Industrial	$ 327,285,296	2.83%
2.	AMB Property LP	Industrial	166,203,351	1.43
3.	Carson Dominguez Properties LP	Industrial	165,755,788	1.43
4.	Watson Partners LP	Industrial	133,841,511	1.16
5.	Anschutz So Ca Sports Complex Stubhub Center	Sports Arena	119,790,377	1.03
6.	South Bay Industrials Co. LLC	Industrial	116,662,101	1.01
7.	LA Brickyard LLC	Industrial	109,242,599	0.94
8.	PR I Dominguez Hills	Industrial	109,096,150	0.94
9.	General Mills Operations Inc.	Industrial	101,986,800	0.88
10.	Ralphs Grocery Co.	Industrial	96,208,935	0.83
11.	CLPF Gateway Towne Center LP	Shopping Center	93,483,375	0.81
12.	Comref So Ca Industrial	Industrial	67,829,609	0.59
13.	Rexford Industrial Industry Way	Industrial	59,404,728	0.51
14.	Plains West Coast Terminals LLC	Industrial	57,806,436	0.50
15.	First Industrial LP	Industrial	48,501,994	0.42
16.	Duke Realty LP	Industrial	35,735,000	0.31
17.	Inland Empire Realty Holding Co.	Industrial	32,784,769	0.28
18.	Central Ave. Industrial Park LLC	Office Building	31,864,047	0.28
19.	Owens Corning Roofing	Industrial	30,527,508	0.26
20.	Centerpoint Properties Trust	Industrial	29,455,163	0.25
			$1,933,465,537	16.69%

(1) 2019-20 Local Secured Assessed Valuation: $11,583,545,929.
Source: California Municipal Statistics, Inc.

REGIONAL ECONOMIC AND DEMOGRAPHIC INFORMATION

The District's boundaries include the City of Compton and portions of the Cities of Carson and Los Angeles (collectively, the "Cities"). The following economic and demographic information pertains to the Cities and the County of Los Angeles. The Certificates are not general obligations of the Cities or the County.

Population

The following table sets forth the estimates of the population of the City, the County and the State in calendar years 2015 through 2019.

TABLE A-23

Population Estimates
2015 through 2019

Year (as of January 1)	City of Compton	County of Los Angeles	State of California
2015	99,326	10,155,753	38,952,462
2016	99,196	10,185,851	39,214,803
2017	99,125	10,226,920	39,504,609
2018	98,985	10,254,658	39,740,508
2019	98,711	10,253,716	39,927,315

Source: State of California Department of Finance Demographic Research Unit.

Income

The following table summarizes the median household income for the City, the County, the State and the United States for calendar years 2013 through 2017.

TABLE A-24

Median Household Income[(1)]
2013 through 2017

Year	City of Compton	County of Los Angeles	State of California	United States of America
2013	$42,953	$55,909	$61,094	$53,046
2014	43,230	55,870	61,489	53,482
2015	43,507	56,196	61,818	53,889
2016	45,406	57,952	63,783	55,322
2017	48,117	61,015	67,169	57,652

(1) Estimated. In inflation-adjusted dollars.
Source: U.S. Census Bureau – Economic Characteristics – American Community Survey.

The following table is the distribution of income by certain income groupings as a percentage of households for the City, the County, the State and the United States for calendar year 2014.

TABLE A-25

Income Groupings
Calendar Year 2017[1]

Income Per Household	City of Compton	County of Los Angeles	State of California	United States of America
$24,999 & Under	25.7%	21.2%	18.7%	21.4%
$25,000-49,999	25.8	20.9	19.7	22.5
$50,000 & Over	48.6	57.9	61.7	56.2

(1) Estimated. In 2017 inflation-adjusted dollars.
Source: U.S. Census Bureau, 2013-2017 American Community Survey 5-Year Estimates.

Employment

The District is within the Los Angeles-Long Beach-Glendale Metropolitan Division (Los Angeles County) Labor Market. The following table sets forth information regarding the civilian labor force and wage and salary employment in the County for calendar years 2014 through 2018.

TABLE A-26

Labor Force and Employment in Los Angeles County[1]
2014 through February 2018

	2014	2015	2016	2017	2018
Civilian Labor Force[2]	4,992,600	4,989,800	5,041,400	5,096,500	5,136,300
Employment	4,580,300	4,659,700	4,776,700	4,853,800	4,896,500
Unemployment	412,300	330,100	264,800	242,700	239,800
Unemployment Rate	8.3%	6.6%	5.3%	4.8%	4.7%
Wage and Salary Employment[3]					
Farm	5,200	5,000	5,300	5,700	4,800
Mining and Logging	3,100	2,900	2,400	2,000	1,900
Construction	118,500	126,100	133,900	138,400	146,000
Manufacturing	371,500	368,200	360,800	349,900	343,700
Trade, Transportation and Utilities	804,500	822,200	835,600	845,700	850,900
Information	198,900	207,600	229,400	214,900	217,400
Financial Activities	211,200	215,600	219,800	221,600	223,000
Professional and Business Services	589,100	591,000	600,100	608,800	620,000
Educational and Health Services	725,000	745,900	772,700	800,600	823,600
Leisure and Hospitality	464,100	486,600	510,000	524,600	534,300
Other Services	150,500	151,000	153,300	155,700	159,700
Government	556,200	568,500	576,700	586,100	589,600
Total[1]	4,197,800	4,290,600	4,400,000	4,454,000	4,514,900

(1) Totals may not equal sum of component parts due to rounding. All information updated per 2018 Benchmark.
(2) Based on place of residence.
(3) The State Employment Development Department has reported a preliminary unemployment rate within the County of 4.6% for February 2019.
Source: State Employment Development Department, Labor Market Information Division.

Taxable Transactions

The following table sets forth taxable sales in the County for the calendar years 2013 through 2017.

TABLE A-27

County of Los Angeles
Taxable Transactions[1]
Calendar Years 2013 through 2017
($ in thousands)

Type of Business	**2013**	**2014**	**2015**	**2016**	**2017**
Motor Vehicle and Parts Dealers	$ 15,543,657	$ 16,564,553	$ 18,058,173	$ 18,502,763	$ 18,564,128
Home Furnishings and Appliance Stores[2]	--	--	7,832,717	7,842,401	7,608,635
Furniture and Home Furnishings Stores	2,568,630	2,734,737	--	--	--
Electronics and Appliance Stores	3,576,308	4,040,534	--	--	--
Building Materials and Garden Equipment and Supplies	6,558,312	6,971,149	7,402,869	7,688,704	8,033,660
Food and Beverage Stores	6,051,754	6,279,795	6,689,582	6,696,653	6,922,448
Health and Personal Care Stores[3]	3,306,274	3,414,941	--	--	--
Gasoline Stations	13,817,056	13,265,979	11,468,929	10,137,302	10,962,033
Clothing and Clothing Accessories Stores	9,926,558	10,560,952	10,974,322	11,413,847	11,554,496
Sporting Goods, Hobby, Book & Music Stores[3]	2,487,061	2,460,392	--	--	--
General Merchandise Stores	11,463,750	11,557,051	10,912,560	10,904,814	11,249,712
Miscellaneous Store Retailers[3]	4,953,245	5,204,656	--	--	--
Nonstore Retailers[3]	1,906,573	2,170,084	--	--	--
Food Services and Drinking Places	17,481,996	18,964,996	20,605,855	22,002,191	23,198,676
Other Retail Group[4]	--	--	14,202,014	14,808,367	15,186,560
Total Retail and Food Services	$ 99,641,174	$104,189,819	$108,147,021	$109,997,043	$113,280,347
All Other Outlets	$ 40,438,534	$ 43,257,109	$ 42,886,760	$ 44,211,290	$ 45,979,009
TOTAL ALL OUTLETS	$140,079,708	$147,446,927	$151,033,781	$154,208,33	$159,259,356

(1) Totals may not equal sum of component parts due to rounding.
(2) In 2015, the taxable transactions for the type of business for Furniture and Home Furnishings Stores and Electronics and Appliance Stores were combined.
(3) In 2015, the taxable transactions for the type of business for Health and Personal Care Stores, Sporting Goods, Hobby, Book & Music Stores, Miscellaneous Store Retailers and Nonstore Retailers were eliminated.
(4) In 2015, the taxable transactions for the type of business for Other Retail Group was included.

Source: California State Board of Equalization, Taxable Sales in California for Fiscal Years 2013 through 2016; California Department of Tax and Fee Administration for Fiscal Year 2017.

Major Employers

The economic base of the County is diverse, with no one sector being dominant. Some of the leading activities include government (including education), business/professional management services (including engineering), health services (including training and research), tourism, distribution, and entertainment. The following table sets forth the major employers in the County.

TABLE A-28

County of Los Angeles
Major Employers[1]
2018

Employer	Product/Service	Employees
Los Angeles County	Government	109,881
Los Angeles Unified School District	Education	60,240
University of California, Los Angeles	Education	48,570
U.S. Government – Federal Executive Board	Government	47,200
Kaiser Permanente	Non-profit health plan	37,468
City of Los Angeles	Government	33,375
State of California	Government	30,000
University of Southern California	Private university	21,055
Northrop Grumman Corp.	Defense contractor	16,600
Providence Health & Services Southern California	Health care	15,951
Target Corp.	Retailer	15,000
Ralphs/Food 4 Less (Kroger Co. division)	Retail grocer	14,970
Walt Disney Co.	Entertainment	13,000
Allied Universal	Security	12,879
NBC Universal	Entertainment	12,000
AT&T Inc.	Telecommunications	11,500
Home Depot	Home improvement specialty retailer	11,200
Albertsons/Vons/Pavilions	Retail grocer	10,200
Los Angeles County Metropolitan Transp. Auth.	Transportation	9,907
UPS	Transportation and freight	9,553
Los Angeles Department of Water & Power	Energy	9,425
California Institute of Technology	Private university; operator of Jet Propulsion Laboratory	8,697
Wells Fargo & Co.	Diversified financial services	8,582
ABM Industries Inc.	Facility services, energy solutions, commercial cleaning	8,000
FedEx Corp.	Shipping and logistics	7,000
Los Angeles Community College District	Education	6,893
Long Beach Unified School District	Education	6,686
Bank of America Corp.	Banking and financial services	6,572
Dignity Health	Health care	6,200
Space Exploration Technologies Corp. (SpaceX)	Rockets and spacecraft	6,000
City of Hope	Treatment and research center for cancer and other diseases	5,950
Raytheon Co.	Aerospace and defense	5,800
Children’s Hospital Los Angeles	Hospital	5,735
Costco Wholesale	Membership chain of warehouse stores	5,445
SoCalGas	Natural gas utility	5,400
City of Long Beach	Government	5,318
Paramount Pictures	Entertainment	5,000
Torrance Memorial Medical Center	Medical center	5,000
JPMorgan Chase & Co.	Banking and financial services	5,000
Boeing Co.	Aerospace and defense	5,000

(1) The information on this list was provided by representatives of the employers themselves. Companies are ranked by the current number of full-time employees in Los Angeles County. Several additional companies may have qualified for this list, but failed to submit information or do not break out local employment data.

Source: “2018 Book of Lists,” Los Angeles Business Journal, August 27, 2018.

APPENDIX B

THE LEASED PROPERTY

The Leased Property consists of:

1. William Jefferson Clinton Elementary School ("Clinton Elementary School"), located at 6500 East Compton Boulevard, Compton, California 90221 which was built by the Lessee in 2004. Clinton Elementary School currently houses approximately 899 students in kindergarten through 8^{th} grade. The buildings located on the site comprise 60,471 square feet and currently have an insured value of approximately $13,609,190, with personal property valued at $2,135,700. Clinton Elementary School is one of twenty-one of the Lessee's elementary schools.

   and

2. The District Administration complex, located at 501 South Santa Fe Avenue, Compton California 90221 on a four-acre site, which was built by the Lessee in 2007. The Leased Property currently houses approximately 175 District employees who provide management and support functions to the Lessee. The District Administration complex has two stories and is comprised of 46,783 square feet, with a current insured value of approximately $13,710,240, and personal property valued at $2,619,800.

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APPENDIX C

DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS

This Appendix C contains only a brief summary of certain of the terms of the Lease Agreement and the Trust Agreement and a full review should be made of the entire Official Statement, including the cover page and the appendices thereto. Terms used herein but not defined herein will be as defined in the Official Statement and the Lease Agreement and the Trust Agreement and summaries of provisions of the documents referred to in the Lease Agreement and the Trust Agreement do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions of such documents.

DEFINITIONS

The following are definitions of certain terms used in this Appendix C or elsewhere in this Official Statement.

"Additional Lease Payments" means those payments due as provided in the Lease Agreement.

"Additional Payments" means those payments due as provided in the Lease Agreement.

"Assignment Agreement" means the Assignment Agreement, dated as of the date of the Trust Agreement, by and between the Trustee and the Lessor, and any duly authorized and executed amendments or supplements thereto.

"Authorized Denomination" means denominations of $5,000 or any integral multiple thereof.

"Business Day" means any day (other than a Saturday, Sunday or holiday) on which banks in Los Angeles, California or New York, New York are not authorized or obligated by law or executive order to remain closed.

"Business Services Representative" means any person representing the Chief Financial Officer or the Director, Business Advisory Services, including representatives of the Los Angeles County Office of Education Business Advisory Services, Internal Business Services and School Financial Services.

"Certificate Year" means the annual period commencing on June 2 of a calendar year and ending on June 1 of the following calendar year, in any year during which the Certificates are or will be Outstanding; provided, however, that the initial Certificate Year shall begin on the Closing Date and end on June 1 of the following calendar year and the final Certificate Year shall end on the date on which the last Certificate is paid or prepaid.

"Certificateholders" when used with respect to a Certificate, means such persons in whose name such Certificate is registered on the registration books of the Trustee.

"Certificates" means the Certificates of Participation (Los Angeles County Schools Pooled Financing Program) 2019 Series A (Compton Unified School District) executed and delivered pursuant to the Trust Agreement.

"Code" means the Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder, as the same may be amended from time to time, and any successor provisions of law.

"Continuing Disclosure Certificate" means the Continuing Disclosure Certificate, dated the date of delivery of the Certificates, executed by the Lessee. and any duly authorized and executed amendments or supplements thereto.

"Corporation" means the Los Angeles County Schools Regionalized Business Services Corporation, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California.

"Costs of Delivery" means all items of expense directly or indirectly payable by or reimbursable to the Lessee or the Lessor relating to the delivery of the Certificates, including but not limited to filing, recording and title insurance premiums and fees, settlement costs, printing costs, reproduction and binding costs, financing discounts, initial fees and charges of the Trustee (as Trustee hereunder), legal fees and charges, financing and other professional consultant fees, fees for credit ratings, fees for the Trustee's execution, transportation and safekeeping of Certificates, and other charges and fees in connection with the foregoing and the sale of the Certificates.

"Costs of Delivery Fund" means the Costs of Delivery Fund established pursuant to the Trust Agreement.

"County Investment Policy" means, at any time, the investment policy stating the primary goals and authorized investments of the County Treasurer when investing public funds under the County Treasurer's control as approved by the County's oversight committee and the Board of Supervisors of the County as required by State law.

"County Treasurer" means the Treasurer and Tax Collector of the County of Los Angeles.

"Defeasance Obligations" means, unless otherwise approved by the Insurer: (1) cash, (2) non-callable direct obligations of the United States of America ("Treasuries"), or (3) obligations as otherwise may be authorized under State law and approved by the Insurer.

"Event of Default" means an event of default set forth in the Trust Agreement.

"Governing Board" when used with reference to the Lessee means the Board of Trustees of the Lessee.

"Improvements" means any public improvements on real property owned by the Lessee and leased to the Lessor pursuant to the Site Lease.

"Independent Counsel" means an attorney duly admitted to practice law before the highest court of the state in which such attorney maintains an office and who is not an employee of the Lessor or the Lessee.

"Insurance Consultant" means an individual or firm employed by the Lessee as an independent contractor, experienced in the field of risk management.

"Insurer" means, initially, Build America Mutual Assurance Company, a New York stock insurance company, or any successor thereto or assignee thereof.

"Interest Component" means the portion of the Lease Payments designated as interest in the Trust Agreement.

"Interest Payment Date" means June 1 and December 1 of each year, commencing June 1, 2020.

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

"Laws and Regulations" shall have the meaning provided in the Lease Agreement.

"Lease Agreement" means the Lease Agreement, dated as of the date of the Trust Agreement, by and between the Lessee and the Lessor, and any duly authorized and executed amendments or supplements thereto.

"Lease Payment" means any payment required to be paid by the Lessee to the Lessor pursuant to the Lease Agreement.

"Lease Payment Date" means May 15 and November 15 of each year, commencing May 15, 2020.

"Lease Payment Fund" means the fund so designated which is established pursuant to the Trust Agreement.

"Leased Property" means, collectively, all of the Leased Property and Leased Property Components of the real and/or personal property, consisting of the site and the capital improvements described in the Lease Agreement.

"Leased Property Component" means any identifiable portion or singular parcel comprising the real and/or personal property described in the Lease Agreement.

"Lessee" means the Compton Unified School District, a unified school district duly organized and existing under and by virtue of the laws of the State of California, as lessee under the Lease Agreement.

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

"Lessor" means the Corporation, as lessor under the Lease Agreement, its successors and assigns.

"Lessor Representative" means the Chairman, President, Executive Director, Assistant Executive Director, Vice President, Assistant Vice President, Secretary, Assistant Secretary, and/or

Treasurer of the Lessor, or any other person authorized by the Board of Directors of the Lessor to act on behalf of the Lessor under or with respect to the Lease Agreement, as evidenced by a certificate of the Lessor.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns.

"Municipal Bond Insurance Policy" means the insurance policy issued by the Insurer guaranteeing the scheduled payment of principal and interest evidenced by the Certificates when due as provided therein.

"Net Insurance and Condemnation Proceeds" means any net proceeds of insurance or condemnation proceeds paid with respect to the affected portion of any Leased Property remaining after payment therefrom of any expenses (including attorneys' fees) incurred in the collection thereof.

"Net Insurance and Condemnation Proceeds Fund" means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

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

(a) Certificates theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(b) Certificates for the payment or prepayment of which funds or Defeasance Obligations in the necessary amount shall have theretofore been deposited with the Trustee (whether upon or prior to the maturity or prepayment date of such Certificates) in accordance with the Trust Agreement; provided, that if such Certificates are to be prepaid prior to maturity, notice of such prepayment shall have been given as provided in the Trust Agreement or provision satisfactory to the Trustee shall have been made for the giving of such notice; and

(c) Certificates in lieu of or in exchange for which other Certificates shall have been delivered by the Trustee pursuant to the Trust Agreement.

"Payment Date" means each Interest Payment Date and Principal Payment Date.

"Permitted Encumbrances" means, with respect to the Leased Property, as of any particular time: (i) liens for general *ad valorem* taxes and assessments, if any, not then delinquent, or which the Lessee may, pursuant to the provisions of the Lease Agreement, permit to remain unpaid; (ii) the Trust Agreement; (iii) the Site Lease; (iv) the Assignment Agreement; (v) the Lease Agreement; (vi) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; and (vii) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which the Lessee certifies in writing will not impair the use of the Leased Property or to which the Corporation and the Insurer consent in writing.

"Permitted Investments" means any of the following, except to the extent not permitted by the laws of the State as an investment for the moneys to be invested therein at the time of investment:

(1) "Federal Securities" means:

(a) Cash (insured at all times by the Federal Deposit Insurance Corporation),

(b) Obligations of, or obligations fully and unconditionally guaranteed as to timely payment of principal and interest by, the United States or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States including:

- U.S. Treasury obligations
- All direct or fully guaranteed obligations
- Farmers Home Administration
- General Services Administration
- Guaranteed Title XI financing
- Government National Mortgage Association
- State and Local Government Series;

(2) Bonds, debentures, notes, participation certificates or other evidences of indebtedness issued, or the principal of and interest on which are unconditionally guaranteed, by the Federal Intermediate Credit Bank, the Federal Home Loan Bank System, the Government National Mortgage Association or any other agency or instrumentality of or corporation wholly owned by the United States of America when such obligations are backed by the full faith and credit of the United States for the full and timely payment of principal and interest;

(3) Obligations of any state of the United States or any political subdivision thereof, which at the time of investment are rated "Aa3" or higher by Moody's and "AA " or higher by S&P; or which are rated by Moody's "VMIG 1" or better and by S&P "A-1+" or better with respect to commercial paper, or "VMIG 1" and "SP-1", respectively, with respect to municipal notes;

(4) Bank time deposits evidenced by certificates of deposit, including those placed by a third party pursuant to an agreement between the Lessee and the Trustee, deposit accounts, including time deposits, trust funds, trust accounts, overnight bank deposits, interest-bearing deposits, interest bearing money market accounts and bankers' acceptances (having maturities of not more than 30 days), issued by any bank, trust company or national banking association insured by the Federal Deposit Insurance Corporation (including the Trustee or any of its affiliates); provided that (a) such bank, trust company or national banking association be rated "Aa3" or better by Moody's and "AA-" or better by S&P; and (b) the aggregate of such bank time deposits and bankers' acceptances issued by any bank, trust company or banking association does not exceed at any one time 10% of the aggregate of the capital stock, surplus and undivided profits of such bank, trust company or banking association and that such capital stock, surplus and undivided profits shall not be less than $15,000,000;

(5) Repurchase or reverse repurchase agreements with any bank, trust company or national banking association insured by the Federal Deposit Insurance Corporation (including the Trustee or any of its affiliates), with subsidiaries (of a parent company), provided the obligations of the subsidiary under the agreement are unconditionally guaranteed by the parent, or with any government bond dealer recognized as a primary dealer by the Federal Reserve Bank of New York, which agreements are fully and continuously secured by a valid and perfected first priority security interest in obligations described in paragraph (1) or (2) of this definition, provided that either such bank, trust company or national banking association which (or senior debt or claims paying ability of the financial entity's guarantor) is rated, at the time of investment, "Aa" or better by Moody's and "AA" or better by S&P; provided further that such agreements and providers shall be approved by the Insurer;

(6) Repurchase or reverse repurchase agreements with maturities of not more than one year entered into with financial institutions such as banks or trust companies organized under state law or national banks or banking associations (including the Trustee or any of its affiliates), insurance companies or government bond dealers reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York and a member of the Securities Investor Protection Corporation or with a dealer or parent holding company that is rated, at the time of investment, or whose long-term debt obligations (or senior debt or claims paying ability of the financial entity's guarantor) are rated, at the time of investment, "Aa (stable)" or better by Moody's and "AA (stable)" or better by S&P, provided such repurchase agreements are in writing, secured by obligations described in paragraphs (1) and (2) of this definition having a fair market value, exclusive of accrued interest, at least equal to the amount invested in the repurchase agreements and in which the Trustee has a perfected first lien in, and retains possession of, such obligations free from all third party claims;

(7) Investment agreements, forward purchase agreements and reserve fund put agreements with any corporation, including banking or financial institutions, or agreements entered into with subsidiaries (of a parent company), provided the obligations of the subsidiary under the agreement are unconditionally guaranteed by the parent, the corporate debt of which (or senior debt or claims paying ability of the financial entity's guarantor) is rated, at the time of investment, "Aa" or better by Moody's and "AA" or better by S&P; provided further that such agreements and providers shall be approved by the Insurer;

(8) Guaranteed investment contracts or similar funding agreements issued by insurance companies, provided that either the long term corporate debt of such insurance company, at the time of investment, is rated, at the time of investment, "Aa3" or better by Moody's and "AA-" or better by S&P or which agreements are fully and continuously secured by a valid and perfected first priority security interest in obligations described in paragraph (1) or (2) of this definition, or that the following conditions are met: (a) the market value of the collateral is maintained at levels acceptable to Moody's and S&P, (b) the Trustee or a third party acting solely as agent for the Trustee has possession of the collateral, (c) the Trustee has a perfected first priority security interest in the collateral, (d) the collateral is free and clear of third-party liens, and (e) failure to maintain the requisite collateral level will require the Trustee to liquidate collateral; provided further that such agreements and providers shall be approved by the Insurer;

(9) Corporate commercial paper rated at the time of purchase "P-1" or better by Moody's and "A-1+" or better by S&P at the time of investment;

(10) Money market mutual funds having a rating in the highest investment category granted thereby from S&P or Moody's, including, without limitation any mutual fund for which the Trustee or an affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives and retains a fee for services provided to the fund, (ii) the Trustee collects fees for services rendered pursuant to the Trust Agreement, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to the Trust Agreement may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee;

(11) Deposits with the Local Agency Investment Fund of the State as permitted by law; and

(12) The Treasury Pool of the County.

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

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

"Principal Component" means the principal amount of Outstanding Certificates.

"Principal Corporate Trust Office" means the corporate trust office of the Trustee in Los Angeles, California, or such other place designated by the Trustee except that with respect to presentation of Certificates for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

"Principal Payment Date" means June 1 of each year, commencing June 1, 2020.

"Program Expenses" means all administrative costs of the Lessor relating to the Leased Property, the Project or the execution, sale and delivery of the Certificates, including, without limitation, taxes of any sort whatsoever payable by the Lessor as a result of its ownership of the Leased Property or its undertaking of the transactions contemplated in the Trust Agreement or in the Lease Agreement, Costs of Delivery, fees of auditors, accountants, attorneys or engineers, insurance premiums, credit enhancement fees, and all other necessary administrative costs of the Lessor or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Certificates or of the Trust Agreement or to defend the Lessor.

"Project" means the financing of the acquisition, construction, installation and improvements of the real and/or personal property, consisting of the site and the capital improvements financed by the Lessee with the proceeds of the Certificates.

"Project Component" means any part of the real property and/or personal property and/or equipment and/or improvements financed with the proceeds of the Certificates.

"Project Costs" means, with respect to the Project Component, the contract price paid or to be paid therefor upon acquisition, delivery, installation, equipping or remodeling (if any) thereof, in accordance with a purchase order or contract therefore, together with all related costs of the Project, including, but not limited to, the administrative, engineering, legal, financial and other costs incurred by the Lessee and the Lessor in connection with the construction, acquisition, delivery, equipping or installation of the Project Component of the Project, including all applicable sales taxes and other charges resulting from such construction, acquisition, delivery, equipping or installation of such Project, and Costs of Delivery not paid from the Costs of Delivery Fund.

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

"Rating Agencies" means Moody's and S&P.

"Rebate Fund" means the fund so designated which is established pursuant to the Trust Agreement.

"Release" shall have the meaning provided in the Lease Agreement.

"Removal" means the release of all or a portion of the Leased Property from the leasehold of the Lease Agreement and the Site Lease as provided in the Lease Agreement.

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

"Reserve Fund Credit Facility" means a letter of credit, line of credit, surety bond, insurance policy or similar facility acceptable to the Insurer and deposited in the Reserve Fund in lieu of or in partial substitution for cash or securities on deposit therein. The initial Reserve Fund Credit Facility shall be the Reserve Policy.

"Reserve Fund Requirement" means an amount, at any time, equal to the least of (i) ten percent (10%) of the original principal amount of the Certificates, (ii) the maximum prospective aggregate amount of Lease Payments to be paid in any Certificate Year by the Lessee, or (iii) 125% of the average Lease Payments to be paid in the then-current or any future Certificate Year, each as certified in writing to the Trustee by the Lessee.

"Reserve Policy" means a municipal bond debt service reserve insurance policy issued by a municipal bond insurer named therein.

"Responsible Officer" means, when used with respect to the Trustee, the president, any vice president, any assistant vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, any senior associate, any associate or any other officer of the Trustee within the Principal Corporate Trust Office (or any successor corporate trust office) customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred at the Principal Corporate Trust Office because of such person's knowledge of and familiarity with the particular subject and having direct responsibility for the administration of the Trust Agreement.

"S&P" means Standard & Poor's Rating Services, a Standard & Poor's Financial Services LLC business, which is a subsidiary of The McGraw-Hill Companies, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of New York, its successors and assigns.

"Site Lease" means the Site Lease by and between the Lessor, as lessee thereunder, and the Lessee, as lessor thereunder, and any duly authorized and executed amendments or supplements thereto.

"Special Counsel" means an attorney or firm of attorneys of nationally recognized standing in matters pertaining to the tax status of interest on obligations issued by states and their political subdivisions.

"State" means the State of California.

"Substitution" means the release of all or a portion of the Leased Property from the leasehold of the Lease Agreement and Site Lease, and the lease of substituted real property and Improvements and/or equipment, if any, thereunder and under the Site Lease as provided in the Lease Agreement.

"Supplemental Trust Agreement" means any trust agreement duly authorized and entered into among the Lessor, the Lessee and the Trustee, supplementing, modifying or amending the Trust Agreement in accordance with the terms under the Trust Agreement.

"Tax Certificate" means the Tax Certificate delivered by the Lessee on the Closing Date.

"Term" means the time during which the Lease Agreement is in effect, as provided in the Lease Agreement.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., a national banking association organized and existing under and by virtue of the laws of the United States of America, and its successors or assigns, if any, as Trustee.

"Trust Agreement" means the Trust Agreement, together with any amendments of the Trust Agreement or supplements thereto permitted to be made under the Trust Agreement.

THE LEASE AGREEMENT

Substitution of Alternate Leased Property and Release of Leased Property

With the consent of the Insurer, the Lessee shall have the right to substitute alternate property for the Leased Property provided for in the Lease Agreement, if expressly agreed to in writing by the Insurer or add additional real property and/or personal property and/or equipment to the Leased Property, but only by providing the Trustee with a duly recorded amendment or supplement to the Lease Agreement in accordance with the Lease Agreement. All costs and expenses incurred in connection with any such substitution or addition shall be borne by the Lessee. Notwithstanding any substitution or addition pursuant to the provisions of the Lease Agreement relating to substitution of alternate leased property and release of leased property, there shall be no reduction in or abatement of the Lease Payments due from the Lessee under the Lease Agreement as a result of such substitution.

If the Lessee substitutes any alternate real property, or equipment, as applicable, or Improvement for the Leased Property or adds additional components to the Leased Property, written notice of such substitution or addition shall be delivered by the Lessee, to the Insurer, all rating agencies, if any, then rating the Certificates and the Certificateholders. The Lessee shall not substitute alternate real property or equipment, as applicable, or Improvements for the Leased Property or add an additional component to the Leased Property, without first obtaining (i) an opinion of Special Counsel to the effect that such substitution or addition shall not, in and of itself, impair the exclusion from gross income for federal income tax purposes or interest payable with respect to the Certificates and (ii) a certificate of the Lessee (A) stating that the annual fair rental value of the Leased Property after the Substitution or Removal, in each year during the remaining term of the Lease Agreement, is at least equal to the maximum annual Lease Payments during the remaining term of the Lease Agreement, as determined by the Lessee on the basis of an appraisal of the Leased Property conducted by a member of the Appraisal Institute of America (MAI) designated by the Lessee, (B) demonstrating that the useful life of the Leased Property after Substitution or Removal equals or exceeds the remaining term of the Lease Agreement, and (C) stating that the Leased Property after a Substitution or Removal is as essential to the operations of the Lessee as was the Leased Property immediately prior to such Substitution or Removal, and (iii) the written consent of the Insurer.

In the event of a Substitution or Removal, there shall also be delivered to the Lessor and the Trustee (i) a policy of title insurance acceptable to the Insurer in an amount equal to the same proportion of the principal amount as the Principal Components of the Lease Payments attributable to the remaining portion of the real property portion of the Leased Property or the Substituted Leased Property bears to the total Principal Components of Lease Payments, insuring the Lessee's leasehold interest in the Substituted Leased Property (except any portion thereof which is not real property) subject only to Permitted Encumbrances, together with an endorsement thereto making said policy payable to the Trustee for the benefit of the Certificateholders and relating to the Lease Agreement and evidence that no prior liens exist with respect to such Substituted Leased Property subject only to Permitted Encumbrances, (ii) in the event of a partial Removal, evidence that the title insurance in effect immediately prior thereto is not affected, and (iii) in all instances, evidence that the Substitution or Removal, in and of itself, has not caused or will not cause a downgrade or withdrawal of the then-existing credit ratings on the Certificates.

Term of Agreement

The "Term" of the Lease Agreement shall mean the duration the Lease Agreement for the Leased Property, which will commence on the Closing Date and terminate on June 1, 2039, unless earlier terminated in accordance with the Lease Agreement, provided, however that if Lease Payments remain unpaid at the expiration of the Lease Agreement Term, or provision shall not have been made for their payment, then the Lease Agreement shall not terminate until the earlier of (i) June 1, 2049, (ii) the date on which the Certificates have been paid in full or (iii) the expiration of the term of the Lease Agreement in the event the Lease Agreement shall have been amended pursuant to the Lease Agreement, unless such term is sooner terminated as provided in the Lease Agreement provided; and provided further, however, that there shall be terminated with respect to the Leased Property, the entirety of Lessor's interest which is transferred to the Lessee upon the end of its useful life, as provided in the Lease Agreement. If by June 1, 2049, the Certificates will not be fully paid, or if the rental payable under the Lease Agreement shall have been abated at any time and for any reason, then said Term of the Lease Agreement shall be extended until ten days after all Certificates shall be fully paid, except that the Term of the Lease Agreement shall in no event be extended beyond the maximum period permitted by law. If all Certificates shall be fully paid, the Term of the Lease Agreement shall end ten days thereafter or ten days after written notice by the Lessee to the Lessor, whichever is earlier. Notwithstanding the above, if the Insurer has made a payment under the Municipal Bond Insurance Policy during a period of abatement, the Term of the Lease Agreement shall be extended at least until all Lease Payments have been made and the Insurer has been reimbursed in full, subject only to the maximum Term of the Lease Agreement.

The Term of the Lease Agreement will end upon the earliest of any of the following events: (a) a default by the Lessee and the Lessor's subsequent election to terminate the Lease Agreement pursuant to the Lease Agreement; (b) the payment by the Lessee of all Lease Payments required under the provisions of the Lease Agreement relating to Lease Payments and any Additional Payments required under the Lease Agreement; (c) the deposit of moneys or Defeasance Obligations with the Trustee in amounts sufficient to pay all of the Lease Payments as the same shall become due, as provided pursuant to the Lease Agreement; or (d) upon the exercise by the Lessee of its option to purchase the entire interest of the Lessor in the Leased Property as provided in the Lease Agreement and payment of all amounts provided for under the Lease Agreement.

Lease Payments

Subject to the provisions of the Lease Agreement, the Lessee agrees to pay to the Lessor, its successors and assigns, as rental for the use and possession of the Leased Property, the Lease Payments in the amounts specified in the Lease Agreement, to be due and payable on each Lease Payment Date, which are intended to be sufficient in both time and amount to pay the Principal Components and Interest Components with respect to the Certificates due on the next Interest Payment Date. Delinquent Lease Payments, if any, will be made to the Trustee for application in accordance with the Trust Agreement, or, if payment has been made under the Municipal Bond Insurance Policy or Reserve Policy, to the Trustee for payment to the Insurer as a reimbursement for such payment, together with interest on such amount at the rate set forth in Trust Agreement.

Lease Payments shall be paid from any source of legally available funds of the Lessee, and so long as the Leased Property, or a sufficient portion thereof, is available for the use, the Lessee covenants to take such action as may be necessary to include all Lease Payments and Additional Payments due under the Lease Agreement in its budgets and to make the necessary appropriations for all such Lease Payments. During the Term of the Lease Agreement, the Lessee will furnish to the Trustee, no later than twenty (20) days following the adoption of the budget for its then-current fiscal year, and prior to the beginning of the fiscal year, a certificate of the Authorized Representative to the effect that amounts stated in the Lessee's proposed annual budget for the payment of Lease Payments due under the Lease Agreement in the fiscal year covered by such budget and approved by the Governing Board are fully adequate for the payment of all Lease Payments due under the Lease Agreement in such fiscal year, in the form set forth in the Trust Agreement as provided in the Trust Agreement. The covenants on the part of the Lessee in the Lease Agreement contained shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the Lessee to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the Lessee to carry out and perform the covenants and agreements in the Lease Agreement agreed to be carried out and performed by the Lessee.

Any amount held in the Lease Payment Fund on any Lease Payment Date (other than amounts resulting from the prepayment of the Lease Payments in part but not in whole pursuant to the Lease Agreement and other amounts required for payment of the Principal Components and Interest Components with respect to any Certificates not presented for payment) shall be credited towards the Lease Payment then due and payable; and no Lease Payment need be made on any Lease Payment Date if the amounts then held in the Lease Payment Fund are at least equal to the Lease Payment then required to be paid and are to be used for such purpose. At such time as the moneys on hand in the Lease Payment Fund and the Reserve Fund are equal to all Lease Payments remaining unpaid under the Lease Agreement, such moneys shall be applied by the Trustee, pursuant to the Trust Agreement, to such Lease Payments on behalf of the Lessee and the Lessee will not be required to make any further Lease Payments under the Lease Agreement. A Lease Payment payable on a Lease Payment Date is consideration for the use and possession of the Leased Property to the next succeeding Lease Payment Date.

Notwithstanding any dispute between the Lessor and the Lessee, including any dispute as to the failure of any Leased Property Component to perform the task for which it is leased, the Lessee shall make all Lease Payments when due and shall not withhold any Lease Payments pending the final resolution of such dispute.

In the event the Lessee should fail to make any of the payments required by the sections of the Lease Agreement relating to Lease Payments, the payments in default shall continue as an obligation of the Lessee until the amount in default shall have been fully paid, and the Lessee agrees to pay the same with interest thereon, to the extent permitted by law, from the date such amount was originally payable at the rate equal to the net interest rate paid with respect to the Certificates.

The Lease Payments shall be paid by the Lessee in consideration of the right of possession of, and the continued quiet use and enjoyment of, the Leased Property during each such period for which said payments have been paid. The parties to the Lease Agreement have agreed and determined that such payments represent at least the fair rental value of the Leased Property. In making such determination, consideration has been given to the obligations of the parties under the Lease Agreement (including but not limited to costs of maintenance, taxes and insurance), the uses and purposes which may be served by the Leased Property and the benefits therefrom which will accrue to the Lessee and the general public.

The Lessee understands and agrees that, pursuant to the Assignment Agreement, the Lessor has assigned its right to receive and collect Lease Payments, Additional Payments and Prepayments thereof to the Trustee in trust for the benefit of the Certificateholders, and the Lessee assents to such assignment. The Lessor directs the Lessee pursuant to the Lease Agreement, and the Lessee agrees to pay to the Trustee at the Trustee's Principal Office or to the Trustee at such other place as the Trustee shall direct in writing, all payments payable by the Lessee pursuant to the applicable provisions of the Lease Agreements. Lease Payments shall be subject to abatement as provided in the Lease Agreement.

Quiet Enjoyment

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

Title to the Leased Property

During the term of the Lease Agreement, the Lessor will hold a leasehold interest in the Leased Property, and each discrete portion thereof, and any and all additions which comprise repairs, replacements or modifications thereto. The Lessee will take any and all actions, including but not limited to executing and filing any and all documents, reasonably required to maintain and evidence the Lessor's interest in the Leased Property at all times during the Term of the Lease Agreement.

Upon expiration of the Term as set forth in the Lease Agreement, unless such expiration occurs pursuant to a default by the Lessee and the Lessor has elected to terminate the Lease Agreement under the Lease Agreement, all right, title and interest of the Lessor in and to all of the Leased Property will be transferred to and vest in the Lessee, without the necessity of any additional document of transfer, except that with respect to the Leased Property Component constituting real property, the Lessor will authorize, execute and deliver to the Lessee any documents required to transfer all right, title and interest of the Lessor to such real property to the Lessee.

The Lessee will have the option to purchase the entire interest of the Lessor in the Leased Property by irrevocably making a security deposit with the Trustee as provided in the Lease Agreement or from Net Insurance and Condemnation Proceeds as provided in the Lease Agreement, by paying the purchase price therefor in the form of moneys or Defeasance Obligations, or a combination thereof, in an aggregate amount sufficient to provide for the payment of all of the total Lease Payments, as and when due, taking into account investment income to be earned on the deposit of such moneys and investments whereupon all right, title and interest of the Lessor in and to the Leased Property will vest in the Lessee without the necessity of any additional document of transfer; provided that the Lessee provides the Trustee, the Lessor, the Insurer and the County Treasurer with an opinion of Special Counsel to the effect that such deposit will not cause the Interest Components of the Lease Payments to be includable in gross income of the Certificateholders for federal income tax purposes under the Code. In any such event, if necessary, the Lessor will authorize, execute and deliver to the Lessee any documents reasonably requested by the Lessee to terminate the Lease Agreement in order to confirm such vesting of title in the Lessee.

Additional Payments

As Additional Payments, the Lessee shall also pay such amounts as shall be required for the payment of all administrative costs of the Lessor relating to the Leased Property, the Project or the execution, sale and delivery of the Certificates, including, without limitation, the Lessee's obligation to pay all expenses, compensation and indemnification of the Trustee payable by the Lessee under the Trust

Agreement (to the extent not paid or otherwise provided for out of the proceeds of the sale of the Certificates), taxes of any sort whatsoever payable by the Lessor as a result of its ownership of the Leased Property or its undertaking of the transactions contemplated in the Lease Agreement or, as may be related to the Lease Agreement, in the Trust Agreement, fees of auditors, accountants, attorneys or engineers, insurance premiums, credit enhancement fees, and all other necessary administrative costs of the Lessor or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Certificates or of the Trust Agreement or to defend the Lessor. Additional Payments include any amounts owed to the Insurer pursuant to the Trust Agreement.

Such Additional Payments shall be billed to the Lessee by the Lessor or by the Trustee on behalf of the Lessor from time to time, together with a statement certifying that the amount billed has been paid by the Lessor or by the Trustee on behalf of the Lessor for one or more of the items above described, or that such amount is then payable by the Lessor or the Trustee, as designated on the bill to the Lessee, within fifteen (15) days after receipt of the bill by the Lessee.

Additional Payments due under the applicable provisions of the Lease Agreement shall be paid by the Lessee directly to the person or persons to whom such amounts shall be payable. The Lessee shall pay all such amounts owed in connection with the Municipal Bond Insurance Policy and Reserve Policy when due or within ten days after notice in writing from the Trustee or the Insurer to the Lessee stating the amount of Additional Payments then due and payable and the purpose thereof.

Additional Lease Payments

The Lease Agreement may be amended to provide for the execution and delivery of additional certificates of participation in Additional Lease Payments to be made by the Lessee, without the approval of the Certificateholders but with the prior written consent of the Insurer, provided that the following shall have occurred: (i) the Lease Agreement shall have been amended, to the extent necessary, so as to increase the Lease Payments payable by the Lessee under the Lease Agreement by an aggregate amount equal to the Principal Components and Interest Components represented by such additional certificates of participation, payable at such times and in such manner as may be necessary to provide for the payment of the principal and interest represented by such certificates; provided, however, that no such amendment will be made such that the sum of Lease Payments, including any such amendment to the Lease Agreement, plus Additional Payments in any year shall be in excess of the annual fair rental value of the Leased Property; and (ii) the Lessee will not be in default under the Trust Agreement or any Supplemental Trust Agreement or under the Lease Agreement; and (iii) the Lessee has obtained the consent of the Insurer. Notwithstanding the foregoing and anything to the contrary in the Lease Agreement, in the Trust Agreement or in any Supplemental Trust Agreement, the Lease Agreement will not be amended to provide for the execution and delivery of additional Certificates (1) if an Event of Default, (or any event which, once all notice and grace periods have passed, would constitute an Event of Default) exists unless such default shall be cured upon such issuance of such additional Certificates, (2) unless the Reserve Fund is fully funded at the Reserve Fund Requirement, upon the issuance of such additional Certificates, and (3) without the Insurer's prior written consent.

Maintenance, Utilities, Taxes and Assessments

Throughout the Term of the Lease Agreement, as part of the consideration for the rental of the Leased Property, all repair and maintenance of the Leased Property shall be the responsibility of the Lessee, and the Lessee shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Leased Property resulting from ordinary wear and tear or want of care on the part of the Lessee or any sublessee thereof. In exchange for the Lease Payments provided in the Lease Agreement, the Lessor agrees to provide only the Leased Property, as more specifically set forth in the Lease Agreement.

The Lessor shall have no responsibility for making improvements and additions to the Leased Property other than as set forth in the Lease Agreement.

The Lessee shall also pay or cause to be paid any and all sales taxes or other taxes, levies, charges, withholdings, assessments and governmental charges of any nature whatsoever, together with any additions to tax, penalties, fines or interest thereon charged against the Leased Property, as Additional Payments pursuant to the Lease Agreement, including, without limitation, penalties, fines or interest arising out of any delay or failure by the Lessee to pay any of the foregoing or failure to file or furnish to the Lessor or the Trustee for filing in a timely manner any returns, levied pursuant to the Lease Agreement or imposed against the Lessor or the Leased Property, the rentals and other payments required under the Lease Agreement or any parts thereof or interests in the Lessee or the Lessor or the Trustee therein by any governmental authority.

Modification of the Leased Property

The Lessee shall, at its own expense, have the right to make additions, modifications, and improvements to the Leased Property if such improvements are necessary or beneficial for the use of the Leased Property. All such additions, modifications and improvements shall thereafter comprise part of the Leased Property and be subject to the provisions of the Lease Agreement. Such additions, modifications and improvements shall not in any way damage the Leased Property or cause it to be used for purposes other than those authorized under the provisions of State and federal law or in any way which would impair the tax status of the Interest Components of the Lease Payments; and the Leased Property, upon completion of any additions, modifications and improvements made pursuant to the Lease Agreement, shall be of a value in the aggregate which is not less than the value of the Leased Property immediately prior to the making of such additions, modifications and improvements.

The Lessee will not permit any mechanic's or other lien to be established or to remain against the Leased Property for labor or materials furnished in connection with any additions, modifications, remodeling, construction or improvements made by the Lessee pursuant to the Lease Agreement, except Permitted Encumbrances; provided, that if any such lien is established and the Lessee shall first notify or cause to be notified the Lessor of the Lessee's intention to do so, the Lessee may in good faith contest any lien filed or established against the Leased Property, and in such event may permit the liens so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and shall provide the Lessor with full security against any loss or forfeiture which might arise from such nonpayment with respect to the Leased Property, in form satisfactory to the Lessor. The Lessor will cooperate fully in any such contest, upon the request and at the expense of the Lessee.

Public Liability and Property Damage Insurance; Workers' Compensation Insurance

Public Liability and Property Damage. The Lessee shall maintain or cause to be maintained, throughout the Term of the Lease Agreement, a standard comprehensive general public liability and property damage insurance policy or policies in protection of the Lessee, its officers, agents and employees. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the use or operation of the Leased Property.

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

$3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the Lessee, and may be maintained in the form of self-insurance by the Lessee with the consent of the Insurer.

The Net Insurance and Condemnation Proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds shall have been paid, including, where appropriate, the application of Net Insurance and Condemnation Proceeds with respect to the prepayment of the Lease Payments. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance carried by the Lessee.

As an alternative to providing the insurance required by the applicable sections of the Lease Agreement, the Lessee, with the written consent of the County Treasurer and the Insurer, may provide a self-insurance method or plan of protection which shall afford reasonable protection to the Lessor, its directors, officers, agents and employees and the Trustee, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State other than the Lessee. Before such method or plan may be provided by the Lessee, there shall be filed with the Trustee and the Insurer a certificate of an actuary, Insurance Consultant or other qualified person to the satisfaction of the County Treasurer and the Insurer, stating that, in the opinion of the signer, the substitute method or plan of protection, is in accordance with the requirements of the Lease Agreement and, when effective, would afford reasonable protection to the Lessor, its directors, officers, agents and employees and the Trustee against loss and damage from the hazards and risks covered thereby and Trustee may conclusively rely thereon. There shall also be filed a certificate of the Lessee setting forth the details of such substitute method or plan.

Workers' Compensation. The Lessee shall also maintain or require (in the case of vendors or contractors and all subcontractors) throughout the Term of the Lease Agreement, workers' compensation insurance issued by a responsible carrier authorized under the laws of the State covering all employees working on the Leased Property, in the same amount and type as other workers' compensation insurance maintained by the Lessee for similar employees doing similar work (and the Lessee shall also require any other person or entity working on the Leased Property to carry the foregoing amount of workers' compensation insurance). Workers' compensation insurance may, to the extent provided by law, be maintained in the form of self-insurance.

Fire and Theft Insurance. The Lessee shall maintain or cause to be maintained, throughout the Term of the Lease Agreement, insurance against loss or damage to any or all of the Leased Property by fire and lightning, with extended coverage endorsement (which extended coverage endorsement shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and other hazards as are normally covered by such insurance), vandalism and malicious mischief insurance, sprinkler system leakage insurance, boiler insurance, and against loss of any of the Leased Property by theft.

Such insurance shall be in an amount equal to the greater of 100% of the replacement cost of the Leased Property (or, if under separate policies, in an aggregate amount equal to 100% of the replacement cost of the Leased Property) or the outstanding Principal Components of the Certificates, except that such insurance may be subject to deductible clauses of not to exceed $50,000 for any one loss; *provided*, *however*, that in no event shall such insurance be maintained in an aggregate amount less than the aggregate Principal Components of Certificates at that time Outstanding. Such insurance may be maintained as part of or in conjunction with any other fire and extended coverage insurance carried or required to be carried by the Lessee and with the consent of the Insurer may be maintained in the form of self-insurance by the Lessee. The Net Insurance and Condemnation Proceeds of each policy or coverage shall be applied as provided in the Lease Agreement.

Rental Interruption and Title Insurance. The Lessee shall maintain or cause to be maintained with a reputable commercial insurer throughout the Term of the Lease Agreement insurance against loss, total or partial, of the use and occupancy of the Leased Property as a result of any of the hazards covered by the Lease Agreement, in an amount not less than the maximum remaining scheduled Lease Payments for a 24-month period, except that such insurance need be maintained as to the peril of earthquake only if such insurance is available at reasonable cost on the open market from reputable insurance companies. Such insurance shall be subject to a deductible clause not to exceed $50,000. Such insurance may be maintained as part of or in conjunction with any other rental interruption insurance carried by the Lessee but may not be maintained as self-insurance. The Net Insurance and Condemnation Proceeds of such insurance shall be paid to the Trustee and deposited in the Lease Payment Fund, and shall be credited toward the payment of the Lease Payments in the order in which such Lease Payments come due and payable. The policy shall cover all components of the Leased Property or the facilities comprising the Leased Property. Any blanket or umbrella insurance policies for property and casualty insurance shall require the Insurer's consent.

The Lessee shall, on or before the Closing Date, obtain an extended CLTA title insurance policy with the Trustee as beneficiary respecting the ownership and condition of the real property portion of the Leased Property as described in the Lease Agreement, in an amount not less than the maximum aggregate principal amount of the Certificates. All endorsements and restrictions to such policy must be acceptable to the Insurer.

General Insurance Provisions**.** All policies of insurance obtained under the requirements of the Lease Agreement and any statements of self-insurance shall be in forms certified by an insurance agent, broker or consultant to the Lessee to comply with the provisions of the Lease Agreement unless waived by the Insurer. Any insurance policy obtained under the requirements of the Lease Agreement shall be issued by a commercial insurer rated at least "A" by A.M. Best & Company unless otherwise consented to in writing by the Insurer, and shall be written or endorsed to list the Trustee, the Lessor and the Lessee as additional named insureds and the Trustee as loss payee, with in all instances the net proceeds, if any, of the insurance policy described in the applicable sections of the Lease Agreement to be deposited in the Lease Payment Fund, and each insurance policy provided for in the Lease Agreement shall contain a provision to the effect that the insurance company shall not cancel the policy or modify it materially and adversely to the interests of the Trustee, the Lessor or the Lessee or fail to renew such policy without first giving written notice thereof to the Trustee, the Lessor and the Lessee at least thirty (30) days in advance of such intended cancellation or modification or failure to renew; provided that, the Trustee will not be responsible for the sufficiency of any insurance required pursuant to the Lease Agreement and shall be fully protected in accepting payment on account of such insurance or any adjustments, compromise or settlement of any loss agreed to by it.

The Lessee shall pay or cause to be paid when due the premiums for all insurance policies required by the Lease Agreement, and shall promptly furnish or cause to be furnished to the Trustee a certificate to such effect accompanied by evidence of such payments.

The Lessee will deliver to the Lessor, the Insurer and the Trustee by March 31 of each year a certificate to the effect that the requirements of the Lease Agreement pertaining to insurance have been satisfied, together with a certificate or certificates of an Insurance Consultant evidencing such satisfaction. Upon request, the Lessee shall provide a schedule, in such detail as the Lessor, the Business Services Representative, the County Treasurer, the Insurer or the Trustee may reasonably request, setting forth any insurance policies then in force described in the Lease Agreement, listing the names of the insurers which have issued the policies, the policy limits thereof and the hazards and risks covered thereby, or the certificate of an Insurance Consultant providing similar information. The Trustee is entitled to rely on such certificates as to the Lessee's compliance with the provisions of the insurance requirements, and the Trustee will have no duties in this regard under the Lease Agreement.

If the Lessee chooses to self-insure for any of the risks described in the sections of the Lease Agreement relating to public liability and property damage insurance; workers' compensation insurance and fire and theft insurance for which self-insurance is permitted, it must on at least an annual basis in the month of July provide evidence to the Trustee, the Insurer and the Lessor to the effect that (i) the Lessee has segregated amounts meeting such requirements in a special insurance reserve account dedicated to the Leased Property, (ii) a certificate of an Insurance Consultant to the Trustee and the Insurer and the Lessor to the effect that the Lessee's general insurance reserves are adequate to provide the required amount of coverage, and (iii) an actuarial statement attesting to the sufficiency of the program's assets. The Trustee may conclusively rely upon such certificates.

The Lessee agrees that in the event the self-insurance program is discontinued, the actuarial soundness of the special insurance reserve account shall be maintained.

Liens

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

Use of the Leased Property

The Lessee represents and warrants that it has or will, as of the Closing Date, have an immediate need for, and expects to make immediate use of the Leased Property, which need is not temporary or expected to diminish in the foreseeable future. The Lessee agrees not to give priority in the appropriation of funds for the construction, acquisition or use of any additional Equipment or facilities, as the case may be, performing functions similar to that performed by the Leased Property.

Tax Covenants

In order to maintain the exclusion from gross income for federal income tax purposes of the Interest Component of each Lease Payment due under the Lease Agreement, the Lessee covenants to comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Code. In furtherance of this covenant, the Lessee agrees to comply with the Tax Certificate, which is incorporated in the Lease Agreement, as such Tax Certificate may be amended from time to time. The obligation to comply with all requirements contained in the Tax Certificate shall survive the defeasance or payment in full of the Certificates and the termination of the Lease.

Advances

If the Lessee shall fail to perform any of its obligations pursuant to the Lease Agreement, the Lessor may, but will not be obligated to, take such action as may be necessary to cure such failure, including the advancement of money on behalf of the Lessee, and the Lessee shall be obligated to repay all such advances as soon as possible, with interest at the rate of twelve percent (12%) per annum from the date of the advance to the date of repayment, but in no event shall such rate exceed the maximum legal rate of interest applicable to similar obligations of school districts.

Agreement to Pay Program Expenses

The Lessee agrees to pay to the Trustee, as the assignee of the Lessor, all Program Expenses of the Lessor charged to the Lessee and Program Expenses charged to the Lessee by the Trustee as provided in the Trust Agreement.

Books and Records

The Lessee will at all times during the Term of the Lease Agreement keep proper books of record and account in which full, true and correct entries in conformity with applicable law will be made of all dealings and transactions in relation to its activities. The Lessee will permit the Lessor, any authorized representatives of the Lessor and the Lessor's successors and assigns at reasonable times and intervals upon prior written notice to examine and make abstracts, subject to proprietary and confidentiality policies and agreements of or binding upon the Lessee, from the Lessee's books and records and to discuss the Lessee's affairs, finances and account with the Lessee's officers and independent accountants. The Lessee will promptly notify the Lessor if at any time the Lessee shall not maintain a positive fund balance in its general fund.

Continuing Disclosure

The Lessee covenants and agrees that it will comply with and carry out all of the provisions of its Continuing Disclosure Certificate. Notwithstanding any other provision of the Lease Agreement, failure of the Lessee to comply with the Continuing Disclosure Certificate will not be considered an Event of Default; however, the Trustee at the written request of the Certificateholders of at least 25% aggregate principal amount of Outstanding Certificates shall (but only to the extent indemnified to its satisfaction against any expense or liability) or any Certificateholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Lessee to comply with its obligations under the provisions of the Lease Agreement relating to continuing disclosure. For purposes of the provisions of the Lease Agreement relating to continuing disclosure, "Beneficial Owner" means any person which (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries), or (ii) is treated as the owner of any Certificates for federal income tax purposes.

Abatement of Lease Payments in Event of Loss of Use

A proportional amount of the Lease Payments shall be abated during any period in which, by reason of condemnation, damage or destruction, there is substantial interference with the use and possession of the Leased Property, or any discrete portion thereof, by the Lessee. The amount of such abatement shall be determined by the Lessee such that the resulting Lease Payments represent fair consideration for the use and possession of the portion of the Leased Property not condemned, damaged or destroyed. Such abatement shall commence on the date of condemnation, damage or destruction and shall end with the substantial completion of the replacement or work of repair. There shall be no abatement in Lease Payments as a result of any design defects other than design defects that result in condemnation, damage or destruction with regard to the Leased Property, it being the intention of the parties to the Lease Agreement that recourse in such event would be made to the Contractor or Vendor. Except as provided in the Lease Agreement, in the event of any such condemnation, damage or destruction, the Lease Agreement shall continue in full force and effect and the Lessee waives any right to terminate the Lease Agreement by virtue of any such condemnation, damage or destruction, including any rights otherwise granted under California Civil Code Sections 1932(2) and 1933(4).

Application of Net Insurance and Condemnation Proceeds

Net Insurance and Condemnation Proceeds shall be deposited in the Net Insurance and Condemnation Proceeds Fund by the Trustee promptly upon receipt thereof and, if the Lessee's Authorized Representative notifies the Lessor and the Trustee in writing of the Lessee's determination, made within forty-five (45) days from the date of destruction or condemnation of the Property, that the replacement or repair of the affected portion of the Leased Property is not economically feasible or in the best interests of the Lessee, then such Net Insurance and Condemnation Proceeds shall be promptly transferred by the Trustee to the Prepayment Fund and applied as provided in the Lease Agreement unless, as provided in the Trust Agreement, such Net Insurance and Condemnation Proceeds together with funds then on hand in the Lease Payment Fund and the Reserve Fund are insufficient to prepay all of that portion of the Certificates representing interests in the Lease Payments for the Leased Property or relevant portion thereof in which event, such Net Insurance and Condemnation Proceeds will be deposited in a separate account by the Trustee and invested and used in accordance with the Trust Agreement.

Notwithstanding the foregoing, the Lessee may within forty-five (45) days from the date of destruction or condemnation of the Leased Property determine whether to repair the damaged or condemned Leased Property or affected portion of the Leased Property, only if (i) the Net Insurance and Condemnation Proceeds available for such purpose, together with any other funds supplied by the Lessee for such purpose, are sufficient therefor, and (ii) in the event that damage or destruction results in an abatement of Lease Payments, the Lessee's Authorized Representative certifies and covenants to the Lessor and the Trustee that such replacement or repair can be fully completed within a period not in excess of the period in which rental interruption insurance proceeds will be available to pay in full all Lease Payments coming due during such period as described in the Lease Agreement.

All Net Insurance and Condemnation Proceeds deposited in the Net Insurance and Condemnation Proceeds Fund and not so transferred to the Prepayment Fund as provided in the Lease Agreement shall be applied to the prompt replacement or repair of the affected portion of the Leased Property by the Lessee, upon receipt of a requisition signed by the Lessee's Authorized Representative (a "Requisition") stating with respect to each payment to be made (i) the Requisition number, (ii) the name and address of the person, firm or corporation to whom payment is due, (iii) the amount to be paid and (iv) that each obligation mentioned therein has been properly incurred, is a proper charge against the Net Insurance and Condemnation Proceeds Fund, has not been the basis of any previous withdrawal, and specifying in reasonable detail the nature of the obligation, accompanied by a bill or a statement of account for such obligation. The Trustee may conclusively rely on the Requisition as to the amount of such obligation and on the representations set forth therein. Any balance of the Net Insurance and Condemnation Proceeds remaining after such replacement or repair has been completed shall, after payment of amounts due the Trustee and the Insurer, be paid to the Lessee upon written request of the Lessee.

Laws and Ordinances

The Lessee agrees to observe and comply with all rules, regulations and laws applicable to the Lessee with respect to the Leased Property and the Project and the operation thereof. The cost, if any, of such observance and compliance shall be borne by the Lessee, and the Lessor will not be liable therefor. The Lessee agrees further to place, keep, use, maintain and operate the Leased Property and the Project in such a manner and condition as will provide for the safety of its agents, employees, invitees, subtenants, licensees and the public.

Disclaimer of Warranties

The Lessor and its assigns make no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the Lessee of the Leased Property or any Leased Property component. The Lessee acknowledges that the Lessor is not a manufacturer of any equipment comprising the Leased Property or a dealer therein, and the Lessee is leasing the Leased Property components "as-is," it being agreed that all of the aforementioned risks are to be borne by the Lessee. In no event shall the Lessor or its assigns be liable for incidental, indirect, special or consequential damages, in connection with or arising out of the Lease Agreement, the Site Lease or the Trust Agreement for the existence, furnishing, functioning or use and possession of the Leased Property. In no event shall the Lessor, the Trustee or its assignees be liable for any incidental, indirect, special or consequential damage in connection with or arising out of the Lease Agreement or the existence, furnishing, functioning or the use of any item or products provided for in the Lease Agreement.

Lessee's Right to Enforce Warranties

Pursuant to the Lease Agreement, the Lessor irrevocably appoints the Lessee as its agent and attorney-in-fact during the term of the Lease Agreement, so long as the Lessee will not be in default under the Lease Agreement, to assert from time to time whatever claims and rights, including without limitation, warranty claims, claims for indemnification and claims for breach of any representations, respecting the Leased Property which the Lessor may have against any vendor or contractor. The Lessee's sole remedy for the breach of any such warranty, indemnification or representation shall be against the vendor or contractor with respect thereto, and not against the Lessor, nor shall such matter have any effect whatsoever on the rights and obligations of the Lessor with respect to the Lease Agreement, including the right to receive full and timely Lease Payments and all other payments due under the Lease Agreement. The Lessee shall be entitled to retain any and all amounts recovered as a result of the assertion of any such claims and rights. The Lessor shall, upon the Lessee's request and at the Lessee's expense, do all things and take all such actions as the Lessee may request in connection with the assertion of any such claims and rights. The Lessee expressly acknowledges that the Lessor makes, and has made, no representation or warranties whatsoever as to the existence or availability of such warranties of the manufacturer or vendor or contractor.

Access to the Leased Property and the Project

The Lessee agrees that the Lessor, any Lessor Representative and the Lessor's successors or assigns, shall have the right (but no duty) at all reasonable times to enter upon and to examine and inspect the Leased Property and the Project. The Lessee further agrees that the Lessor, any Lessor Representative, and the Lessor's successors or assigns shall have such rights of access to the Leased Property and the Project as may be reasonably necessary to cause the proper maintenance of the Leased Property and the Project in the event of failure by the Lessee to perform its obligations under the Lease Agreement; provided, however, that the Lessor's assigns shall have no duty to cause such proper maintenance.

Release and Indemnification Covenants

To the extent permitted by law, the Lessee shall and, pursuant to the Lease Agreement, agrees to indemnify and save the Lessor and its successors, assigns, agents, officers, employees and servants harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of (i) the use, maintenance, condition or management of, or from any work or thing done on the Leased Property by the Lessee, (ii) any breach or default on the part of the Lessee in the performance of any of its obligations under the Lease Agreement, (iii) any act or negligence of the Lessee or of any of its agents, contractors, servants, employees or licensees with respect to the Leased Property, or (iv) any act or negligence of any assignee or sublessee of the Lessee with respect to the Leased Property. Pursuant to the Lease Agreement, no indemnification is provided for claims, losses or damages, including legal fees and expenses arising out of the willful misconduct or gross negligence, under the Lease Agreement by the Lessor, its officers, agents, employees, successors or assigns. For purposes of indemnification under the Lease Agreement, the term "Leased Property" includes alternate leased property, if any, pursuant to the Lease Agreement.

Assignment by the Lessor

Certain of the Lessor's rights under the Lease Agreement, including the right to receive and enforce payment of the Lease Payments to be made by the Lessee under the Lease Agreement, have been assigned to the Trustee, subject to certain exceptions, pursuant to the Assignment Agreement, to which assignment the Lessee consents pursuant to the Lease Agreement. Except as provided in the Lease Agreement and in the Trust Agreement, the Lessor will not assign the Lease Agreement, its right to receive Lease Payments from the Lessee, or its duties and obligations under the Lease Agreement to any other person, firm or corporation so as to impair or violate the representations, covenants and warranties contained in the Lease Agreement.

Assignment and Subleasing by the Lessee

No sublease, release, sale, disposition or substitution of the Leased Property shall occur without the prior written consent of the Insurer. Without limiting the generality of the foregoing, no portion of the Leased Property may be released following the partial prepayment of Lease Payments, the partial redemption of Certificates, or the exercise of a purchase option or similar right, unless in each case the Insurer shall have provided its prior written consent to such release. The Lease may be assigned by the Lessee with the prior consent of the Insurer and the Rating Agencies so long as such assignment does not adversely affect the exclusion from gross income for federal income tax purposes of the Interest Component of the Lease Payments. The Lessee may sublease the Leased Property, with the prior written consent of the Lessor, the Insurer, and the Rating Agencies, subject to all of the following conditions: (i) the Lease Agreement and the obligation of the Lessee to make Lease Payments under the Lease Agreement shall remain obligations of the Lessee; (ii) the Lessee shall, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to the Lessor and the Trustee a true and complete copy of such sublease; (iii) no sublease by the Lessee shall cause the Leased Property to be used for a purpose other than a governmental or proprietary function authorized under the provisions of the laws of the State; (iv) no sublease shall cause the Interest Component of the Lease Payments due with respect to the Leased Property to become included within gross income for federal income tax purposes or subject to State personal income taxes, as evidenced by an opinion of Special Counsel; and (v) in the event that the Lease Agreement is assigned by the Lessee, the obligation to make Lease Payments under the Lease Agreement shall remain the obligation of the Lessee.

Amendment

Pursuant to the Lease Agreement, the Lessee will not alter, modify or cancel or agree or consent to alter, modify or cancel the Lease Agreement except as permitted by the Trust Agreement and except to provide for any Additional Lease Payments, pursuant to the Lease Agreement, or any substitution, pursuant to the Lease Agreement.

Events of Default

The following shall be "events of default" under the Lease Agreement and the terms "events of default" and "default" shall mean, whenever they are used in the Lease Agreement, any one or more of the following events: (i) failure by the Lessee to pay any Lease Payment required to be paid under the Lease Agreement by not later than ten (10) Business Days before the Payment Date immediately following each corresponding Lease Payment Date; (ii) failure by the Lessee to observe and perform any covenant, condition or agreement on its part to be observed or performed in the Lease Agreement or otherwise with respect to the Lease Agreement or in the Trust Agreement, other than as referred to in clause (i) of the section of the Lease Agreement relating to events of default, for a period of (30) days after written notice specifying such failure and requesting that it be remedied has been given to the Lessee by the Lessor, the Trustee, the Insurer or the Certificateholders of not less than the majority in principal amount of Certificates then Outstanding; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Lessor or the Trustee acting at the direction of the Insurer or Certificateholders of not less than the majority in principal amount of Certificates then Outstanding, as the case may be, will not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Lessee within the applicable period and diligently pursued until the default is corrected; and (iii) the filing of a voluntary petition in bankruptcy by the Lessee, or the failure by the Lessee promptly to institute judicial proceedings to lift any execution, garnishment or attachment of such consequence as will materially impair its ability to carry on its operations, or the filing of a petition by the Lessee under the Federal Bankruptcy Code, or the adjudication of the Lessee as insolvent or as a bankrupt, or any assignment by the Lessee for the benefit of its creditors, or the application for, or consent to, the appointment of any receiver, trustee, custodian or similar officer by the Lessee or the entry by the Lessee into an agreement of composition with its creditors.

The Lessor's failure to perform any of its obligations under the Lease Agreement will not be an event permitting the nonpayment of Lease Payments by the Lessee or the termination of the Lease Agreement by the Lessee.

Remedies on Default

Upon the occurrence and continuance of an event of default specified in the section of the Lease Agreement relating to events of default, the Lessor shall, only at the direction of the Insurer, proceed to: (i) protect and enforce the Lease Agreement by such judicial proceedings as the Lessor or its assignee shall deem most effectual, either by suit in equity or by action at law, whether for the specific performance of any covenant or agreement contained in the Lease Agreement, or in aid of the exercise of any power granted in the Lease Agreement, or to enforce any other legal or equitable right vested in the Lessor or its assignee by the Lease Agreement or by law; (ii) take possession of the Leased Property and exclude the Lessee from using it until the default is cured, holding the Lessee liable for the Lease Payments and other amounts payable by the Lessee prior to such taking of the Leased Property under and pursuant to the Lease Agreement and curing of such default; or (iii) take whatever actions at law or in equity appear necessary or desirable to enforce its rights as the Certificateholder of the Leased Property, including termination of the Lease Agreement and the repossession, re-letting (with an approving opinion of Special Counsel) or sale (with an approving opinion of Special Counsel) of the Leased Property.

Any abatement of Lease Payments due to damage or destruction of any Leased Property will not constitute an event of default under the Lease Agreement.

Notwithstanding anything in the Lease Agreement or in the Trust Agreement to the contrary, there shall be no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable. After the occurrence of an event of default under the Lease Agreement, the Lessee will surrender possession of the Leased Property to the Lessor, if requested to do so by the Lessor, or by the Trustee, the Insurer or the Certificateholders of not less than the majority in principal amount of Certificates then Outstanding in accordance with the provisions of the Trust Agreement.

No Termination; Repossession and Re-Lease on Behalf of Lessee

In the event the Lessor, at the direction of the Insurer, does not elect to terminate the Lease Agreement in the manner provided for in the Lease Agreement , the Lessor with the consent of the Lessee, which consent is irrevocably given, may repossess the Leased Property and re-let it for the account of the Lessee, in which event the Lessee's obligation under the Lease Agreement will continue to accrue from year to year in accordance with the Lease Agreement and the Lessee will continue to receive the value of the use of the Leased Property from year to year in the form of credits against its obligation to pay Lease Payments. The obligations of the Lessee shall remain the same as prior to such default to pay Lease Payments whether the Lessor re-enters or not. The Lessee agrees to and shall remain liable for the payment of all Lease Payments and the performance of all conditions contained in the Lease Agreement and shall reimburse the Lessor for any deficiency arising out of the re-letting of the Leased Property, or, in the event the Lessor is unable to re-let the Leased Property, then for the full amount of all Lease Payments to the end of the term of the Lease Agreement, but said Lease Payments and/or deficiency shall be payable only at the same time and in the same manner as provided above for the payment of Lease Payments under the Lease Agreement, notwithstanding such repossession by the Lessor or any suit, brought by the Lessor for the purpose of effecting such repossession of the Leased Property or the exercise of any other remedy by the Lessor.

Pursuant to the Lease Agreement, the Lessee irrevocably appoints the Lessor as the agent and attorney-in-fact of the Lessee to repossess and re-let the Leased Property in the event of default by the Lessee in the performance of any covenants contained in the Lease Agreement to be performed by the Lessee and to remove (any removal to be done with reasonable prudence) all personal property connected to or made a part of the Leased Property, to place such Property in storage or other suitable place in the County of Los Angeles, for the account of and at the expense of the Lessee, and the Lessee exempts and agrees to save harmless the Lessor from any costs, loss or damage whatsoever arising or occasioned by any such repossession and re-letting of the Leased Property. Pursuant to the Lease Agreement, the Lessee waives any and all claims for damages caused or which may be caused by the Lessor in repossessing the Leased Property as provided in the Lease Agreement and all claims for damages that may result from the destruction of or the injury to the Leased Property and all claims for damage to or loss of any property belonging to the Lessee that may be in or upon the Leased Property.

The Lessee agrees that the terms of the Lease Agreement constitute full and sufficient notice of the right of the Lessor to re-let the Leased Property in the event of such repossession without effecting a surrender of the Lease Agreement, and further agrees that no acts of the Lessor in effecting such re-letting shall constitute a surrender or termination of the Lease Agreement irrespective of the term for which such re-letting is made or the terms and conditions of such re-letting or otherwise, but that, on the contrary, in the event of such default by the Lessee the right to terminate the Lease Agreement shall vest in the Lessor to be effected in the sole and exclusive manner provided for in the Lease Agreement. The Lessee further waives the right to any rental obtained by the Lessor in excess of the Lease Payments and, pursuant to the Lease Agreement, conveys and releases such excess to the Lessor as compensation to the Lessor for its services in re-letting the Leased Property. In the event that the liability of the Lessee under the Lease Agreement is held to constitute indebtedness or liability in any year exceeding the income and revenue provided for such year, the Lessor, or the Trustee or the Certificateholders as assignees of the Lessor, shall not exercise those certain remedies as set forth in the Lease Agreement.

Termination; Repossession and Re-Lease

In the event of the termination of the Lease Agreement by the Lessor, at the direction of the Insurer, and in the manner provided in the Lease Agreement on account of default by the Lessee (and notwithstanding any repossession of the Leased Property by the Lessor in any manner whatsoever or the sale or re-letting of the Leased Property), the Lessee nevertheless agrees to pay to the Lessor all costs, losses or damages, but not Lease Payments, howsoever arising or occurring payable at the same time and in the same manner as is provided in the Lease Agreement in the case of payment of Lease Payments. Unless waived by the Insurer, notwithstanding any other provision in the Lease Agreement, following an event of default, the Trustee, acting at the direction of the Insurer, shall have the right to re-enter and re-let the Leased Property and to terminate the Lease Agreement. Any proceeds of the re-letting or other disposition of the Leased Property or the sale of the Improvements located on the Leased Property by the Lessor shall, after payment of the fees and expenses of the Trustee, be deposited into the Lease Payment Fund and be applied in accordance with the provisions of the Trust Agreement. Any surplus received by the Lessor from such sale or re-letting shall be the absolute property of the Lessor and the Lessee shall have no right thereto, nor shall the Lessee be entitled to any credit in the event of a surplus in the rentals received by the Lessor for the Leased Property. Neither notice to pay rent or to deliver up possession of the Leased Property given pursuant to law nor any proceeding taken by the Lessor to recover possession of the Leased Property shall by itself operate to terminate the Lease Agreement, and no termination of the Lease Agreement on account of default by the Lessee shall be or become effective by operation of law, or otherwise, unless and until the Lessor shall have given written notice to the Lessee of the election on the part of the Lessor to terminate the Lease Agreement. The Lessee covenants and agrees that no surrender of the Leased Property or of the remainder of the term of the Lease Agreement or any termination of the Lease Agreement shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Lessor by such written notice. No such termination shall be effected whether by operation of law or acts of the parties to the Lease Agreement, except only in the manner in the Lease Agreement expressly provided.

No Remedy Exclusive

No remedy conferred in the Lease Agreement upon or reserved to the Lessor is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Lease Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Lessor to exercise any remedy reserved to it in the Lease Agreement it will not be necessary to give any notice, other than such notice as may be required pursuant to the Lease Agreement or by law.

Agreement to Pay Attorneys' Fees and Expenses

In the event either party to the Lease Agreement should default under any of the provisions of the Lease Agreement and the non-defaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party contained in the Lease Agreement, the defaulting party agrees that it will on demand therefor pay to the non-defaulting party the reasonable fees of such attorneys and such other expenses so incurred by the non-defaulting party.

No Additional Waiver Implied by One Waiver

In the event any agreement contained in the Lease Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and will not be deemed to waive any other breach under the Lease Agreement.

Trustee and Certificateholders to Exercise Rights

Such rights and remedies shall be exercised by the Trustee (subject to its rights and protections set forth in the Trust Agreement), the Insurer and the Certificateholders as provided in the Trust Agreement.

Additional Covenants

The Lessee covenants and agrees with the Insurer and Certificateholders to perform all obligations and duties imposed upon the Lessee under the Lease Agreement. The Lessor covenants and agrees with the Certificateholders to perform all obligations and duties imposed upon the Lessor under the Lease Agreement.

The Lessee will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission or refraining from action, would or might be a ground for cancellation or termination of the Lease Agreement by the Lessor under the Lease Agreement. The Lessor and the Lessee, immediately upon receiving or giving any notice, communication or other document in any way relating to or affecting its estate in the Leased Property, which may or can in any manner affect such estate of the Lessee, will deliver the same, or a copy thereof, to the Trustee and the Insurer.

The Lessee will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States, or of the State or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by it, including its right to exist and carry on business as a unified school district or similar entity, as the case may be, to the end that such rights, privileges and franchises shall be maintained and preserved, and will not become abandoned, forfeited or in any manner impaired.

The Lessee shall promptly, and also upon request of the Trustee (it having no obligation to make such request) or the Business Services Representative or the County Treasurer, or the Insurer, from time to time take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Leased Property, whether now existing or hereafter developing and shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and shall indemnify and save the Trustee and every Certificateholder harmless from all loss, cost, damage and expense, including attorneys' fees and expenses, which it may incur by reason of any such defect, cloud, suit, action or proceeding.

The Lessor and the Lessee will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Trust Agreement, and for the better assuring and confirming unto the Certificateholders and the Insurer of the rights and benefits provided in the Lease Agreement.

THE TRUST AGREEMENT

Payment Procedure Pursuant to Municipal Bond Insurance Policy

In the event that on the second Business Day prior to any Payment Date, the Trustee has not received sufficient moneys to pay all principal of and interest on the Certificates due on such Payment Date, the Trustee shall immediately notify the Insurer or its designee on the same business day by telephone or electronic mail, of the amount of the deficiency. If any deficiency is made up in whole or in part prior to or on the payment date, the Trustee shall so notify the Insurer or its designee.

In addition, if the Trustee has notice that any Certificateholder has been required to disgorge payments of principal of or interest on the Certificates pursuant to a final, non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Certificateholder within the meaning of any applicable bankruptcy law, then the Trustee shall notify the Insurer or its designee of such fact by telephone or electronic mail, or by overnight or other delivery service as to which a delivery receipt is signed by a person authorized to accept delivery on behalf of the Insurer.

The Trustee shall irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for Certificateholders as follows:

(a) If there is a deficiency in amounts required to pay principal of or interest on the Certificates, the Trustee shall (i) execute and deliver to the Insurer, in form satisfactory to the Insurer, an instrument appointing the Insurer as agent and attorney-in-fact for such Certificateholders in any legal proceeding related to the payment and assignment to the Insurer of the claims for interest on the Certificates, (ii) receive as designee of the respective Certificateholders, in accordance with the tenor of the Municipal Bond Insurance Policy payment from the Insurer with respect to the claims for interest so assigned, (iii) segregate all such payments in a separate account (the "Policy Payment Account") to only be used to make scheduled payments of principal of and interest on the Certificates, and (iv) disburse the same to such respective Certificateholders; and

(b) If there is a deficiency in amounts required to pay principal of the Certificates, the Trustee shall (i) execute and deliver to the Insurer, in form satisfactory to the Insurer, an instrument appointing the Insurer as agent and attorney-in-fact for such Certificateholders in any legal proceeding related to the payment of such principal and an assignment to the Insurer of the Certificates surrendered to the Insurer, (ii) receive as designee of the respective Certificateholders in accordance with the tenor of the Municipal Bond Insurance Policy payment therefore from the Insurer, (iii) segregate all such payments in the Policy Payment Account to only be used to make scheduled payments of principal of and interest on the Certificates, and (iv) disburse the same to such Certificateholders.

The Trustee shall designate any portion of payment of principal on Certificates paid by the Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Certificates registered to the then current Certificateholder, whether DTC or its nominee or otherwise, and shall issue a replacement Certificate to the Insurer, registered in the name directed by the Insurer, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Certificate shall have no effect on the amount of principal or interest payable by the Lessee on any Certificate or the subrogation or assignment rights of the Insurer.

Payments with respect to claims for interest on and principal of Certificates disbursed by the Trustee from proceeds of the Municipal Bond Insurance Policy shall not be considered to discharge the obligation of the Lessee with respect to such Certificates, and the Insurer shall become the owner of such unpaid Certificates and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the preceding paragraphs or otherwise. The Trust Agreement, the Lease, the Assignment Agreement and the Site Lease shall not be discharged or terminated unless all amounts due or to become due to the Insurer have been paid in full or duly provided for.

Irrespective of whether any such assignment is executed and delivered, the Lessee and the Trustee agree for the benefit of the Insurer that: (a) they recognize that to the extent the Insurer makes payments directly or indirectly, on account of principal of or interest on the Certificate, the Insurer will be subrogated to the rights of such Certificateholders to receive the amount of such principal and interest from the Lessee, with interest thereon, as provided and solely from the sources stated in the Trust Agreement, the Lease, the Assignment Agreement, the Site Lease and the Certificates; and (b) they will accordingly pay to the Insurer the amount of such principal and interest, with interest thereon as provided in the transaction documents and the Certificates, but only from the sources and in the manner provided therein for the payment of principal of and interest on the Certificates to Certificateholders, and will otherwise treat the Insurer as the owner of such rights to the amount of such principal and interest.

The Trustee shall keep a complete and accurate record of all funds deposited by the Insurer into the Policy Payments Account and the allocation of such funds to payment of interest on and principal paid in respect of any Certificate. The Insurer shall have the right to inspect such records at reasonable times during the Trustee's normal business hours upon reasonable notice to the Trustee.

Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following a Certificate payment date shall promptly be remitted to the Insurer.

Notwithstanding anything herein or the Lease Agreement to the contrary, the Lessee agrees to pay to the Insurer (i) a sum equal to the total of all amounts paid by the Insurer under the Municipal Bond Insurance Policy ("Policy Payments"); and (ii) interest on such Policy Payments from the date paid by the Insurer until payment thereof in full by the Lessee, payable to the Insurer at the Late Payment Rate per annum (collectively, the "Reimbursement Amounts") compounded semi-annually.

The obligations of the Lessee to the Insurer under the Trust Agreement, the Lease, the Assignment Agreement and the Site Lease shall survive discharge or termination of the Trust Agreement, the Lease, the Assignment Agreement and the Site Lease.

Reimbursement to Insurer

The Lessee shall reimburse the Insurer, as Additional Payments under the Lease, any and all reasonable charges, fees, costs, losses, liabilities and expenses that the Insurer may pay or incur, including, but not limited to, fees and expenses of the Insurer's agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of the Trust Agreement, the Lease, the Assignment Agreement, or the Site Lease ("Administrative Costs"). For purposes of the foregoing, costs and expenses shall include a reasonable allocation of compensation and overhead attributable to the time of employees of the Insurer spent in connection with the actions described in the preceding sentence. The Lessee agrees that failure to pay any Administrative Costs on a timely basis will result in the accrual of interest on the unpaid amount at the Late

Payment Rate, compounded semi-annually, from the date that payment is first due to the Insurer until the date the Insurer is paid in full.

Draws on Reserve Policy

The Lessee shall repay any draws under the Reserve Policy and pay all related reasonable expenses incurred by the Insurer. Interest shall accrue and be payable on such draws and expenses from the date of payment by the Insurer at the Late Payment Rate.

Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, "Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw.

Amounts in respect of Policy Costs paid to the Insurer shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the Insurer on account of principal due, the coverage under the Reserve Policy will be increased by a like amount, subject to the terms of the Reserve Policy.

All cash and investments in the Reserve Fund established for the Certificates shall be transferred to the Lease Payment Fund before any drawing may be made on the Reserve Policy or any other credit facility credited to the Reserve Fund in lieu of cash ("Credit Facility"). Payment of any Policy Costs shall be made prior to replenishment of any such cash amounts. Draws on all Credit Facilities (including the Reserve Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Fund. Payment of Policy Costs and reimbursement of amounts with respect to other Credit Facilities shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Fund. Payment of Policy Costs and reimbursement of amounts with respect to other Credit Facilities shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Fund. For the avoidance of doubt, "available coverage" means the coverage then available for disbursement pursuant to the terms of the applicable alternative credit instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or he failure of such provider to honor any such claim or draw.

If the Lessee shall fail to pay any Policy Costs in accordance with the requirements of the above paragraphs, the Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Trust Agreement other than acceleration of the maturity of the Certificates or remedies which would adversely affect owners of the Certificates.

The Trust Agreement shall not be discharged until all Policy Costs owing to the Insurer shall have been paid in full. The Lessee's obligation to pay such amounts shall expressly survive payment in full of the Certificates.

The Trustee shall ascertain the necessity for a claim upon the Reserve Policy in accordance with the provisions of the above paragraphs and shall provide notice to the Insurer at least three business days prior to each date upon which interest or principal is due on the Certificates.

The Reserve Policy shall expire on the earlier of the date the Certificates are no longer outstanding and the final maturity date of the Certificates.

Insurer Right to Pay Unpaid Accounts

The Insurer shall be entitled to pay principal or interest with respect to the Certificates that shall become Due for Payment but shall be unpaid by reason of Nonpayment (as such terms are defined in the Municipal Bond Insurance Policy) by the Lessee, whether or not the Insurer has received a Notice of Nonpayment (as such term is defined in the Municipal Bond Insurance Policy) or a claim upon the Municipal Bond Insurance Policy.

Establishment of Project Fund

The Trustee will establish a special fund designated as the " Los Angeles County Schools Pooled Financing Program, 2019 Series A Compton Unified School District Project Fund" (the "Project Fund"), shall keep such fund separate and apart from all other funds and moneys held by it, and shall administer such fund as provided in the Trust Agreement. The Project Fund will be held and applied by the Trustee in accordance with the Trust Agreement. There will be credited to the Project Fund the proceeds from the sale of the Certificates required to be deposited therein pursuant to the Trust Agreement, all investment earnings on moneys held in the Project Fund, and any other funds from time to time deposited with the Trustee for such purposes.

Establishment of Costs of Delivery Fund

The Trustee shall establish a special fund designated as the "Los Angeles County Schools Pooled Financing Program, 2019 Series A (Compton Unified School District) Costs of Delivery Fund" (the "Costs of Delivery Fund"), shall keep such fund separate and apart from all other funds and moneys held by it, and shall administer such fund as provided in the Trust Agreement. The Costs of Delivery Fund will be held and applied by the Trustee in accordance with the Trust Agreement. Amounts on deposit in the Costs of Delivery Fund shall be applied to pay Costs of Delivery, as provided in the Trust Agreement.

The Trustee shall disburse moneys on deposit in the Costs of Delivery Fund only upon receipt of a Requisition signed by the Lessee's Authorized Representative, the Business Services Representative or the County Treasurer or his or her duly designated deputy setting forth the amounts to be disbursed for payment or reimbursement of Costs of Delivery and the person or persons to whom said amounts are to be disbursed, and stating that the amounts to be disbursed are for Costs of Delivery properly chargeable to the Costs of Delivery Fund. The Costs of Delivery Fund shall be closed 180 days months after the Closing Date, and any moneys then remaining in the Costs of Delivery Fund, including any interest earnings thereon, shall be transferred to the Lease Payment Fund. Each such written request shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts.

Establishment of Prepayment Fund

The Trustee shall establish a special fund designated as the "Los Angeles County Schools Pooled Financing Program, 2019 Series A (Compton Unified School District) Prepayment Fund" (the "Prepayment Fund"), shall keep such fund separate and apart from all other funds and moneys held by it, and shall administer such fund as provided in the Trust Agreement. The Trustee need not open such fund on its records until such time as deposits are required to be made therein. Prior to any prepayment of the Certificates, an amount at least equal to the amount necessary to prepay the Certificates shall be deposited by the Lessee into the Prepayment Fund. As provided in the Trust Agreement, prepayments of the Certificates will be made from money available therefor. Any prepayments of the Certificates in advance of their maturity will be made on the date designated for prepayment and upon presentation and surrender of such Certificates.

Upon the Trustee's receipt of each Prepayment of Lease Payments from the Lessee under the Lease Agreement, the Trustee shall give prompt notice to the Lessee of such receipt and the amount of said Prepayment. All amounts representing Prepayments under the Trust Agreement shall be deposited into the Prepayment Fund.

Prepayment from Net Insurance and Condemnation Proceeds

Upon the receipt of Net Insurance and Condemnation Proceeds from the Lessee, the Trustee shall promptly deposit such moneys into the Net Insurance and Condemnation Proceeds Fund and shall promptly provide notice thereof to the Lessee and the Insurer; the Lessee shall then deliver a Written Order to the Trustee, directing the Trustee to retain the Net Insurance Proceeds in the Net Insurance and Condemnation Proceeds Fund to be used to replace or repair the Leased Property, or to deposit such Net Insurance and Condemnation Proceeds into either (i) the Prepayment Fund, or (ii) the Lease Payment Fund as a credit against the Lease Payments, as may be required by the Lease Agreement; provided, however, that the Lessee will first obtain the prior written consent of the Insurer before it elects to repair or replace any portion of the Leased Property.

The Certificates are subject to prepayment on any Payment Date, in whole or in part, from Net Insurance and Condemnation Proceeds deposited in the Prepayment Fund at least 45 days prior to a Payment Date and credited towards the Prepayment made by the Lessee pursuant to the Lease Agreement, at a prepayment price equal to the principal amount thereof, together with interest accrued to the date fixed for prepayment, without premium. In the event of a prepayment of Certificates from Net Insurance and Condemnation Proceeds when fewer than all Outstanding Certificates are called for prepayment, the Trustee shall select Certificates for prepayment from the Outstanding Certificates, proportionately by maturity, as approved by the Insurer, in Authorized Denominations. The Trustee shall promptly notify the Lessee, the Lessor and the Insurer in writing of the Certificates so selected for prepayment.

In the event that Net Insurance Proceeds are sufficient, together with other moneys as may be provided by the Lessee, to prepay the Lease Payments in full, payments from Net Insurance Proceeds may be applied to the prepayment of Certificates without the further consent of the Insurer; if such Net Insurance Proceeds are less than the amount necessary to prepay the Certificates in full, no prepayment of Certificates may be effected under the Trust Agreement without the prior written consent of the Insurer.

Whenever Net Insurance and Condemnation Proceeds are set aside for prepayment of Certificates in accordance with the Trust Agreement, such Net Insurance and Condemnation Proceeds shall, promptly upon receipt and upon the Trustee's receipt of written instructions, be invested by the Trustee at the written direction of the Business Services Representative or the County Treasurer, upon consultation with the Lessee, in Permitted Investments maturing in time and amount sufficient to provide payment in full of the principal and interest with respect to the Certificates selected for prepayment. The Lessee shall provide the Trustee with revised mandatory prepayment schedules.

In the event the Lessee elects to repair or replace the Leased Property with Net Insurance and Condemnation Proceeds and does not receive sufficient Net Insurance and Condemnation Proceeds for that purpose, the Lessee shall use its best efforts to provide sufficient funds, if necessary, in excess of such Net Insurance and Condemnation Proceeds to repair or replace the Leased Property and to make Lease Payments pursuant to the Lease Agreement.

In the event that the Lessee shall have delivered a Written Order directing the Trustee to retain the Net Insurance Proceeds in the Net Insurance and Condemnation Proceeds Fund, the Trustee shall apply such moneys in accordance with the Trust Agreement.

The Lessee will be permitted to request the replacement or repair of the Leased Property only if (i) the Net Insurance Proceeds available for such purpose, together with any other funds supplied by the Lessee for such purpose, are sufficient therefor, (ii) in the event that damage or destruction results in an abatement of Lease Payments, the Lessee Representative certifies and covenants to the Trustee that such replacement or repair can be fully completed within a period not in excess of the period in which rental interruption insurance proceeds will be available to pay in full all Lease Payments coming due during such period as described in the Lease Agreement, (iii) the Insurer has consented, in writing, to such repair or replacement, or (iv) such requirements are waived by the Insurer.

If, following the use by the Lessee of Net Insurance Proceeds for the purposes described above, there remains an excess amount, the Lessee shall deposit such excess Net Insurance Proceeds into the Lease Payment Fund and it shall be afforded a credit against its immediately succeeding Lease Payments due.

Surplus

Any funds remaining in the Prepayment Fund after prepayment, or provision having been made therefor satisfactory to the Trustee, including payment of any accrued interest and payment of any such applicable fees and expenses to the Trustee, and any amounts owed by the Lessee to the Insurer, shall be withdrawn by the Trustee and remitted to the Lessee.

Security Provisions

The Lessor has, pursuant to the Assignment Agreement, assigned and set over to the Trustee certain of its rights in the Lease Agreement and the Site Lease (excepting only its rights to indemnification and to give approvals and consents), including but not limited to all of the Lessor's rights to receive and collect all of the Lease Payments, Additional Payments (except those Additional Payments payable to the Trustee), Additional Lease Payments, Prepayments and all other amounts required to be deposited in the Lease Payment Fund pursuant to the Lease Agreement or pursuant to the Trust Agreement. All Lease Payments, Additional Payments, Additional Lease Payments, Prepayments and such other amounts to which the Lessor may at any time be entitled shall be paid by the Lessee directly to the Trustee, and all of the Lease Payments, Additional Payments, Additional Lease Payments and Prepayments collected or received by the Lessor shall be deemed to be held and to have been collected or received by the Lessor as the agent of the Trustee, and if received by the Lessor at any time shall be deposited by the Lessor with the Trustee within one Business Day after the receipt thereof, and all the Lease Payments, Additional Payments, Additional Lease Payments, Prepayments and such other amounts shall be forthwith deposited by the Trustee upon the receipt thereof in the Lease Payment Fund (except as provided in the Lease Agreement or the Trust Agreement).

The Lessor and the Lessee, as their interests may appear, pursuant to the Trust Agreement, grant to the Trustee for the benefit of the Insurer and the Certificateholders subject only to the interest granted in the Trust Agreement to the Trustee for the benefit of the Certificateholders, a lien on and a security interest in all moneys in the funds and accounts held by the Trustee under the Trust Agreement, except moneys held in the Rebate Fund, including without limitation, the Lease Payment Fund, the Reserve Fund, the Prepayment Fund, Net Insurance and Condemnation Proceeds Fund and any accounts therein, and all such moneys will be held by the Trustee in trust and applied to the purposes specified in the Trust Agreement and in the Lease Agreement.

The Lessor and Lessee, pursuant to the Trust Agreement grant to the Trustee for the benefit of the Certificateholders a lien on and a security interest in the Leased Property for the maximum Term of the Lease Agreement, which interest shall be evidenced by the filing of appropriate security instruments, signed by the Lessor, granting the Trustee a first perfected security interest in the Leased Property. Unless otherwise agreed to in writing by the Insurer, no lien on the Leased Property (except laborers' and mechanics' liens) senior to such lien shall be permitted.

The Lease Payments are pursuant to the Trust Agreement irrevocably pledged to and shall be used for the punctual payment of the Interest Component and the Principal Component, and the Lease Payments will not be used for any other purpose while any of the Certificates remain Outstanding. This pledge shall constitute a first and exclusive lien on the Lease Payments for the benefit of the Certificateholders and the Insurer, as their interests may appear, in accordance with the terms of the Trust Agreement.

Establishment of Rebate Fund

The Trustee shall establish a special fund designated as the "Los Angeles County Schools Pooled Financing Program, 2019 Series A (Compton Unified School District) Rebate Fund" (the "Rebate Fund"). So long as any Certificates are Outstanding, neither the Lessee nor the Lessor shall have any beneficial right or interest in the Rebate Fund or the moneys deposited therein, except only as provided in the Trust Agreement, and such moneys shall be used and applied by the Trustee as set forth in the Trust Agreement. The Trustee may rely conclusively on the Lessee's (or its agent's) determinations, calculations and certifications with regard to the calculation of rebate. The Trustee shall have no responsibility to independently make any calculation or determination or to review the Lessee's (or its agent's) calculations with regard to rebate.

Establishment of Lease Payment Fund

The Trustee shall establish a special fund designated as the "Los Angeles County Schools Pooled Financing Program, 2019 Series A (Compton Unified School District) Lease Payment Fund" (the "Lease Payment Fund"). All moneys at any time deposited by the Trustee in the Lease Payment Fund will be held by the Trustee in trust for the benefit of the Certificateholders. So long as any Certificates are Outstanding, neither the Lessee nor the Lessor shall have any beneficial right or interest in the Lease Payment Fund or the moneys deposited therein, except only as provided in the Trust Agreement, and such moneys shall be used and applied by the Trustee as set forth in the Trust Agreement.

Deposits

There shall be deposited into the Lease Payment Fund all Lease Payments, Additional Payments (except those payable to the Trustee as its fees and expenses) and Lessee Prepayments received by the Trustee, including any moneys received by the Trustee for deposit therein pursuant to the Trust Agreement, the Lease Agreement and any other moneys required to be deposited therein pursuant to the Lease Agreement or pursuant to the Trust Agreement. On or prior to each Lease Payment Date, the Trustee shall notify the Lessee of the amounts on deposit in the Lease Payment Fund to be credited toward the Lease Payments due from the Lessee on the next succeeding Lease Payment Date.

Application of Moneys

Except as provided in the Trust Agreement, all amounts in any account in the Lease Payment Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the Principal Component and Interest Component as the same shall become due and payable, in accordance with the provisions of the Trust Agreement; provided that delinquent Lease Payments deposited into the Lease Payment Fund shall be used to reimburse any draws upon the Reserve Fund Credit Facility necessitated by delinquency attributable to the Lessee. This pledge shall constitute a first and exclusive lien on the Lease Payments in accordance with the terms of the Trust Agreement.

Except as provided in the previous paragraph, the Trustee shall apply moneys on deposit in the Lease Payment Fund in the following order of priority:

1) On or before each Interest Payment Date, an amount sufficient to pay the Interest Component coming due and payable with respect to the Current Interest Certificates on such date shall be set aside;

2) On or before each Principal Payment Date, an amount sufficient to pay the Principal Component with respect to the Certificates coming due and payable on such date shall be set aside by the Trustee and mailed (or sent by wire transfer, as appropriate) to the Certificateholders; and

3) To the extent that Lessee Prepayments shall be deposited to the Prepayment Fund by the date which is forty-five (45) days prior each date set for prepayment of Certificates pursuant to the Trust Agreement, the amount prepaid shall be deposited into the Prepayment Fund to be applied for the prepayment of Certificates in accordance with the Trust Agreement.

Surplus

Any funds remaining in the Lease Payment Fund after prepayment and payment of all Certificates Outstanding, or provision having been made therefor satisfactory to the Trustee, including accrued interest and payment of any applicable fees and expenses to the Trustee, and any amounts owed by the Lessee to the Insurer, shall be withdrawn by the Trustee and remitted to the Lessee.

Investment Earnings

The Trustee shall deposit all earnings resulting from the investment of moneys in any fund or account held under the Trust Agreement as provided in the Trust Agreement.

Recordation and Filing

The Trustee shall cooperate fully with the Lessee, at the expense of the Lessee, with respect to the Lessee's filing and recording any amendments or supplements to the Site Lease and the Lease Agreement, all in such manner, at such times and in such places required in order fully to perfect, preserve and protect the security of the Certificateholders. It is not anticipated that financing statements recorded on the Closing Date will be renewed or continuation statements filed in connection therewith unless otherwise directly instructed by the Lessor or the County Treasurer, upon consultation with the Lessee. The Lessee and Lessor will do whatever else necessary or reasonably required in order to perfect and continue such security interest and assignment of the Lease Agreement.

Preservation of Lien

The Trustee, at the written request and at the expense of the Lessee, and the Lessee covenant and agree to take such action as is necessary from time to time under the Trust Agreement and under applicable law to preserve the priority of the pledge of the Lease Payments and other amounts pledged under the Trust Agreement.

Reserve Fund

The Trustee shall establish a special fund designated as the "Los Angeles County Schools Pooled Financing Program, 2019 Series A (Compton Unified School District) Reserve Fund" (the "Reserve Fund"). The Trustee shall keep such fund separate and apart from all other funds and accounts held by it and shall administer such accounts in accordance with the provisions of the Trust Agreement. All moneys at any time on deposit in the Reserve Fund will be held by the Trustee in trust for the benefit of the Certificateholders, and applied solely as provided in the Trust Agreement. Notwithstanding anything to the contrary in the Trust Agreement, amounts on deposit in the Reserve Fund shall be applied solely to the payment of debt service on the Certificates.

On the Closing Date, there shall be deposited into the Reserve Fund the Reserve Fund Credit Facility. This deposit and any future Reserve Fund Credit Facility or moneys subsequently deposited in the Reserve Fund will be held in trust as a reserve for the payment when due of all the Lease Payments and Prepayments to be paid pursuant to the Lease Agreement and of all payments on the Certificates. If the Reserve Fund contains both a Reserve Fund Credit Facility and cash, any cash on deposit shall be drawn completely before any demand is made on the Reserve Fund Credit Facility.

So long as the Certificates are Outstanding, the Trustee shall transfer any moneys on hand in the Reserve Fund in excess of the Reserve Fund Requirement as provided in the Trust Agreement.

In the event that the Trustee shall have withdrawn any amounts from the Reserve Fund to remedy a shortfall in the Lease Payment Fund, and the Reserve Fund has not theretofore been replenished to the Reserve Fund Requirement, the Trustee shall apply any delinquent Lease Payments received by the Trustee from the Lessee first to replenish that Reserve Fund so that it contains that dollar amount equal to the Reserve Fund Requirement, and then to make deposits into the Lease Payment Fund; provided that, so long as the Reserve Fund shall contain a Reserve Fund Credit Facility, the Trustee shall apply any delinquent Lease Payments received by the Trustee from the Lessee first to reimburse all costs owing to the Insurer identified by the Insurer in writing to the Trustee, then to replenish the Reserve Fund so that it contains that dollar amount equal to the Reserve Fund Requirement, and then to make deposits into the Lease Payment Fund. Upon the receipt of any delinquent Lease Payments owing to the Insurer under the Municipal Bond Insurance Policy or the Reserve Policy, the Trustee shall apply such delinquent Lease Payments to the extent of such reimbursement due plus accrued interest at the rate set forth in the Trust Agreement, for payment to the Insurer in accordance with the Trust Agreement.

If five Business Days immediately preceding any Interest Payment Date, the moneys available in the Lease Payment Fund do not equal the amount of the Principal Component and Interest Component, the Trustee shall transfer the moneys available in the Reserve Fund or draw upon the Reserve Fund Credit Facility to make delinquent Lease Payments on behalf of the Lessee.

If on any Payment Date the moneys on deposit in the Reserve Fund and the Lease Payment Fund (excluding amounts required for payment of past due Principal Components and Interest Components not yet presented for payment) are sufficient to pay all of the Outstanding Certificates, including a premium, if any, the Trustee shall, upon the written direction of the Lessee's Authorized Representative, transfer all amounts then on hand in the Reserve Fund to the Lease Payment Fund to be applied to the payment of the Lease Payments or Prepayments on behalf of the Lessee and such moneys shall be distributed to the Certificateholders in accordance with the Trust Agreement; provided, however, that if no written instruction is received by the Trustee, no such transfer will be made. Any amounts remaining in the Reserve Fund upon payment in full of all of the Outstanding Certificates, or upon provision for such payments as provided in the Trust Agreement, including payment of the Trustee's fees and expenses, and any amounts owed by the

Lessee to the Insurer, shall be withdrawn by the Trustee and paid to the Lessee, provided that all costs owing to the Insurer shall have been paid in full.

Reserve Fund Credit Facility

At the option of the Lessee with the prior written consent of the Insurer, a Reserve Fund Credit Facility may be substituted for any funds held in the Reserve Fund, such that the amount available to be drawn under such Reserve Fund Credit Facility, together with any moneys in the Reserve Fund, satisfy the Reserve Fund Requirement.

If the Lessee, with the concurrence of the Business Services Representative and the County Treasurer, exercises its option to substitute a Reserve Fund Credit Facility for all or a portion of the moneys held in the Reserve Fund, then such moneys, on or after the date that the Reserve Fund Credit Facility becomes effective and is deposited with the Trustee, at the option of the Lessee, will be transferred to the Lease Payment Fund and on each Payment Date shall be applied in lieu of Lease Payments due from the Lessee due immediately prior to such Payment Date. The Lessee may not invest such amounts transferred so as to produce a yield greater than the yield permitted under the Tax Certificate. In the event the Reserve Fund Credit Facility is scheduled to terminate prior to the final maturity date of the Certificates and such Reserve Fund Credit Facility is not extended, renewed or replaced with another Reserve Fund Credit Facility or with cash or Permitted Investments in the amount of such Reserve Fund Credit Facility, the Trustee shall draw on or make a claim under the Reserve Fund Credit Facility (provided that the Trustee has the right to make such draw or claim under the terms of the Reserve Fund Credit Facility) ten days prior to the date of such expiration in an amount equal to the lesser of (i) the maximum amount available thereunder or (ii) the Reserve Fund Requirement of the Lessee in either case for deposit into the Reserve Fund.

If a Reserve Fund Credit Facility is substituted for all or a portion of the moneys held in the Reserve Fund pursuant to the terms of the Trust Agreement, then, notwithstanding any other provision of the Trust Agreement, (1) the Trustee shall draw upon the Reserve Fund Credit Facility for amounts which the terms of the Trust Agreement require to be transferred from such Reserve Fund and (2) amounts required by the Trust Agreement to be deposited or transferred to the Reserve Fund shall (y) in the event the Reserve Fund Credit Facility has been drawn upon, be paid to the provider of such Reserve Fund Credit Facility if the Lessee has an outstanding reimbursement obligation to such provider resulting from such draw, which payment shall result in an increase in the amount then available under the Reserve Fund Credit Facility equal to such payment in accordance with the Trust Agreement or (z) in the event the Lessee has not drawn upon the Reserve Fund Credit Facility or does not have an outstanding reimbursement obligation to the provider of such Reserve Fund Credit Facility, otherwise be transferred or deposited pursuant to the terms of the Trust Agreement as if no deposit or transfer to the Reserve Fund were required.

Net Insurance Proceeds and Condemnation Proceeds Fund

The Trustee shall establish a special fund, at such time as deposits are required to be made therein, to be designated as the "Los Angeles County Schools Pooled Financing Program, 2019 Series A (Compton Unified School District) Net Insurance and Condemnation Proceeds Fund" (the "Net Insurance and Condemnation Proceeds Fund") and shall administer such fund, and any account therein, in accordance with the provisions of the Trust Agreement. All moneys at any time on deposit in the Net Insurance and Condemnation Proceeds Fund will be held by the Trustee in trust for the benefit of the Certificateholders, and applied solely as provided in the Trust Agreement.

Any Net Insurance and Condemnation Proceeds collected by the Lessee shall be transferred to the Trustee pursuant to the Lease Agreement and deposited by the Trustee in the Net Insurance and

Condemnation Proceeds Fund to be held in trust and applied and disbursed by the Trustee as provided in the Lease Agreement.

If any portion of the Leased Property is damaged or destroyed, or taken by condemnation proceedings, the Net Insurance and Condemnation Proceeds therefrom shall be deposited in the Net Insurance and Condemnation Proceeds Fund promptly upon receipt thereof and the Lessee shall certify to the County Treasurer, the Insurer and to the Trustee within forty-five (45) days (i) as to whether the Leased Property has been damaged or destroyed, or taken in whole or in part, (ii) as to whether the remaining portion of the Leased Property is still useful for the purposes originally intended, and (iii) as to whether it desires that any available Net Insurance and Condemnation Proceeds from such damages recovery or condemnation proceedings be applied for replacement of the Leased Property and, if so, that sufficient funds, together with such Net Insurance and Condemnation Proceeds, have been appropriated to pay the total cost of such replacement. If such certification is to the effect that the Leased Property has been damaged or destroyed, or taken in whole or in part to such extent that the remaining portion of Leased Property is no longer useful for the purposes originally intended, the Trustee shall transfer all of such Net Insurance and Condemnation Proceeds to the Prepayment Fund to be applied to the partial prepayment of Certificates. If such certification is to the effect that the Leased Property has been damaged or destroyed, or taken in part and that the remaining portion of the Leased Property is still useful for the purposes originally intended, the Trustee shall transfer such Net Insurance and Condemnation Proceeds to the Lease Payment Fund to be applied to the restoration of the Project upon requisition therefor by the Lessee; provided that, if such certification is also to the effect that the Lessee desires that any available Net Insurance and Condemnation Proceeds be applied for replacement of the Leased Property and if the Lessee further certifies that sufficient funds, together with such Net Insurance and Condemnation Proceeds, have been appropriated or are otherwise available to pay the total cost of such replacement, the Trustee will disburse such Net Insurance and Condemnation Proceeds to the Lessee upon receipt of the requisition therefor in order for the Lessee to cause the Leased Property to be replaced or improved to at least the same good order, repair and condition as it was in prior to the damage or destruction or condemnation proceedings, insofar as the same may be accomplished with said funds, and the Trustee shall transfer any excess Net Insurance and Condemnation Proceeds to the Lease Payment Fund to be credited against the Lessee's next Lease Payment. If such certification is to the effect that the Leased Property has been damaged or destroyed, or taken in part and that the remaining portion of the Leased Property is still useful for the purposes originally intended, and the Trustee transfers funds to the Net Insurance and Condemnation Proceeds Fund, but the Lessee does not certify that there are sufficient funds to complete the replacement of the Leased Property, then the Trustee shall transfer all of such Net Insurance and Condemnation Proceeds to the related Prepayment Fund to be applied to the prepayment of the Certificates. The Lessee has covenanted in the Lease Agreement to use its best efforts to provide sufficient construction funds to make all required Lease Payments in excess of the amount of rental interruption insurance, if necessary, in order to ensure completion of the reconstruction, repair, restoration, modification or improvement of the Leased Property and the Leased Property Components.

After all of the Certificates have been retired and the entire amount of the Principal Components and Interest Components of the Certificates have been paid in full or provision having been made therefor satisfactory to the Trustee, including payment of the Trustee's fees and expenses, and any amounts owed by the Lessee to the Insurer, the Trustee shall then pay any remaining moneys in the Net Insurance and Condemnation Proceeds Fund to the Lessee.

The Lessor and the Trustee shall cooperate fully with the Lessee, at the expense of the Lessee, with respect to the Lessee's filing any proof of loss with respect to any insurance policy maintained pursuant to the Lease Agreement and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to any part of the Leased Property; provided that the Trustee will not be obligated to take any action if it has not been indemnified as provided in the Trust Agreement.

Moneys In Funds; Investment

The moneys and investments held by the Trustee under the Trust Agreement are irrevocably held in trust for the benefit of the Certificateholders, with the exception of moneys held in the Rebate Fund, which are held in trust for rebate to the United States Government, and for the purposes in the Trust Agreement specified, and such moneys, and any income or interest earned thereon, shall be expended only as provided in the Trust Agreement, and will not be subject to levy or attachment or lien by or for the benefit of any creditor of the Lessor, the Trustee or the Lessee or any Owner of Certificates, or any of them other than the lien in favor of Trustee permitted pursuant to the Trust Agreement.

Moneys held by the Trustee under the Trust Agreement, upon written order of the Business Services Representative or the County Treasurer (who are pursuant to the Trust Agreement designated as the agents of the Lessee for these purposes) upon consultation with the Lessee, shall be invested and reinvested by the Trustee in Permitted Investments. Investments shall not include corporate debt other than commercial paper rated in the highest category by the Rating Agencies. Investments purchased with funds on deposit in the Reserve Fund shall have an average aggregate weighted term to maturity not greater than five years. The Business Services Representative or the County Treasurer upon consultation with the Lessee, shall by written order filed with the Trustee direct such investment in specific Permitted Investments identified in such written order. Investment of moneys in the Reserve Fund shall be directed in accordance with the Trust Agreement. Such investments, if registerable, shall be registered in the name of the Trustee or its nominee for the benefit of the Certificateholders and held by the Trustee or held in the name of the Trustee as a bank's trust department or separate safekeeping department in accordance with the Code and as approved by the Business Services Representative or the County Treasurer. Such investment direction will be made giving full consideration for the time at which funds are required to be available based upon information provided by the Lessee. The Trustee and its affiliates may act as sponsor, advisor, purchaser or agent in the making or disposing of any investment. The Trustee covenants that in the absence of a written order of the Business Services Representative or the County Treasurer or his designee directing investments under the Trust Agreement, the Trustee shall hold such funds uninvested pending the receipt of written investment instruction. The Trustee will not be responsible for investments complying with yield restriction requirements, other than to follow the investment instructions of the Business Services Representative or the County Treasurer. The Lessor and the Lessee acknowledge that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Lessor or the Lessee the right to receive brokerage confirmations of securities transactions as they occur, at no additional cost, the Lessor and the Lessee specifically waive receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Lessee periodic cash transaction statements as provided in the Trust Agreement which include detail for all investment transactions made by the Trustee under the Trust Agreement.

Any income, profit or loss on the investment of moneys held by the Trustee under the Trust Agreement shall be credited to the fund or account from which the investment was made, except as otherwise provided in the Trust Agreement. All earnings resulting from the investment of moneys deposited in the Reserve Fund in excess of such Reserve Fund Requirement shall be transferred promptly upon receipt to the Rebate Fund to be applied in accordance with instructions from the Lessee, which instructions shall comply with the Tax Certificate. All earnings resulting from the investment of moneys deposited in any other fund or account held under the Trust Agreement will be retained in the fund or account in which earned and shall be applied for the purpose for which such fund or account is established.

The Trustee shall furnish to the Lessee, the Business Services Representative and the County Treasurer each month an accounting statement of all investments made by the Trustee in addition to accounting for the receipts and disbursements of the Lessee. The Trustee will not be responsible or liable for any loss suffered in connection with any investment of funds made in accordance with the Trust Agreement, except for its own negligence and willful misconduct.

With respect to all funds and accounts, the Trustee shall, at the expense of the Lessee, determine the value of investments held under the Trust Agreement no less often than monthly, calculated as follows: (i) the value of the securities as computed on the basis of the closing bid price quoted by Interactive Data Systems, Inc; (ii) the valuation of the securities performed by a nationally recognized and accepted pricing service acceptable to the Insurer whose valuation method consists of the composite average of various bid price quotes on the valuation date; (iii) the valuation of collateral based on the lower of two dealer bids on the valuation date, which dealers or their parent holding companies are rated at least investment grade by S&P and Moody's, are market makers in the securities being valued; (iv) as to certificates of deposit and bankers acceptances, the face amount thereof, plus accrued interest; and (v) as to any investment not specified above, the value thereof established by the Lessee and the Insurer, as notified in writing to the Trustee, except that Permitted Investments in the Reserve Fund shall be valued at cost (excluding accrued interest). In making any valuations under the Trust Agreement, the Trustee may utilize pricing services (including brokers and dealers in securities) available to it, including those within its regular accounting system and may conclusively rely thereon. If amounts on deposit in the Reserve Fund shall, at any time, have a value less than the Reserve Fund Requirement, such deficiency will be made up from first available moneys after required deposits have been made to the Lease Payment Fund by the Lessee. Any Permitted Investment shall be deemed to mature on the earliest date that the issuer thereof may be required to repay the principal thereof at principal without penalty. The Trustee shall sell, or present for prepayment or redemption, any Permitted Investment so purchased by the Trustee whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee will not be liable or responsible for any loss resulting from such investment.

The Trustee shall have no duty or obligation to verify the legality of Permitted Investments directed by the Lessee, the Business Services Representative or the County Treasurer. Each written investment direction of the Lessee, the Business Services Representative or the County Treasurer shall contain a certification that such investments are Permitted Investments as defined in the Trust Agreement.

The Trustee

The Lessor will maintain either The Bank of New York Mellon Trust Company, N.A., or a successor Trustee which successor Trustee is a national banking association that is supervised by the Office of the Comptroller of the Currency and has at least two hundred fifty million dollars ($250,000,000) of assets, is a state-chartered commercial bank that is a member of the Federal Reserve System and has at least one billion dollars ($1,000,000,000) of assets, or is otherwise approved by the Insurer in writing, so long as any Certificates are Outstanding. If such bank, national banking association, banking corporation or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority referred to above, then for the purpose of the Trust Agreement, the combined capital and surplus of such bank, national banking association, banking corporation or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee is pursuant to the Trust Agreement authorized to pay the Certificates when duly presented for payment at maturity, or upon prepayment as provided in the Trust Agreement prior to maturity and to cancel all Certificates upon payment thereof. The Trustee shall keep accurate records of all funds administered by it and of all Certificates paid and discharged. The Trustee shall be compensated for its services rendered pursuant to the provisions of the Trust Agreement.

In determining whether any amendment, consent or other action to be taken, or any failure to act, under the Trust Agreement would adversely affect the security for the Certificates or the rights of the Certificateholders, the effect of any such amendment, consent, action or inaction shall be considered as if there were no Municipal Bond Insurance Policy.

The Business Services Representative, with the advice and consent of the County Treasurer, so long as no Event of Default shall have happened and be continuing, may remove the Trustee initially appointed, and any successor thereto, for good cause and may appoint a successor or successors thereto; *provided*, that any such successor shall be a commercial bank, national banking association, banking corporation or trust company meeting the requirements set forth in the applicable section of the Trust Agreement. In addition, the Trustee may be removed at any time, at the request of the Insurer, for any breach of the trust set forth in the Trust Agreement.

The Trustee may resign by giving prior written notice to the Lessor, to the Insurer, to the Business Services Representative and to the County Treasurer. Upon receiving such notice of resignation, the Lessor, the Business Services Representative and the County Treasurer, with the written consent of the Insurer, shall promptly appoint a successor Trustee. Any resignation or removal of the Trustee and appointment of a successor thereto shall become effective upon acceptance of appointment by such successor. The Insurer shall receive notice of any such change in the Trustee or any name change of the Trustee. Notwithstanding any other provision of the Trust Agreement, no removal, resignation or termination of the Trustee shall take effect until a successor, acceptable to the Insurer, shall be appointed. Upon such acceptance, the successor trustee shall mail notice thereof to the Certificateholders at their respective addresses set forth on the Certificate registration books maintained pursuant to the Trust Agreement. In the event that neither the Lessor nor the Business Services Representative names a successor Trustee within 30 days of the Trustee's removal or receipt of notice of the Trustee's resignation, then the Trustee may petition a federal or state court of proper jurisdiction to seek the immediate appointment of a successor Trustee.

Every successor Trustee appointed pursuant to the Trust Agreement shall satisfy the requirements of the applicable section of the Trust Agreement and shall be approved, in writing, by the Insurer. Notwithstanding any other provision of the Trust Agreement, no removal, resignation or termination of the Trustee shall take effect until a successor, acceptable to Insurer as indicated in writing, shall be appointed.

The recitals of facts in the Trust Agreement, in the Assignment Agreement and in the Certificates contained shall be taken as statements of the Lessee, and the Trustee assumes no, nor shall it have any, responsibility or liability for the correctness of the same, and makes no representations as to the validity or sufficiency of the Trust Agreement or the Certificates as to the value or condition of the trust estate or any part thereof, as to the title of the Lessee thereto, as to the security afforded thereby or by the Trust Agreement, as to the tax status of the Interest Component with respect to the Certificates, or as to the technical or financial viability of the Lessee, and shall incur no responsibility nor have any liability in respect thereof. The Trustee will not be accountable in any manner whatsoever for the use or application by the Lessee of the Certificates or the proceeds thereof or of any moneys paid to the Lessee pursuant to the terms of the Trust Agreement. The Trustee shall, however, be responsible for its representations in relation to the execution of the Certificates. The Trustee will not be liable in connection with the performance of its duties under the Trust Agreement except for its own negligence or willful misconduct. The Trustee may execute any of the trusts or powers under the Trust Agreement or perform any duties under the Trust Agreement either directly or through agents or attorneys, and the Trustee will not be directly responsible for any misconduct or negligence on the part of any agent (other than an employee) or attorney appointed with due care. The Lessee will not be deemed an agent of the Trustee for any purpose, and the Trustee will not be responsible for the compliance by the Lessee with its duties under the Trust Agreement in connection with the transactions contemplated in the Trust Agreement. The Trustee may become the Certificateholder with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depositary for and permit any of their officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Certificateholders, whether or not such committee shall represent the Certificateholders of the majority in principal amount of the Certificates then Outstanding. No provision of the Trust Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties under the Trust Agreement or thereunder, or in the exercise of its rights or powers.

In accepting the trusts created pursuant to the Trust Agreement, the Trustee acts solely as Trustee for the Certificateholders and not in its individual capacity and all persons, including without limitation the Certificateholders, Lessor and Lessee having any claim against the Trustee arising from the Trust Agreement shall look only to the funds and accounts held by the Trustee under the Trust Agreement for payment except as otherwise provided in the Trust Agreement. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Certificates.

The Trustee makes no representation or warranty, express or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the Lessor and the Lessee of the Project. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Lease Agreement or the Trust Agreement for the existence, furnishing or use of the Project.

The Trustee will not be accountable for the use or application by the Lessee or any other party of any funds which the Trustee has released in accordance with the provisions of the Trust Agreement. Every provision of the Trust Agreement, the Lease Agreement, the Site Lease and the Assignment Agreement relating to the conduct or liability of the Trustee shall be subject to the provisions of the Trust Agreement, including without limitation, the applicable article of the Trust Agreement. The Trustee is authorized and directed to execute in its capacity as Trustee under the Trust Agreement or the Assignment Agreement.

The Trustee is not responsible for any official statement or any other offering material prepared or distributed with respect to the Certificates. The Trustee will not be liable for any action taken or not taken by it in accordance with the written direction of the Insurer or Certificateholders of not less than a majority in aggregate principal amount of the Certificates Outstanding relating to the time, method and place of conducting any proceeding or remedy available to the Trustee, or in the exercise of any trust or power conferred to the Trustee under the Trust Agreement.

Prior to taking any action under the applicable article of the Trust Agreement at the request of the Certificateholders or the Insurer, the Trustee may require that a satisfactory indemnity bond be furnished by the Certificateholders or the Insurer for the reimbursement of all expenses to which it may incur and to protect it against all liability, except liability which is adjudicated to have resulted from its own negligence or willful misconduct in connection with any action so taken under the applicable articles of the Trust Agreement.

The Trustee will not be considered in breach of or in default in its obligations under the Trust Agreement or progress in respect thereto in the event of enforced delay ("unavoidable delay") in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

The Trustee will have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to the Trust Agreement and delivered using Electronic Means ("Electronic Means" will mean the following communications methods: S.W.I.F.T., e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services under the Trust Agreement); provided, however, that the Lessee will provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate will be amended by the Lessee whenever a person is to be added or deleted from the listing. If the Lessee elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee's understanding of such Instructions will be deemed controlling. The Lessee understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee will conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Lessee will be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the Lessee and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Lessee. The Trustee will not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Lessee agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Lessee; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

The Trustee shall, prior to an Event of Default, and after the curing of all Events of default which may have occurred under the Trust Agreement, perform such duties and only such duties are specifically set forth in the Trust Agreement. The Trustee shall, during the existence of any Event of Default, which has not been cured, exercise such of the rights and powers vested in it by the Trust Agreement, and use the same degree of care and skill in their exercise, as prudent persons would exercise or use under the circumstances in the conduct of their own affairs.

Any company or national banking association into which the Trustee may be merged or converted or with which it may be consolidated or any company, banking corporation or national banking association resulting from any merger, conversion or consolidation to which it shall be a party or any company, banking corporation or national banking association to which the Trustee may sell or transfer all or substantially all of its corporate trust business, *provided* that such company or national banking association shall meet the requirements set forth in the Trust Agreement, shall be the successor to the Trustee without the execution or filing of any paper or further act, anything in the Trust Agreement to the contrary notwithstanding. Notice of such merger or consolidation shall be given to the Lessor, the Business Services Representative and the County Treasurer.

The Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any affidavit, bond, certificate, consent, notice, request, requisition, resolution, statement, voucher, waiver or other paper or document which it shall in good faith believe to be genuine and to have been passed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of the Trust Agreement, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, including, but not limited to, the legality of any investment in which Trustee is instructed to invest, but may, in the absence of negligence or bad faith on its part, accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee may consult with counsel, who may be counsel to the Lessee, with regard to legal questions and the written opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Trustee under the Trust Agreement in good faith in accordance therewith.

Whenever in the administration of its duties under the Trust Agreement, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Trust Agreement, such matter (unless other evidence in respect thereof be in the Trust Agreement specifically prescribed), in the absence of negligence or bad faith on its part, shall be deemed to be conclusively proved and established by the certificate of the Lessee's Authorized Representative or the Lessor Representative and such certificate shall be full warranty to the Trustee, in the absence of negligence or bad faith on its part, for any action taken or suffered under the provisions of the Trust Agreement upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable to the Trustee.

The Trustee may be or become a Certificateholder with the same rights it would have if it were not Trustee; may acquire and dispose of any bonds or other evidence of indebtedness of the Lessee with the same rights it would have if it were not the Trustee and may act as a depositary for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of the Certificateholders whether or not such committee shall represent the Certificateholders of the majority in principal amount of the Certificates then Outstanding.

The Trustee will not be deemed to have knowledge of any Event of Default under the Trust Agreement unless and until a Responsible Officer shall have actual knowledge thereof, or shall have received written notice thereof, at its Principal Corporate Trust Office. Except as otherwise expressly provided in the Trust Agreement, the Trustee will not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements in the Trust Agreement or of any of the documents executed in connection with the Certificates, or as to the existence of an Event of Default thereunder.

The permissive right of the Trustee to do things enumerated in the Trust Agreement will not be construed as a duty and the Trustee will not be answerable for other than its gross negligence or willful default. The Trustee will not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

In acting or omitting to act pursuant to the Lease Agreement, the Site Lease, or any other agreement executed in connection with the Trust Agreement or thereof to which the Trustee is a party, the Trustee shall be entitled to all of the rights, immunities and indemnities accorded to it under the Trust Agreement.

The Lessee shall on demand pay to the Trustee reasonable compensation for the Trustee's regular services under the Trust Agreement as provided in the written fee schedule of the Trustee furnished to the Lessee and shall reimburse the Trustee, for all advances (with interest on such advances at the maximum rate allowed by law) and expenditures, including but not limited to advances to and fees and expenses of independent appraisers, accountants, consultants, counsel, agents and attorneys or other experts employed by the Trustee in the exercise and performance of its powers and duties under the Trust Agreement and the Trustee shall have a lien therefor on all funds and property attributable to a defaulting party, at any time held by it under the Trust Agreement, which lien will not be prior and superior to the lien of the Certificateholders unless there has occurred an Event of Default in which event the lien of the Trustee shall be prior and superior to the lien of the Certificateholders. The Lessee's obligations under the Trust Agreement shall remain valid and binding, notwithstanding the maturity and payment of the Certificates. The compensation of the Trustee under the Trust Agreement will not be limited by any provision of law in regard to the compensation of a trustee of an express trust. When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

Indemnification of Trustee

To the extent permitted by law, the Lessee shall indemnify and save the Trustee and its officers, directors, employees, agents, successors or assigns harmless from and against all claims, losses, costs, expenses, liability and damages, including legal fees and expenses, arising out of (i) the actions of any other party, including but not limited to the ownership, operation or use of Leased Property by the Lessee, or (ii) the Trustee's exercise and performance of its powers and duties under the Trust Agreement, under the Lease Agreement, the Site Lease and any other document or transaction contemplated in connection with the Trust Agreement or therewith. No indemnification will be made under the applicable section of the Trust Agreement or elsewhere in the Trust Agreement for negligence or willful misconduct under the Trust Agreement by the Trustee, its officers or employees. The Lessee's obligations under the Trust Agreement shall remain valid and binding notwithstanding the defeasance, maturity and payment of the Certificates or the resignation or removal of the Trustee.

Amendments Permitted

The Trust Agreement and the rights and obligations of the Certificateholders and the Lease and the Site Lease and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement, without the consent of the Insurer, for the following purposes:

(i) to cure any ambiguity or formal defect or omissions or to correct any inconsistent provisions in the transaction documents or in any supplement thereto;

(ii) to grant or confer upon the holders of the Insured Obligations any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the holders of the Insured Obligations;

(iii) to add to the conditions, limitations and restrictions on the issuance of bonds or other obligations under the provisions of the Trust Agreement, the Lease, or the Site Lease other conditions, limitations and restrictions thereafter to be observed; or

(iv) to add to the covenants and agreements of the Lessee in the Trust Agreement, the Lease, and the Site Lease other covenants and agreements thereafter to be observed by the Lessee or to surrender any right or power therein reserved to or conferred upon the Lessee.

The Trust Agreement and the rights and obligations of the Certificateholders and the Lease and the Site Lease and the rights and obligations of the parties thereto, may be otherwise modified or amended at any time by a supplemental agreement with the written consent of the Corporation and the Insurer filed with the Trustee,

Any supplemental agreement shall be provided by the Lessee to the Rating Agencies at least (10) days prior to the effective date thereof.

In executing, or accepting the additional trusts created by, any supplemental trust agreement permitted by the Trust Agreement or the modification thereby of the trusts created by the Trust Agreement, the Trustee shall be entitled to receive, and shall be fully protected in relying upon, an opinion of counsel stating that the execution of such supplemental trust agreement is authorized or permitted by the Trust Agreement and complies with the terms thereof. The Trustee may, but shall not be obligated to, enter into any such supplemental trust agreement which affects the Trustee's own rights, duties or immunities under the Trust Agreement or otherwise.

Covenants; Notices

The Lessee covenants and agrees with the Insurer and the Certificateholders to perform all obligations and duties imposed on them, respectively, under the Trust Agreement and under the Lease Agreement. The Lessor covenants and agrees with the Certificateholders to perform all obligations and duties imposed under the Lease Agreement.

The Lessee will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission or refraining from action, would or might be a ground for cancellation or termination of the Lease Agreement by the Lessor thereunder. The Lessor and the Lessee, immediately upon receiving or giving any notice, communication or other document in any way relating to or affecting the estate, in the Leased Property and the Project, which may or can in any manner affect such estate of the Lessee, will deliver the same, or a copy thereof, to the Trustee.

Pursuant to the Lease Agreement, the Lessee shall supply to the Trustee, prior to the beginning of the fiscal year, a certification in the form set forth in the Trust Agreement, that the Lessee has made adequate provision in its proposed annual budget for the payment of Lease Payments due under the Lease Agreement in the fiscal year covered by such budget. The certification given by the Lessee to the Trustee shall be to the effect that the amounts so budgeted are fully adequate for the payment of all Lease Payments due under the Lease Agreement in such fiscal year. If the certification states that the amounts so budgeted are not stated to be adequate for the payment of Lease Payments due under the Lease Agreement, the Trustee will notify the Lessee to take such action as may be necessary to cause such annual budget to be amended, corrected or augmented so as to include therein the amounts required to be raised by the Lessee in the ensuing fiscal year for the payment of Lease Payments due under the Lease Agreement and will notify the Trustee of the proceedings then taken or proposed to be taken by the Lessee; and the Trustee shall forward a copy of such notice to the Business Services Representative, the Lessee and the County Treasurer. The Trustee shall be protected in relying upon any certification or such notice from the Lessee, and the Trustee shall have no further responsibility for the evaluation of such budget data. The Lessee shall keep the Trustee, the Business Services Representative and the County Treasurer advised of all proceedings thereafter taken by the Lessee.

Pursuant to the Trust Agreement, the Lessee authorizes the Trustee, the Business Services Representative or the County Treasurer to invest funds and accounts attributable to the Leased Property and the Project in any investment consistent with the County Investment Policy. If the Trustee invests funds pursuant to instructions pursuant to the Trust Agreement, the Trustee will be deemed to have complied with the County Investment Policy. To the extent permitted by law, the Lessee shall and agrees, pursuant to the

Trust Agreement, to indemnify and save the Lessor, the Trustee, the Business Services Representative and the County Treasurer and each of their respective successors, assigns, agents, officers, employees and servants harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of any act or negligence with respect to the investment of funds and accounts pursuant to the Lease Agreement or the Trust Agreement.

Notwithstanding any other provision in the Trust Agreement, failure of the Lessee or the Trustee to perform in accordance with the Continuing Disclosure Certificate shall not constitute a default or an Event of Default under the Trust Agreement, and the rights and remedies provided by the Trust Agreement upon the occurrence of an Event of Default shall not apply to any such failure, but the Continuing Disclosure Certificate may be enforced only as provided therein.

The Lessor and the Lessee will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Trust Agreement, and for the better assuring and confirming unto the Insurer and the Certificateholders of the rights and benefits provided in the Trust Agreement.

Limited Liability of the Lessee

Except for the payment of Lease Payments, Additional Payments and Prepayments when due in accordance with the Lease Agreement and the performance of the other covenants and agreements of the Lessee contained in the Trust Agreement and in the Lease Agreement, the Lessee shall have no obligation or liability to any of the other parties or to the Certificateholders with respect to the Trust Agreement or the terms, execution, delivery or transfer of the Certificates, or the distribution of Lease Payments to the Certificateholders by the Trustee.

No Liability of the Lessee or Lessor for Trustee Performance

Except as expressly provided in the Trust Agreement, neither the Lessee nor the Lessor shall have any obligation or liability to any of the other parties or to the Certificateholder with respect to the performance by the Trustee of any duty imposed upon it under the Trust Agreement.

Limited Liability of Trustee

The Trustee shall have no obligation or responsibility for providing information to the Certificateholders concerning the investment character of the Certificates, for the sufficiency or collection of the Lease Payments or other moneys required to be paid to it under the Lease Agreement (except as provided in the Trust Agreement) or for the actions or representations of any other party to the Trust Agreement. The Trustee shall have no obligation or liability to any of the other parties or the Certificateholders with respect to the Trust Agreement or the failure or refusal of any other party to perform any covenant or agreement made by any of them under the Trust Agreement and the Lease Agreement, but shall be responsible solely for the performance of the duties and obligations expressly imposed upon it under the Trust Agreement. The recitals of facts, covenants and agreements in the Trust Agreement and in the Certificates contained shall be taken as statements, covenants and agreements of the Lessee or the Lessor (as the case may be), and the Trustee assumes no responsibility for the correctness of the same, makes no representations as to the validity or sufficiency of the Trust Agreement or of the Certificates, shall incur no responsibility in respect thereof, other than in connection with the duties or obligations in the Trust Agreement or in the Certificates assigned to or imposed upon it. The Trustee will not be liable in connection with the performance of its duties under the Trust Agreement, except for its own negligence or willful misconduct.

Opinion of Counsel

Before being required to take any action, the Trustee may require an opinion of Independent Counsel acceptable to the Trustee which opinion will be made available to the other parties to the Trust Agreement upon request, which counsel may be counsel to any of the parties to the Trust Agreement, or a verified certificate of any party to the Trust Agreement, or both, concerning the proposed action. If it does so in good faith, the Trustee shall be absolutely protected in relying thereon. The Trustee will not be responsible for the sufficiency of the Lease Agreement, its right to receive moneys pursuant to the Lease Agreement or the value of or title to the premises upon which the Project is located. The Trustee will not be responsible or liable for any losses suffered in connection with any investment of funds made by it under the terms of and in accordance with the Trust Agreement.

Limitation of Rights to Parties and Certificateholders

Nothing in the Trust Agreement or in the Certificates expressed or implied is intended or shall be construed to give any person other than the Lessee, the Lessor, the Trustee, the Insurer and the Certificateholders, any legal or equitable right, remedy or claim under or in respect of the Trust Agreement or any covenant, condition or provision of the Trust Agreement; and all such covenants, conditions and provisions are and shall be for the sole and exclusive benefit of the Lessee, the Lessor, the Trustee, the Insurer and the Certificateholder.

Assignment of Rights; Events of Default and Remedies of Certificateholders

Pursuant to the Assignment Agreement, the Lessor has transferred, assigned and set over to the Trustee for the benefit of the Certificateholders (1) all of the Lessor's rights to receive Lease Payments and Prepayments without recourse to be paid by the Lessee under and pursuant to the Lease Agreement and the Site Lease and (2) effective immediately upon the occurrence of an Event of Default under the Lease Agreement or the Site Lease and without further action on the part of the Lessor, such rights and remedies of the Lessor under the Lease Agreement and the Site Lease, as applicable, as may be necessary or convenient (i) to enforce payment of the Lease Payments, Prepayments and any other amounts required to be deposited in the Lease Payment Fund, the Net Insurance and Condemnation Proceeds Fund and Prepayment Fund, or (ii) otherwise to protect the interests of the Certificateholders or the Trustee upon the occurrence of an Event of Default.

The following shall be "Events of Default" under the Trust Agreement:

(a) An Event of Default shall have occurred under the Lease Agreement or the Site Lease.

(b) Failure by a Lessee or the Lessor to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Trust Agreement or the Lease Agreement, other than such failure as may constitute an Event of Default under clause (a) above, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the Lessee and Lessor by the Trustee or the Insurer or to the Lessee and the Lessor by the Certificateholders of not less than a majority in aggregate principal amount of the Certificates then Outstanding or if the failure stated in the notice cannot be corrected within such thirty (30) day period, where the Lessee shall fail to institute corrective action within such thirty (30) day period and diligently pursue the same to completion; provided, however, that completion of such corrective action shall not in any event occur more than thirty (30) days after the written notice required by the applicable provisions of the Trust Agreement without the written consent of the Insurer.

If an Event of Default shall occur and be continuing, the Trustee shall give notice of such Event of Default to the Certificateholders and the Insurer. Such notice shall identify the party in default and shall provide a brief description of such Event of Default. The Trustee in its discretion may withhold such notice if it deems it in the best interests of the Certificateholders. The notice provided in the applicable provisions of the Trust Agreement shall be given by registered or certified mail to the Certificateholders within thirty (30) days of such occurrence of the Event of Default.

If an Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee may exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement under which such Event of Default has occurred; provided, however, that notwithstanding anything in the Trust Agreement or in the Lease Agreement to the contrary, there shall be no right under any circumstances to accelerate the maturities of the Certificates or otherwise to declare the Lease Payments not then in default to be immediately due and payable. .

Nothing in the Trust Agreement expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the Lessee, the Lessor, the Trustee, the Insurer and the registered Certificateholders, any right, remedy or claim under or by reason of the Trust Agreement or any covenant, condition or stipulation of the Trust Agreement, and all covenants, stipulations, promises and agreements in the Trust Agreement contained by and on behalf of the Lessee shall be for the sole and exclusive benefit of the Lessee, the Lessor, the Trustee and the registered Certificateholders.

All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the applicable articles of the Trust Agreement or the Lease Agreement and any other funds then held by the Trustee, shall be deposited into the Lease Payment Fund and be applied by the Trustee in the following order upon presentation of the several Certificates, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

(a) First, to the payment of the fees, costs and expenses of the Trustee (including reasonable compensation to its agents, attorneys and counsel) incurred in connection with the performance of its powers and duties under the Trust Agreement and the Lease Agreement and then of the Insurer in declaring an Event of Default (including reasonable compensation to its or their agents, attorneys and counsel);

(b) Second, to the payment to the persons entitled thereto of all amounts representing the Interest Component then due in the order of the maturity of such installment, and, if the amount available will not be sufficient to pay in full any Interest Component maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference;

(c) Third, to the payment to the persons entitled thereto of the unpaid Principal Component which shall have become due, whether at maturity or by call for prepayment, in the order of their due dates, with interest due with respect to the overdue Principal Component or Interest Component at a rate equal to the rate paid on the Certificates and, if the amount available will not be sufficient to pay in full all the amounts due on the Certificates on any date, together with such interest, then to the payment thereof ratably, according to the amount of the Principal Component due on such date to the persons entitled thereto, without any discrimination or preference;

(d) Fourth, to the extent not included in subsections (a), (b) or (c) above, to the payment of all costs and other amounts owing to the Insurer; and

(e) Fifth, to the extent not included in (a), (b), (c) or (d) above to the payment of the fees, costs and expenses of the Certificateholders (including reasonable compensation to its or their agents, attorneys and counsel) in declaring an Event of Default.

If one or more Events of Default shall occur and be continuing, the Trustee in its discretion may, and upon the written request of the Certificateholders of a majority in principal amount of the Certificates then Outstanding received by the Trustee at its Principal Corporate Trust Office, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Certificateholders by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained in the Trust Agreement or in the Lease Agreement, or in aid of the execution of any power granted in the Trust Agreement, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as shall be deemed most effectual in support of any of its rights or duties under the Trust Agreement. Nothing in the Trust Agreement shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Certificate Certificateholder any plan of reorganization, arrangement, adjustment, or composition affecting the Certificates or the rights of any Certificateholder thereof, or to authorize the Trustee to vote in respect of the claim of any Certificateholder in any such proceeding without the approval of the Certificateholders so affected.

Nothing in the Trust Agreement or in the Certificates shall affect or impair the obligations of the Lessee, which obligations are absolute and unconditional, to pay or prepay the Lease Payments as provided in the Lease Agreement. No delay or omission of the Trustee, the Insurer or of any Certificateholder of any of the Certificates to exercise any right or power arising upon the happening of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein, and every power and remedy given by the applicable article of the Trust Agreement to the Trustee, the Insurer or to the Certificateholders may be exercised from time to time and as often as shall be deemed expedient by the Trustee or the Certificateholders.

No remedy conferred in the Trust Agreement upon or reserved to the Trustee or to the Certificateholders is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Trust Agreement or now or hereafter existing, at law or in equity or by statute or otherwise.

If the Trustee, upon the occurrence of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Trust Agreement, whether upon its own discretion or upon the request of the Certificateholders of a majority in principal amount of the Certificates then Outstanding, it shall have full power, in the exercise of its discretion for the best interest of the Certificateholders with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Certificateholders of at least a majority in principal amount of the Outstanding Certificates under the Trust Agreement opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation. The provision of the Trust Agreement regarding power of the trustee to control proceedings is subject to all rights granted to the Insurer under the Trust Agreement.

No Certificateholder of any Certificate executed and delivered under the Trust Agreement shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Trust Agreement, unless (a) such Certificateholder shall have previously given to the Trustee written notice of the occurrence of an Event of Default under the Lease Agreement; (b) the Certificateholders of a majority in aggregate principal amount of all the Certificates then Outstanding shall have made written request upon the Trustee to exercise the powers in the Trust Agreement before granted or to institute such action, suit or proceeding in its own name; (c) said Certificateholders shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared pursuant to the Trust Agreement, in every case, to be conditions precedent to the exercise by any Certificateholder of any remedy under the Trust Agreement; it being understood and intended that no one or more Certificateholders shall have any right in any manner whatever by his or their action to enforce any right under the Trust Agreement, except in the manner provided in the Trust Agreement and for the equal benefit of all Certificateholders of the Outstanding Certificates.

The right of any Certificateholder of any Certificate to receive payment of said Certificateholder's proportionate interest in the Lease Payments as the same become due, or to institute suit for the enforcement of such payment, will not be impaired or affected without the consent of such Certificateholder, notwithstanding the provisions of the Trust Agreement.

In the event that the Lessee or the Lessor should default under any of the provisions of the Trust Agreement and the nondefaulting party or parties should employ attorneys or incur other expenses for the collection of moneys or the enforcement or observance of any obligation or agreement on the part of the defaulting party contained in the Trust Agreement, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party the reasonable fees of such attorneys and such other expenses so incurred by the nondefaulting party or parties; provided, however, that the Trustee will not be required to expend its own funds for any payment described in the provisions of the Trust Agreement regarding the agreement to pay attorneys' fees and expenses.

The Lessor shall not have any obligation or liability to the Certificateholders with respect to the payment when due of the Lease Payments by the Lessee, or with respect to the performance by the Lessee of the other agreements and covenants required to be performed by it contained in the Lease Agreement or in the Trust Agreement, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

Defeasance

Defeasance shall be deemed to occur if any or all Outstanding Certificates are paid and discharged in any one or more of the following ways, provided that the Insurer shall have been paid in full all amounts owed to it pursuant to the Trust Agreement and under the terms of the Municipal Bond Insurance Policy and the Reserve Policy: (a) by well and truly paying or causing to be paid the Principal Components and Interest Components and prepayment premiums, if any, on all or a portion of the Certificates Outstanding, as and when the same become due and payable; (b) if prior to maturity and having given notice of prepayment by irrevocably depositing with the Trustee, in trust, at or before maturity, an amount of cash which, together with available amounts then on deposit in the Lease Payment Fund and the Reserve Fund, is sufficient to pay all or a portion of the Certificates Outstanding, including all Principal Components, Interest Components, and prepayment premium, if any; (c) by irrevocably depositing with the Trustee, in trust, noncallable, nonprepayable Defeasance Obligations 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 and available in the Lease Payment Fund and the Reserve Fund together with the interest to accrue thereon, be fully sufficient to pay and discharge all Certificates (including all Principal Components and Interest Components represented thereby and prepayment premium, if any) at or before their maturity date and the fees and expenses of the Trustee have been paid in full; or (d) by irrevocably depositing with the

Trustee, under an escrow deposit and trust agreement, security for the payment of all or a portion of Lease Payments as more particularly described in the Lease Agreement, said security to be held by the Trustee as agent for the Lessee to be applied by the Trustee to pay the Lease Payments as the same become due and payable and make a Prepayment in full on the Lease Payment Date pursuant to the Lease Agreement.

To accomplish defeasance, the Lessee shall (i) deliver to the Trustee and the Insurer a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be addressed to and acceptable to the Insurer verifying the sufficiency of the escrow established to pay the Certificates in full on the maturity or prepayment date (a "Verification"), (ii) enter into an escrow deposit agreement (which shall be acceptable in form and substance to the Insurer), (iii) provide an opinion of nationally recognized special counsel addressed to the Trustee and the Insurer and acceptable to the Insurer regarding the validity and enforceability of the escrow deposit agreement and stating that the Certificates are no longer Outstanding under the Trust Agreement and (iv) provide a certificate of discharge of the Trustee, which certificate may rely on the Verification with respect to the Certificates. The Insurer shall be provided with final drafts of the above-referenced documentation not less than three business days prior to the funding of the escrow.

The escrow deposit agreement shall provide that: (i) any substitution of securities following the execution and delivery of the escrow deposit agreement shall require the delivery of a Verification, an opinion of special counsel that such substitution will not adversely affect the exclusion from gross income of the Certificateholders of the interest on the Certificates for federal income tax purposes and the prior written consent of the Insurer, which consent will not be unreasonably withheld; (ii) the Lessee will not exercise any prior optional prepayment of the Lease Payments to affect a prepayment of the Certificates secured by the escrow deposit agreement or any other prepayment other than any Lease Payment related to a mandatory sinking fund prepayment on the Certificates unless the right to make any such prepayment has been expressly reserved in the escrow deposit agreement and such right of prepayment has been described in the offering document for the Certificates and a Verification is delivered to the Insurer as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such prepayment; and (iii) no amendment shall be made to the escrow deposit agreement, nor shall the Lessee enter into a forward purchase agreement or other agreement with respect to rights in the defeasance escrow without the prior written consent of the Insurer.

Amounts paid by the Insurer under the Municipal Bond Insurance Policy or the Reserve Policy will not be deemed paid for purposes of the Trust Agreement and shall remain Outstanding and continue to be due and owing until paid by the Lessee in accordance with the Trust Agreement.

The Trust Agreement will not be discharged unless all amounts due to the Insurer have been paid in full or duly provided for. The Lessee's obligation to pay such amounts is expressly stated to survive payment in full of the Certificates.

Notwithstanding that any Certificates shall not have been surrendered for payment, all obligations of the Lessor, the Trustee and the Lessee with respect to all or a portion of Outstanding Certificates shall cease and terminate, except only the obligations of the Lessee under the Trust Agreement, the obligation of the Trustee pursuant to the Trust Agreement and its obligations to pay or cause to be paid, from Lease Payments paid by or on behalf of the Lessee from funds deposited pursuant to the Trust Agreement, to the Certificateholders of the Certificates not so surrendered and paid all sums due with respect thereto, and in the event of deposits pursuant to such paragraphs, the Certificates shall continue to evidence and represent direct and proportionate interests of the Certificateholders thereof in Lease Payments, and except that the obligations of the Lessee, the Lessor and the Trustee shall not terminate under the Trust Agreement and the Lease Agreement and Site Lease until all amounts owed to the Insurer under the terms of the Municipal Bond Insurance Policy shall have been paid in full.

Any funds held by the Trustee, at the time of one of the events described in the applicable provisions of the Trust Agreement, which are not required for the payment to be made to Certificateholders, as verified by a certified public accountant, shall be paid over to the Lessee pursuant to the Lessee's written request therefor; provided that the fees and expenses of the Trustee have been fully paid.

Insurer as Third Party Beneficiary; Interested Parties

To the extent that any provision in the Trust Agreement confers upon or gives or grants to the Insurer any right, remedy or claim under or by reason of the Trust Agreement, the Insurer is explicitly recognized as being a third-party beneficiary under the Trust Agreement and may enforce any such right, remedy or claim conferred, given or granted under the Trust Agreement. No contract shall be entered into nor any action taken by which the rights of the Insurer or security for or sources of payment of the Certificates may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Insurer. Nothing in the Trust Agreement expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the Lessee, the Trustee, the Insurer and the registered owners of the Certificates, any right, remedy or claim under or by reason of the Trust Agreement or any covenant, condition or stipulation of the Trust Agreement, and all covenants, stipulation, promises and agreements in the Trust Agreement contained by and on behalf of the Lessee shall be for the sole and exclusive benefit of the Lessee, the Trustee, the Insurer, and the registered owners of the Certificates.

Insurer Exercise of Rights

The rights granted to the Insurer under the Trust Agreement, the Lease, and the Site Lease to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Municipal Bond Insurance Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Certificateholders and such action does not evidence any position of the Insurer, affirmative or negative, as to whether the consent of the Certificateholders or any other person is required in addition to the consent of the Insurer.

The Lessee shall permit the Insurer to discuss the affairs, finances and accounts of the Lessee or any information the Insurer may reasonably request regarding the security for the Certificates with appropriate officers of the Lessee and will use commercially reasonable efforts to enable the Insurer to have access to the facilities, books and records of the Lessee on any Business Day upon reasonable prior notice.

Anything in the Trust Agreement, the Lease, the Assignment Agreement or the Site Lease to the contrary notwithstanding, upon the occurrence and continuance of a default or an Event of Default, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Certificateholders or the Trustee for the benefit of the Certificateholders under any such document. No default or Event of Default may be waived without the Insurer's written consent.

In addition, upon the occurrence and continuance of a default or an Event of Default, the Insurer shall be deemed to be the sole owner of the Certificates for all purposes under the Trust Agreement, the Lease, the Assignment Agreement and the Site Lease, including, without limitations, for purposes of exercising remedies and approving amendments and the Insurer's prior written consent is required as a condition precedent to and in all instances of acceleration.

Consent of the Insurer in Addition to Certificateholder Consent

Whenever the Trust Agreement, the Lease, or the Site Lease requires the consent of Certificateholders, the Insurer's consent shall also be required. In addition, any amendment, supplement, modification to, or waiver of, any of the provisions of the Trust Agreement, the Lease, or the Site Lease that adversely affects the rights or interests of the Insurer shall be subject to the prior written consent of the Insurer.

Insolvency

Any reorganization or liquidation plan with respect to the Lessee must be acceptable to the Insurer. Each Certificateholder appoint the Insurer as their agent and attorney-in-fact with respect to the Certificate and agree that the Insurer may at any time during the continuation of any proceeding by or against the Lessee under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including without limitation, (a) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a "Claim"), (b) the direction of any appeal of any order relating to any Claim, (c) the posting of any surety, supersedeas or performance bond pending any such appeal, and (d) the right to vote to accept or reject any plan of adjustment. In addition, each Certificateholder delegates and assigns to the Insurer, to the fullest extent permitted by law, the rights of the Trustee and each Certificateholder with respect to the Certificates in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding.

Insurer Default

If an Insurer Default shall occur and be continuing, then, notwithstanding anything in the Trust Agreement to the contrary, (1) if at any time prior to or following an Insurer Default, the Insurer has made payment under the Municipal Bond Insurance Policy, to the extent of such payment the Insurer shall be treated like any other Certificateholder for all purposes, including giving of consents, and (2) if the Insurer has not made any payment under the Municipal Bond Insurance Policy, the Insurer shall have no further consent rights until the particular Insurer Default is no longer continuing or the Insurer makes a payment under the Municipal Bond Insurance Policy, in which event, the foregoing clause (1) shall control. For purposes of this paragraph, "Insurer Default" means: (A) the Insurer has failed to make any payment under the Municipal Bond Insurance Policy when due and owing in accordance with its terms; or (B) the Insurer shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, or (vi) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality shall order the suspension of payments on the Municipal Bond Insurance Policy or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of the Insurer (including without limitation under the New York Insurance Law).

APPENDIX D

BOOK-ENTRY SYSTEM

The information in the following sections entitled "DTC's Book-Entry System" has been provided by DTC for use in securities offering documents, and the Lessee takes no responsibility for the accuracy or completeness thereof. The Lessee cannot and does not give any assurances that DTC, Direct Participants or Indirect Participants will distribute to the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Certificates or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Certificates, or that they will so do on a timely basis or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with Direct Participants are on file with DTC.

DTC's Book-Entry System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Certificates. The Certificates will be executed and delivered 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 Certificate will be issued with respect to each maturity of the Certificates, and such Certificates will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has 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 and www.dtc.org.

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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

Certificates are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by 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 Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The 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.

Prepayment notices shall be sent to DTC. If less than all of the Certificates within an issue are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be prepaid.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Lessee (or the Trustee on behalf thereof) as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, prepayment price and interest payments with respect to the Certificates will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Lessee or the Trustee, 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 Lessee or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, prepayment price and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board or the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to Beneficial Owners is the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Certificates at any time by giving reasonable notice to the Lessee or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Certificates are required to be printed and delivered.

The Lessee may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Certificates will be printed and delivered.

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

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APPENDIX E

PROPOSED FORM OF SPECIAL COUNSEL OPINION

Upon the delivery of the Certificates, Hawkins Delafield & Wood LLP, Special Counsel, proposes to deliver it approving opinion in substantially the following form:

Compton Unified School District
Compton, California

Los Angeles County Schools Regionalized Business Services Corporation
Downey, California

Ladies and Gentlemen:

We have acted as Special Counsel to the Los Angeles County Schools Regionalized Business Services Corporation (the "Corporation") in connection with the execution and delivery of $17,960,000 aggregate principal amount Certificates of Participation (Los Angeles County Schools Pooled Financing Program), 2019 Series A (Compton Unified School District) (the "Certificates"), representing proportionate undivided interests of the owners thereof in Lease Payments made under the Lease Agreement, dated as of October 1, 2019 (the "Lease Agreement"), by and between the Corporation and the Compton Unified School District (the "District"). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of October 1, 2019 (the "Trust Agreement"), by and among the Corporation, the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Capitalized terms used herein and not otherwise defined shall have the meanings given to such terms in the Trust Agreement or in the Lease Agreement.

In such connection, we have examined the Lease Agreement, the Trust Agreement, the Site Lease, dated as of October 1, 2019 (the "Site Lease"), by and between the Corporation and the District, the Assignment Agreement, dated as of October 1, 2019 (the "Assignment Agreement"), by and between the Corporation and the Trustee, the Tax Certificate dated the date hereof (the "Tax Certificate") executed by the District. certain estimates, expectations and assumptions made by or on behalf of the District, originals, or copies identified to our satisfaction as being true copies, of such records and proceedings of the District and such other documents and other matters deemed necessary to render the opinions set forth herein.

We are of the opinion that:

1. The Lease Agreement and the Site Lease, dated as of October 1, 2019 (the "Site Lease"), by and between the District and the Corporation, have been duly authorized, executed and delivered by the District and the Corporation and constitute valid and legally binding obligations of the District and the Corporation, enforceable against the District and the Corporation in accordance with their respective terms.

2. The Trust Agreement has been duly authorized, executed and delivered by the District and the Corporation and, assuming due authorization and execution thereof by the Trustee, the Trust Agreement constitutes a valid and legally binding obligation of the District and the Corporation, enforceable in accordance with its terms.

3. Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, (i) the portion of Lease Payments due under the Lease Agreement

designated as and comprising Interest Components with respect to the Certificates is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) the portion of Lease Payments due under the Lease Agreement designated as and comprising Interest Components with respect to the Certificates is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code.

The Code establishes certain requirements which must be met subsequent to the execution and delivery of the Certificates in order that the portion of Lease Payments due under the Lease Agreement designated as and comprising Interest Components with respect to the Certificates be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Certificates, restrictions on the investment of proceeds of the Certificates prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause the portion of Lease Payments due under the Lease Agreement designated as and comprising Interest Components with respect to the Certificates to become subject to federal income taxation retroactive to their date of execution and delivery, irrespective of the date on which such noncompliance occurs or is ascertained. On the date of execution and delivery of the Certificates, the District will execute the Tax Certificate containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the District covenants that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that the portion of Lease Payments due under the Lease Agreement designated as and comprising Interest Components with respect to the Certificates will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in paragraph 3 hereof, we have relied upon and assumed the material accuracy of the District's representations, statements of intention and reasonable expectation, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of the portion of Lease Payments due under the Lease Agreement designated as and comprising Interest Components with respect to the Certificates, and continuing compliance with the procedures and covenants set forth in the Tax Certificate as to such tax matters.

4. Under existing statutes, the portion of Lease Payments due under the Lease Agreement designated as and comprising Interest Components with respect to the Certificates is exempt from State of California personal income taxes.

The foregoing opinions are qualified to the extent that the enforceability of the Certificates, the Lease Agreement, the Site Lease and the Trust Agreement may be limited by bankruptcy, moratorium, insolvency or other laws affecting creditor's rights or remedies and is subject to general principles of equity (regardless of whether such enforceability is considered in equity or at law), to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities in the State of California.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Certificates, or the ownership or disposition thereof, except as stated in paragraphs (3) and (4) above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Certificates.

We undertake no responsibility for the accuracy, completeness or fairness of any official statement or other offering materials relating to the Certificates and express herein no opinion relating thereto.

We express no opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Trust Agreement, the Lease Agreement or the Site Lease, or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens, on any such property.

This letter is furnished by us as Special Counsel and is solely for your benefit and it is not to be used, circulated, quoted, or otherwise referred to for any purposes other than the issuance and delivery of the Certificates and may not be relied upon by any other person or entity without our express written permission, except that references may be made to it in any list of closing documents pertaining to the delivery of the Certificates.

Very truly yours,

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APPENDIX F

THE LOS ANGELES COUNTY POOLED SURPLUS INVESTMENTS

The following information concerning the Los Angeles County Pooled Surplus Investments Fund has been provided by the Treasurer and has not been confirmed or verified by the Lessee. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.

The Treasurer and Tax Collector (the "Treasurer") of Los Angeles County has the delegated authority to invest funds on deposit in the County Treasury (the "Treasury Pool"). As of August 31, 2019, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

Local Agency	Invested Funds (in billions)
County of Los Angeles and Special Districts	$10.353
Schools and Community Colleges	14.523
Discretionary Participants	2.709
Total	$27.585

The Treasury Pool participation composition is as follows:

Non-Discretionary Participants	90.17%
Discretionary Participants:	
Independent Public Agencies	9.34
County Bond Proceeds and Repayment Funds	0.49
Total	100.00%

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer's prior approval. In Los Angeles County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State, and by a more restrictive Investment Policy (the "Investment Policy") developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors on an annual basis. The Investment Policy adopted on March 19, 2019, reaffirmed the following criteria and order of priority for selecting investments:

1. Safety of Principal
2. Liquidity
3. Return on Investment

The Treasurer prepares a monthly Report of Investments (the "Investment Report") summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the County Board of Supervisors. According to the Investment Report dated September 30, 2019, the August 31, 2019 book value of the Treasury Pool was approximately $27.595 billion and the corresponding market value was approximately $27.595 billion.

An internal controls system for monitoring cash accounting and investment practices is in place. The Treasurer's Compliance Auditor, who operates independently from the Investment Officer, reconciles cash and investments to fund balances daily. The Compliance Auditor's staff also reviews each investment trade for accuracy and compliance with the Board adopted Investment Policy. On a quarterly basis, the County's outside independent auditor (External Auditor) reviews the cash and investment reconciliations for completeness and accuracy. Additionally, the External Auditor reviews investment transactions on a quarterly basis for conformance with the approved Investment Policy and annually accounts for all investments.

The following table identifies the types of securities held by the Treasury Pool as of August 31, 2019:

Type of Investment	% of Pool
Certificates of Deposit	6.71
U.S. Government and Agency Obligations	66.53
Bankers Acceptances	0.00
Commercial Paper	26.21
Municipal Obligations	0.18
Corporate Notes & Deposit Notes	0.37
Repurchase Agreements	0.00
Asset Backed Instruments	0.00
Other	0.00
	100.00

The Treasury Pool is highly liquid. As of August 31, 2019, approximately 35% of the investments mature within 60 days, with an average of 552 days to maturity for the entire portfolio.

APPENDIX G

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") dated October 31, 2019 of the Compton Unified School District (the "District") is executed in connection with the execution and delivery of $17,960,000 Certificates of Participation (Los Angeles County Schools Pooled Financing Program) 2019 Series A (Compton Unified School District) pursuant to the Trust Agreement dated as of October 1, 2019 (this "Trust Agreement"), by and among The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), the District and Los Angeles County Schools Regionalized Business Services Corporation (the "Lessor"). 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 Holders and Beneficial Owners of the Certificates and in order to assist the Participating Underwriter has in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule").

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

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 4 and 5 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries), (b) is treated as the Owner of any Certificates for federal income tax purposes or (c) Build America Mutual Assurance Company, or any successor thereto, so long as the municipal bond insurance policy issued thereby remains in effect.

"County" shall mean the County of Los Angeles, California.

"CUSIP Numbers" shall mean the Committee on Uniform Securities Identification Procedures' unique identification numbers for each public issue of a security.

"Disclosure Counsel" shall mean an attorney-at-law, or a firm of such attorneys, of nationally recognized standing in matters pertaining to the disclosure obligations under Rule 15c2-12(b)(5) of the Securities and Exchange Commission of the United States of America, duly admitted to the practice of law before the highest court of any state of the United States of America.

"Dissemination Agent" shall mean the District or any Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"Financial Obligation" means a "financial obligation" as such term is defined in the Rule.

"Trust Agreement" shall mean the Trust Agreement by and among the Trustee, the District and the Lessor pursuant to which the Certificates are executed and delivered.

"EMMA System" shall mean the MSRB's Electronic Municipal Market Access system.

"Holder" shall mean either the registered owners of the Certificates, or if the Certificates are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

"Listed Events" shall mean any of the events listed in Section 6(b) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate.

"Official Statement" shall mean the Official Statement dated October 16, 2019 with respect to the Certificates.

"Participating Underwriter" shall mean the original underwriters of the Certificates required to comply with the Rule in connection with offering of the Certificates.

"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.

Section 3. Transmission of Notices, Documents and Information. (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's EMMA System, the current internet address of which is http://emma.msrb.org.

(b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB.

Section 4. Provision of Annual Reports. (a) The District shall provide to the Dissemination Agent not later than the March 1 following the end of the District's fiscal year (currently ending June 30), commencing with the report for the 2018-19 Fiscal Year (which is due not later than March 1, 2020), an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Certificate, and the Dissemination Agent shall submit the Annual Report to the MSRB through its EMMA System no later than March 15 after the end of such fiscal year. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Certificate. 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 6(c).

(b) Not later than thirty (30) days (not more than sixty (60) days) prior to March 15 as specified in Section 4(a) above, the Dissemination Agent shall give notice to the District that the Annual Report is so required to be filed in accordance with the terms of this Disclosure Certificate. If the District is unable to provide to the MSRB through its EMMA System an Annual Report by the date required in Section 4(a), the Dissemination Agent shall in a timely manner send a notice of such fact to the MSRB through its EMMA System.

(c) The Dissemination Agent shall: (i) determine each year, prior to the date for providing the Annual Report to the MSRB through the EMMA System, the date on which such Annual Report shall be due and notify the District of such date; and (ii) (if the Dissemination Agent is other than the District) file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and that it was provided to the MSRB through the EMMA System.

Section 5. Content of Annual Reports. The District's Annual Report shall contain or include by reference the following:

(a) Audited financial statements of the District for the preceding fiscal year, prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 4 hereof, 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) To the extent not included in the audited financial statement of the District, the Annual Report shall also include the following:

(i) Table A-17 – "Historical Gross Assessed Valuation of Taxable Property," if and to the extent provided to the District by the County;

(ii) Table A-21 – "Property Tax Levies and Collections," if and to the extent provided to the District by the County;

(iii) Table A-22 – "Largest Local Secured Taxpayers;"

(iv) Table A-1 – "District Budget" for the current fiscal year;

(v) Table A-2 – "Statement of Revenues, Expenditures and District General Fund Balances" for the prior fiscal year;

(vi) Table A-12 – "Outstanding General Obligation Bonds;"

(vii) Table A-13 – "Outstanding Certificates of Participation;" and

(viii) Table A-16 – "Annual Average Daily Attendance," as may be reasonably available.

(c) It shall be sufficient for purposes of Section 4 hereof if the District provides annual financial information by specific reference to documents (i) available to the public on the MSRB website (currently, www.emma.msrb.org) or (ii) filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference. The provisions of this Section 5(c) shall not apply to notices of Listed Events pursuant to Section 6 hereof.

(d) The descriptions of financial information and operating data to be included in the Annual Report contained in Section 5(b) above are of general categories or types of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, or due to changes in accounting practices, legislative or organizational changes, a statement to that effect shall be provided in lieu of such information. Comparable information shall be provided if available.

Section 6. Reporting of Listed Events. (a) If a Listed Event occurs, the District shall provide or caused to be provided, in a timely manner not in excess of ten (10) business days of the District having notice of such Listed Event, notice of such Listed Event to (i) the EMMA System of the MSRB and (ii) the Dissemination Agent.

(b) Pursuant to the provisions of this Section 6, the District shall give, or cause to be given, notice of the occurrence of any of the following events (each, a "Listed Event") with respect to the Certificates:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) modifications to rights of Holders, if material;

(iv) bond calls, if material and tender offers;

(v) defeasances;

(vi) rating changes;

(vii) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (Internal Revenue Service Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates;

(viii) unscheduled draws on the debt service reserves reflecting financial difficulties;

(ix) unscheduled draws on the credit enhancements reflecting financial difficulties;

(x) release, substitution or sale of property securing repayment of the certificates, if material;

(xi) bankruptcy, insolvency, receivership or similar event of the District (such event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District);

(xii) substitution of credit or liquidity providers, or their failure to perform;

(xiii) 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, if material;

(xiv) appointment of a successor or additional Bond Registrar or the change of name of a Bond Registrar, if material;

(xv) incurrence of a Financial Obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders, if material;

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties; and

(xvii) any amendment or waiver of a provision of this Disclosure Certificate.

(c) If the District determines that a Listed Event has occurred, the District shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to Section 3 hereof.

If the Dissemination Agent has been instructed by the District to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB through its EMMA System.

Notwithstanding the foregoing, notice of the Listed Event described in Section 6(b)(iv) need not be given under this Section 6 any earlier than the notice (if any) of the underlying event is given to Holders of affected Certificates pursuant to the Resolution.

Section 7. CUSIP Numbers. Whenever providing information to the Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, audited financial statements and notices of Listed Events, the District shall indicate the full name of the Certificates and the 9-digit CUSIP numbers for the Certificates as to which the provided information relates.

Section 8. 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 Certificates. If such termination occurs prior to the final maturity of the Certificates, the District shall give notice of such termination in the same manner as for a Listed Event under Section 6(c).

This Disclosure Certificate, or any provision hereof, shall cease to be effective in the event that the District (1) delivers to the Dissemination Agent an opinion of Disclosure Counsel, addressed to the District and the Dissemination Agent, to the effect that those portions of the Rule which require this Disclosure Certificate, or such provision, as the case may be, do not or no longer apply to the Certificates, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the MSRB.

Section 9. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is no designated Dissemination Agent appointed by the District, or if the Dissemination Agent so appointed is unwilling or unable to perform the duties of the Dissemination Agent hereunder, the District shall be the Dissemination Agent and undertake or assume its obligations hereunder. The

Dissemination Agent (other than the District) shall not be responsible in any manner for the content of any notice or report required to be delivered by the District pursuant to this Disclosure Certificate.

Section 10. Amendment; Waiver. (a) This Disclosure Certificate may be amended by the District without the consent of the Holders of the Certificates, if all of the following conditions are satisfied:

(i) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the District or the type of business conducted thereby;

(ii) this Disclosure Certificate as so amended would have complied with the requirements of the Rule as of the date of this Disclosure Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(iii) the District shall have received an opinion of Hawkins Delafield & Wood LLP or other nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the District, to the same effect as set forth in Section 10(a)(ii) above;

(iv) either (1) the District shall have received an opinion of Hawkins Delafield & Wood LLP or other nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the District, to the effect that the amendment does not materially impair the interests of the holders of the Certificates or (2) is approved by the Holders of the Certificates in the same manner as provided in the Resolution; and

(v) the District shall have delivered copies of such opinion and amendment to the MSRB through its EMMA System within ten (10) business days from the execution thereof.

(b) In addition to Section 10(a) above, this Disclosure Certificate may be amended and any provision of this Disclosure Certificate may be waived, by written certificate of the District, without the consent of the Holders of the Certificates, if all of the following conditions are satisfied:

(i) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Disclosure Certificate which is applicable to this Disclosure Certificate;

(ii) the District shall have received an opinion of Hawkins Delafield & Wood LLP or other nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the District, to the effect that performance by the District under this Disclosure Certificate as so amended or giving effect to such waiver, as the case may be, will not result in a violation of the Rule; and

(iii) the District shall have delivered copies of such opinion and amendment to the MSRB through its EMMA System.

(c) In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a

Listed Event under Section 6 hereof, 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 11. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 12. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, the Dissemination Agent may (and, at the request of any Participating Underwriter has or the Holders or Beneficial Owners of at least 25% of aggregate principal amount of the Certificates then outstanding, shall) or any Holders or Beneficial Owners of the Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in the Superior Court of the State of California in and for the County of Los Angeles or in the U.S. District Court in the County of Los Angeles. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 13. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District under this Section 13 shall survive resignation or removal of the Dissemination Agent and payment of the Certificates.

Section 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter has and Holders and Beneficial Owners from time to time of the Certificates, and shall create no rights in any other person or entity.

COMPTON UNIFIED SCHOOL DISTRICT

By: ________________________________

Authorized Officer

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APPENDIX H

THE LESSEE'S FISCAL YEAR 2017-18
AUDITED FINANCIAL STATEMENTS

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COMPTON UNIFIED SCHOOL DISTRICT

AUDIT REPORT

JUNE 30, 2018

San Diego

Los Angeles

San Francisco
Bay Area

christy white associates
A PROFESSIONAL
ACCOUNTANCY CORPORATION

COMPTON UNIFIED SCHOOL DISTRICT
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FINANCIAL SECTION

christy white
A PROFESSIONAL ACCOUNTANCY CORPORATION
associates

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

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Licensed by the California State Board of Accountancy

INDEPENDENT AUDITORS' REPORT

Governing Board
Compton Unified School District
Compton, 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 Compton Unified School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Compton Unified School 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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 Compton 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

As discussed in Notes 1 and 10 to the financial statements, in 2018 Compton Unified School District adopted new accounting guidance, Governmental Accounting Standards Board 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 required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedule of changes in total OPEB liability and related ratios, schedules of proportionate share of net pension liability, and schedules of District contributions for pensions be presented to supplement the basic financial statements. Such information, although not 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Compton Unified School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, which is required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information listed in the table of contents 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 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 14, 2018 on our consideration of Compton 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 Compton 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 Compton Unified School District’s internal control over financial reporting and compliance.

Christy White Associates

San Diego, California
December 14, 2018

COMPTON UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

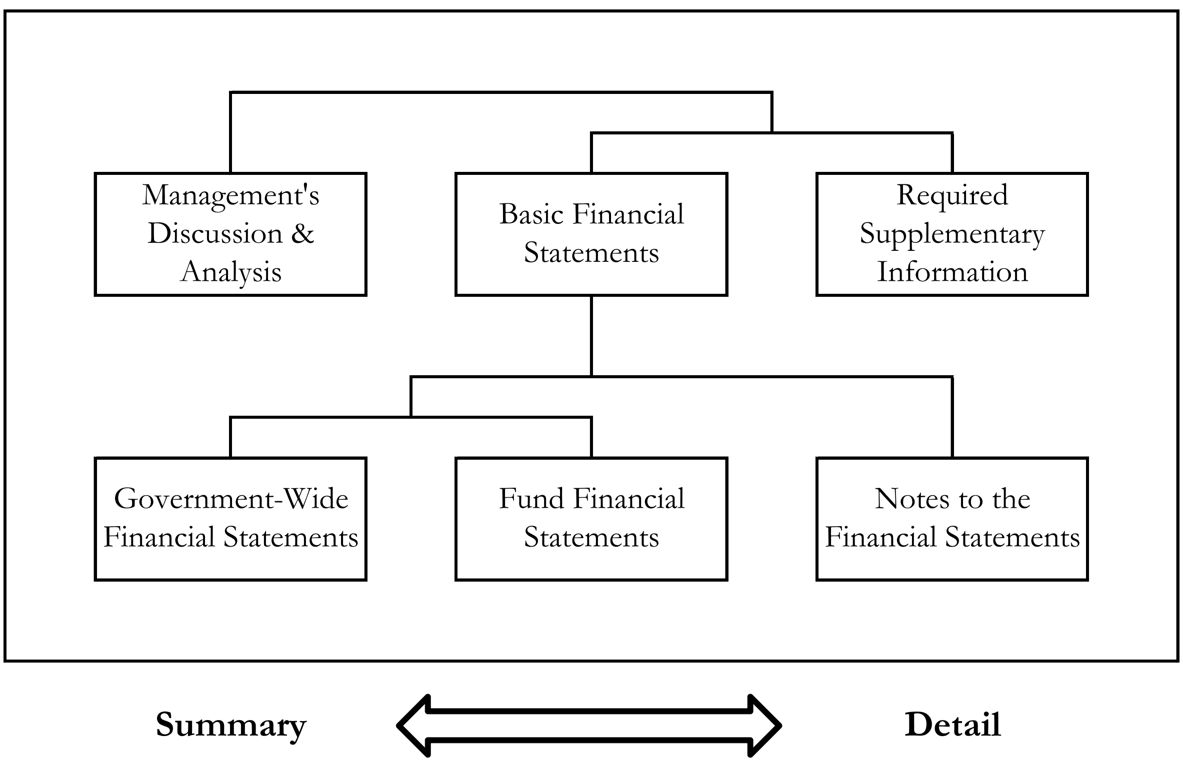
Our discussion and analysis of Compton Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total net position was $26,697,799 at June 30, 2018. This was a decrease of $7,014,871 from the prior year after restatement.
- Overall revenues were $308,494,210 which were exceeded by expenses of $315,509,081.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



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

- **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.

- **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.

  - **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

  - **Proprietary Funds** report services for which the District charges customers a fee. Like the government-wide statements, they provide both long- and short-term financial information.

  - **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

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

Government-Wide Statements

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

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Local control formula funding and federal and state grants finance most of these activities.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was $26,697,799 at June 30, 2018, as reflected in the table below. Of this amount, $(261,013,166) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities		
	2018	**2017**	**Net Change**
ASSETS			
Current and other assets	$ 158,443,043	$ 173,955,504	$ (15,512,461)
Capital assets	319,171,901	320,714,215	(1,542,314)
Total Assets	477,614,944	494,669,719	(17,054,775)
DEFERRED OUTFLOWS OF RESOURCES	100,509,493	77,668,912	22,840,581
LIABILITIES			
Current liabilities	106,183,692	95,933,736	10,249,956
Long-term liabilities	380,788,216	343,512,025	37,276,191
Total Liabilities	486,971,908	439,445,761	47,526,147
DEFERRED INFLOWS OF RESOURCES	64,454,730	51,837,354	12,617,376
NET POSITION			
Net investment in capital assets	269,855,769	261,372,073	8,483,696
Restricted	17,855,196	20,855,378	(3,000,182)
Unrestricted	(261,013,166)	(201,171,935)	(59,841,231)
Total Net Position	$ 26,697,799	$ 81,055,516	$ (54,357,717)

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The following table takes the information from the Statement and rearranges slightly, so you can see our total revenues and expenses for the year.

	Governmental Activities		
	2018	2017	Net Change
REVENUES			
Program revenues			
Charges for services	$ 2,505	$ 6,775	$ (4,270)
Operating grants and contributions	59,993,199	100,518,099	(40,524,900)
General revenues			
Property taxes	51,780,626	47,659,277	4,121,349
Unrestricted federal and state aid	190,088,225	193,119,296	(3,031,071)
Other	6,629,655	4,707,440	1,922,215
Total Revenues	308,494,210	346,010,887	(37,516,677)
EXPENSES			
Instruction	171,512,364	181,672,037	(10,159,673)
Instruction-related services	29,855,213	25,664,888	4,190,325
Pupil services	38,104,161	37,572,291	531,870
General administration	22,384,956	25,940,889	(3,555,933)
Plant services	36,964,434	30,218,324	6,746,110
Ancillary and community services	1,518,875	1,336,925	181,950
Debt service	3,304,684	4,376,675	(1,071,991)
Other outgo	131,617	307,503	(175,886)
Depreciation	11,705,709	10,005,788	1,699,921
Enterprise activities	27,068	3,949	23,119
Total Expenses	315,509,081	317,099,269	(1,590,188)
Change in net position	(7,014,871)	28,911,618	(35,926,489)
Net Position - Beginning, as Restated*	33,712,670	52,143,898	(18,431,228)
Net Position - Ending	$ 26,697,799	$ 81,055,516	$ (54,357,717)

** Beginning Net Position was restated for the 2018 year only*

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

The cost of all our governmental activities this year was $315,509,081 but the net cost of services was only $255,513,377. The amount that our taxpayers ultimately financed for these activities through taxes was only $51,780,626 because the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

	Net Cost of Services			
		2018		2017
Instruction	$	135,588,723	$	108,398,805
Instruction-related services		22,156,817		18,914,298
Pupil services		23,872,444		18,986,865
General administration		20,652,902		24,581,966
Plant services		36,580,426		29,702,757
Ancillary and community services		1,512,108		1,299,114
Debt service		3,304,684		4,376,675
Other outgo		112,496		307,503
Depreciation		11,705,709		10,005,788
Enterprise activities		27,068		624
Total Expenses	$	255,513,377	$	216,574,395

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of $78,533,897, which is less than last year's ending fund balance of $94,002,255. The District's General Fund had $8,709,719 less in operating revenues than expenditures for the year ended June 30, 2018. The District's Building Fund had $2,797,155 less in operating revenues than expenditures for the year ended June 30, 2018.

CURRENT YEAR BUDGET 2017-2018

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a frequent basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on State and local financial information.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2017-2018 the District had invested $319,171,901 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2018	**2017**	**Net Change**
CAPITAL ASSETS			
Land	$ 8,494,776	$ 6,693,026	$ 1,801,750
Construction in progress	1,499,152	208,944	1,290,208
Land improvements	39,382,737	34,686,782	4,695,955
Buildings & improvements	421,919,986	420,476,747	1,443,239
Furniture & equipment	22,938,061	22,005,818	932,243
Accumulated depreciation	(175,062,811)	(163,357,102)	(11,705,709)
Total Capital Assets	$ 319,171,901	$ 320,714,215	$ (1,542,314)

Long-Term Debt

At year-end, the District had $380,788,216 in long-term debt, an increase of 1% from last year's restated balance – as shown in the table below. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities		
	2018	**2017**	**Net Change**
LONG-TERM LIABILITIES			
Total general obligation bonds	$ 65,310,345	$ 77,313,469	$ (12,003,124)
Total certificates of participation	19,444,780	21,337,533	(1,892,753)
Compensated absences	1,752,544	2,047,288	(294,744)
Total OPEB liability*	55,803,023	56,050,003	(246,980)
Net pension liability	254,612,565	235,970,403	18,642,162
Less: current portion of long-term debt	(16,135,041)	(15,842,288)	(292,753)
Total Long-term Liabilities	$ 380,788,216	$ 376,876,408	$ 3,911,808

**Total OPEB liability for 2017 was restated in order to record the District's total OPEB liability in accordance with GASB Statement No. 75 which supersedes GASB Statement No. 45 for the year ended June 30, 2018.*

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

The State's economy continues to be strong but a new governor could change the fiscal policy for the funding of public education, within the boundaries of Proposition 98. Past fiscal allocations had included higher than expected funding but on-going funding may not be as strong. The UCLA Anderson Forecast (June 2018) noted that the "era of ultra-low interest rates has passed and the economy is at full employment," which creates difficulty sustaining continued growth at the rate recently experienced. And, according to the California Legislative Analyst's Office, there are concerns about a possible mild recession.

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth. The 2018-19 adopted State Budget fully funded the LCFF funding gap two years ahead of schedule.

Factors related to LCFF that the District is monitoring include: (1) estimates of funding in the next budget year and beyond; (2) the Local Control and Accountability Plan (LCAP) that aims to link student accountability measurements to funding allocations; (3) ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADs); and, (4) meeting annual compliance and audit requirements.

The District participates in state employee pensions plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2018. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans continue to raise employer rates in future years and the increased costs are significant.

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

All of these factors were considered in preparing the District's budget for the 2018-19 fiscal year.

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 Business Office, Compton Unified School District, 501 South Santa Fe Avenue, Compton, CA 90221.

COMPTON UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Cash and investments	$ 139,790,657
Accounts receivable	17,448,988
Inventory	258,599
Prepaid expenses	944,799
Capital assets, not depreciated	9,993,928
Capital assets, net of accumulated depreciation	309,177,973
Total Assets	477,614,944
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	97,983,363
Deferred outflows related to OPEB	1,374,630
Deferred amount on refunding	1,151,500
Total Deferred Outflows of Resources	100,509,493
LIABILITIES	
Accrued liabilities	77,764,762
Unearned revenue	2,187,459
Claims liability	10,096,430
Long-term liabilities, current portion	16,135,041
Long-term liabilities, non-current portion	380,788,216
Total Liabilities	486,971,908
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	60,572,697
Deferred inflows related to OPEB	3,882,033
Total Deferred Inflows of Resources	64,454,730
NET POSITION	
Net investment in capital assets	269,855,769
Restricted:	
Capital projects	4,877,110
Debt service	1,292,343
Educational programs	11,630,538
All others	55,205
Unrestricted	(261,013,166)
Total Net Position	$ 26,697,799

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

COMPTON UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Function/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
GOVERNMENTAL ACTIVITIES				
Instruction	$ 171,512,364	$ -	$ 35,923,641	$ (135,588,723)
Instruction-related services				
Instructional supervision and administration	11,236,110	-	4,816,583	(6,419,527)
Instructional library, media, and technology	1,841,278	-	196,663	(1,644,615)
School site administration	16,777,825	-	2,685,150	(14,092,675)
Pupil services				
Home-to-school transportation	6,074,322	-	118,376	(5,955,946)
Food services	16,072,830	-	12,129,789	(3,943,041)
All other pupil services	15,957,009	-	1,983,552	(13,973,457)
General administration				
Centralized data processing	1,913,838	-	-	(1,913,838)
All other general administration	20,471,118	2,505	1,729,549	(18,739,064)
Plant services	36,964,434	-	384,008	(36,580,426)
Ancillary services	1,518,875	-	6,767	(1,512,108)
Enterprise activities	27,068	-	-	(27,068)
Interest on long-term debt	3,304,684	-	-	(3,304,684)
Other outgo	131,617	-	19,121	(112,496)
Depreciation (unallocated)	11,705,709	-	-	(11,705,709)
Total Governmental Activities	$ 315,509,081	$ 2,505	$ 59,993,199	(255,513,377)

General revenues	
Taxes and subventions	
Property taxes, levied for general purposes	36,768,954
Property taxes, levied for debt service	13,451,918
Property taxes, levied for other specific purposes	1,559,754
Federal and state aid not restricted for specific purposes	190,088,225
Interest and investment earnings	2,066,593
Miscellaneous	4,563,062
Subtotal, General Revenue	248,498,506
CHANGE IN NET POSITION	(7,014,871)
Net Position - Beginning, as Restated	33,712,670
Net Position - Ending	$ 26,697,799

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

COMPTON UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	$ 95,235,723	$ 16,697,327	$ 13,054,867	$ 124,987,917
Accounts receivable	16,604,500	97,821	675,935	17,378,256
Stores inventory	193,717	-	64,882	258,599
Prepaid expenditures	908,079	-	35,100	943,179
Total Assets	$ 112,942,019	$ 16,795,148	$ 13,830,784	$ 143,567,951
LIABILITIES				
Accrued liabilities	$ 59,903,137	$ 73	$ 2,943,385	$ 62,846,595
Unearned revenue	1,048,042	-	1,139,417	2,187,459
Total Liabilities	60,951,179	73	4,082,802	65,034,054
FUND BALANCES				
Nonspendable	2,208,123	-	99,982	2,308,105
Restricted	11,007,688	16,795,075	7,000,782	34,803,545
Committed	-	-	2,647,218	2,647,218
Assigned	28,492,216	-	-	28,492,216
Unassigned	10,282,813	-	-	10,282,813
Total Fund Balances	51,990,840	16,795,075	9,747,982	78,533,897
Total Liabilities and Fund Balances	$ 112,942,019	$ 16,795,148	$ 13,830,784	$ 143,567,951

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

COMPTON UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total Fund Balance - Governmental Funds		$ 78,533,897
Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:		
Capital assets:		
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:		
Capital assets	$ 494,234,712	
Accumulated depreciation	(175,062,811)	319,171,901
Deferred amount on refunding:		
In governmental funds, the net effect of refunding bonds is recognized when debt is issued, whereas this amount is deferred and amortized in the government-wide financial statements:		1,151,500
Unmatured interest on long-term debt:		
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:		(153,274)
Long-term liabilities:		
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:		
Total general obligation bonds	$ 65,310,345	
Total certificates of participation	19,444,780	
Compensated absences	1,752,544	
Total OPEB liability	55,803,023	
Net pension liability	254,612,565	(396,923,257)
Deferred outflows and inflows of resources relating to pensions:		
In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.		
Deferred outflows of resources related to pensions	$ 97,983,363	
Deferred inflows of resources related to pensions	(60,572,697)	37,410,666
Deferred outflows and inflows of resources relating to OPEB:		
In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported.		
Deferred outflows of resources related to OPEB	$ 1,374,630	
Deferred inflows of resources related to OPEB	(3,882,033)	(2,507,403)
Internal service funds:		
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets, deferred outflows of resources, liabilities, and deferred inflows of resources of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds is:		(9,986,231)
Total Net Position - Governmental Activities		$ 26,697,799

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

COMPTON UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	$ 216,047,893	$ -	$ 3,667,083	$ 219,714,976
Federal sources	23,528,642	-	11,539,547	35,068,189
Other state sources	29,927,468	-	6,299,578	36,227,046
Other local sources	6,518,287	294,798	16,382,407	23,195,492
Total Revenues	276,022,290	294,798	37,888,615	314,205,703
EXPENDITURES				
Current				
Instruction	172,708,283	-	3,298,352	176,006,635
Instruction-related services				
Instructional supervision and administration	10,832,042	-	485,570	11,317,612
Instructional library, media, and technology	1,721,224	-	-	1,721,224
School site administration	16,479,952	-	341,575	16,821,527
Pupil services				
Home-to-school transportation	6,060,089	-	-	6,060,089
Food services	2,847,143	-	12,749,589	15,596,732
All other pupil services	15,789,824	-	-	15,789,824
General administration				
Centralized data processing	2,223,219	-	-	2,223,219
All other general administration	20,135,035	-	182,438	20,317,473
Plant services	30,686,301	-	5,140,168	35,826,469
Facilities acquisition and maintenance	1,019,876	3,091,953	5,119,319	9,231,148
Ancillary services	1,518,336	-	-	1,518,336
Enterprise activities	68	-	-	68
Transfers to other agencies	131,617	-	-	131,617
Debt service				
Principal	1,650,000	-	13,375,000	15,025,000
Interest and other	929,000	-	1,158,088	2,087,088
Total Expenditures	284,732,009	3,091,953	41,850,099	329,674,061
NET CHANGE IN FUND BALANCE	(8,709,719)	(2,797,155)	(3,961,484)	(15,468,358)
Fund Balance - Beginning	60,700,559	19,592,230	13,709,466	94,002,255
Fund Balance - Ending	$ 51,990,840	$ 16,795,075	$ 9,747,982	$ 78,533,897

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

Net Change in Fund Balances - Governmental Funds		$ (15,468,358)
Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:		
Capital outlay:		
In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:		
Expenditures for capital outlay:	$ 10,163,395	
Depreciation expense:	(11,705,709)	(1,542,314)
Debt service:		
In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:		15,025,000
Deferred amounts on refunding:		
In governmental funds, deferred amounts on refunding are recognized in the period they are incurred. In the government-wide statements, the deferred amounts on refunding are amortized over the life of the debt. The net effect of the deferred amounts on refunding during the period was:		(109,123)
Unmatured interest on long-term debt:		
In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:		20,650
Accreted interest on long-term debt:		
In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.		(2,189,164)
Compensated absences:		
In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was:		294,744

(continued on next page)

Postemployment benefits other than pensions (OPEB):		
In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was:		1,621,610
Pensions:		
In governmental funds, pension costs are recognized when employer contributions are made, in the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was:		(5,802,431)
Amortization of debt issuance premium or discount:		
In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is:		1,060,041
Internal Service Funds:		
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was:		74,474
Change in Net Position of Governmental Activities	$	(7,014,871)

COMPTON UNIFIED SCHOOL DISTRICT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities Internal Service Fund
ASSETS	
Current assets	
Cash and investments	$ 14,802,740
Accounts receivable	70,732
Prepaid expenses	1,620
Total current assets	14,875,092
Total Assets	14,875,092
LIABILITIES	
Current liabilities	
Accrued liabilities	14,764,893
Total current liabilities	14,764,893
Non-current liabilities	10,096,430
Total Liabilities	24,861,323
NET POSITION	
Restricted	(9,986,231)
Total Net Position	$ (9,986,231)

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

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

	Governmental Activities Internal Service Fund
OPERATING REVENUE	
Charges for services	$ 7,948,286
Other local revenues	34,426
Total operating revenues	7,982,712
OPERATING EXPENSE	
Salaries and benefits	327,877
Supplies and materials	12,422
Professional services	7,777,054
Total operating expenses	8,117,353
Operating income/(loss)	(134,641)
NON-OPERATING REVENUES/(EXPENSES)	
Interest income	209,115
Total non-operating revenues/(expenses)	209,115
CHANGE IN NET POSITION	74,474
Net Position - Beginning	(10,060,705)
Net Position - Ending	$ (9,986,231)

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

COMPTON 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 (paid) from assessments made to (from) other funds	$ 7,995,731
Cash payments for payroll, insurance, and operating costs	(12,096,018)
Net cash provided by (used for) operating activities	(4,100,287)
Cash flows from investing activities	
Interest received	209,115
Net cash provided by (used for) investing activities	209,115
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,891,172)
CASH AND CASH EQUIVALENTS	
Beginning of year	18,693,912
End of year	$ 14,802,740
Reconciliation of operating income (loss) to cash provided by (used for) operating activities	
Operating income (loss)	$ (134,641)
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	14,639
(Increase) decrease in prepaid expenses	(1,620)
Increase (decrease) in accounts payable	14,538,749
Increase (decrease) in non-current liabilities	(18,517,414)
Net cash provided by (used for) operating activities	$ (4,100,287)

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

COMPTON UNIFIED SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Trust Fund	Agency Funds	
	Private-Purpose Trust Fund	Warrant/Pass-through Fund	Student Body Fund
ASSETS			
Cash and investments	$ 86,673	$ -	$ 35,535
Accounts receivable	328	397,265	-
Prepaid expenses	-	4,033,119	-
Total Assets	87,001	$ 4,430,384	$ 35,535
LIABILITIES			
Deficit cash	-	$ 4,430,384	$ -
Due to student groups	-	-	35,535
Total Liabilities	-	$ 4,430,384	$ 35,535
NET POSITION			
Restricted	87,001		
Total Net Position	$ 87,001		

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

COMPTON UNIFIED SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Trust Fund
	Private-Purpose Trust Fund
ADDITIONS	
Investment earnings	$ 1,344
Total Additions	1,344
CHANGE IN NET POSITION	1,344
Net Position - Beginning	85,657
Net Position - Ending	$ 87,001

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

The District operates under a locally elected Board form of government and provides educational services to grades K-12 as mandated by the state. 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 and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no such component units.

C. Basis of Presentation

Government-Wide Statements. The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Fund Financial Statements. The fund financial statements provide information about the District's funds, including its proprietary and fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

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 District, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting.

Fiduciary funds are used to account for assets held by the District in a trustee or agency capacity for others that cannot be used to support the District's own programs.

Major Governmental Funds

General Fund. The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

Building Fund: This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code Section* 15146) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section* 17462) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section* 41003).

Non-Major Governmental Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

Adult Education Fund: This fund is used to account separately for federal, state, and local revenues for adult education programs. Money in this fund shall be expended for adult education purposes only. Moneys received for programs other than adult education shall not be expended for adult education (*Education Code Sections* 52616[b] and 52501.5[a]).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Special Revenue Funds (continued)

Child Development Fund: This fund is used to account separately for federal, state, and local revenues to operate child development programs. All moneys received by the District for, or from the operation of, child development services covered under the Child Care and Development Services Act (*Education Code Section* 8200 *et seq.)* shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation of child development services shall be paid from this fund, with accounting to reflect specific funding sources (*Education Code Section* 8328).

Cafeteria Special Revenue Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections* 38090–38093). The Cafeteria Special Revenue Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code Sections* 38091 and 38100).

Deferred Maintenance Fund: This fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (*Education Code Sections* 17582–17587). In addition, whenever the state funds provided pursuant to *Education Code Sections* 17584 and 17585 (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a school district may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the District (*Education Code Sections* 17582 and 17583).

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

Capital Facilities Fund: This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections* 17620–17626). The authority for these levies may be county/city ordinances (*Government Code Sections* 65970–65981) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section* 66006).

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Capital Project Funds (continued):

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

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

Debt Service Funds: Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District (*Education Code Sections* 15125–15262). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

Tax Override Fund: This fund is used for the repayment of voted indebtedness (other than Bond Interest and Redemption Fund repayments) to be financed from ad valorem tax levies. An example is a public school building loan repayment.

Proprietary Funds

Internal Service Funds: Internal service funds are created principally to render services to other organizational units of the District on a cost-reimbursement basis. These funds are designed to be self-supporting with the intent of full recovery of costs, including some measure of the cost of capital assets, through user fees and charges.

Self-Insurance Fund: Self-insurance funds are used to separate moneys received for self-insurance activities from other operating funds of the District. Separate funds may be established for each type of self-insurance activity, such as workers' compensation, health and welfare, and deductible property loss (*Education Code Section* 17566).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Fiduciary Funds

Trust and Agency Funds: Trust and agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. 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.

Foundation Private-Purpose Trust Fund: This fund is used to account separately for gifts or bequests per *Education Code Section* 41031 that benefit individuals, private organizations, or other governments and under which neither principal nor income may be used for purposes that support the District's own programs.

Student Body Fund: The Student Body Fund is an agency fund and, therefore, consists only of accounts such as cash and balancing liability accounts, such as due to student groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*Education Code Sections* 48930–48938).

Warrant/Pass-Through Fund: This fund exists primarily to account separately for amounts collected from employees for federal taxes, state taxes, transfers to credit unions, and other contributions.

D. Basis of Accounting – Measurement Focus

Government-Wide, Proprietary, and Fiduciary Financial Statements
The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide, proprietary, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net 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. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

Proprietary funds distinguish operating revenues and expenses from non operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other funds for self insurance costs. Operating expenses for internal service funds include the costs of insurance premiums and claims related to self-insurance.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Governmental Funds
Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

Revenues – Exchange and Non-Exchange Transactions
Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under 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 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" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursements grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Certain grants received that have not met eligibility requirements 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position

Cash and Cash Equivalents

The District's cash and cash equivalents consist of 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 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.

Inventories

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of $15,000. The District does not own any infrastructure as defined in GASB Statement No. 34. 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. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Life
Buildings and Improvements	20-50 years
Furniture and Equipment	5-20 years
Vehicles	8 years

Interfund Balances

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

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. 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 resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

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 funds.

Postemployment Benefits Other Than Pensions (OPEB)
For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

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

Deferred Outflows/Deferred Inflows of Resources
In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Pensions

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

Assigned - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Fund Balance (continued)
Unassigned - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

F. 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 in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

G. 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.

H. Budgetary Data

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. 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 Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

J. New Accounting Pronouncements

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This standard's primary objective is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The Statement is effective for periods beginning after June 15, 2017. The District has implemented GASB Statement No. 75 for the year ended June 30, 2018.

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This standard's primary objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement is effective for periods beginning after December 15, 2018. The District has not yet determined the impact on the financial statements.

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This standard's primary objective 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]). The statement is effective for periods beginning after June 15, 2017. The District has implemented GASB Statement No. 85 for the year ended June 30, 2018.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. This standard's primary objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement is effective for periods beginning after December 15, 2019. The District has not determined the impact on the financial statements.

GASB Statement No. 88 – In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This standard's primary objective 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. The statement is effective for periods beginning after June 15, 2018. The District has not determined the impact on the financial statements.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Funds	Internal Service Funds	Total Governmental Activities	Fiduciary Funds
Investment in county treasury	$ 124,737,917	$ 13,952,740	$ 138,690,657	$ 86,673
Cash on hand and in banks	-	-	-	35,535
Cash with fiscal agent	100,000	850,000	950,000	-
Cash in revolving fund	150,000	-	150,000	-
Total cash and investments	$ 124,987,917	$ 14,802,740	$ 139,790,657	$ 122,208

B. Policies and Practices

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

Investment in County Treasury – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section* 41001. The Los Angeles County Treasurer's pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County's investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District's investment in the pool is 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.

Cash with Fiscal Agent – Cash with fiscal agent consists of $950,000 held with Union Bank for workers' compensation.

NOTE 2 – CASH AND INVESTMENTS (continued)

C. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

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

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately $136,918,328 and an amortized book value of $138,777,330. The average weighted maturity for this pool is 609 days.

E. 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 in the County Treasury are not required to be rated. As of June 30, 2018, the pooled investments in the County Treasury were not rated.

NOTE 2 – CASH AND INVESTMENTS (continued)

F. 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. 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 agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2018, the District's bank balance was not exposed to custodial credit risk.

G. Fair Value

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy 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 (unadjusted) in active markets for identical assets.

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, either directly or indirectly.

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 reasonable 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 Los Angeles 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 at June 30, 2018 were as follows:

	Uncategorized
Investment in county treasury	$ 136,918,328
Total fair market value of investments	$ 136,918,328

NOTE 3 – ACCOUNTS RECEIVABLE

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

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Funds	Total Governmental Activities	Total Fiduciary
Federal Government						
Categorical aid	$ 12,727,904	$ -	$ 96,369	$ -	$ 12,824,273	$ -
State Government						
Categorical aid	576,736	-	325,579	-	902,315	-
Lottery	920,115	-	-	-	920,115	-
Local Government						
Other local sources	2,379,745	97,821	253,987	70,732	2,802,285	397,593
Total	$ 16,604,500	$ 97,821	$ 675,935	$ 70,732	$ 17,448,988	$ 397,593

NOTE 4 – CAPITAL ASSETS

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

	Balance July 01, 2017	Additions	Deletions	Balance June 30, 2018
Governmental Activities				
Capital assets not being depreciated				
Land	$ 6,693,026	$ 1,801,750	$ -	$ 8,494,776
Construction in progress	208,944	1,290,208	-	1,499,152
Total Capital Assets not Being Depreciated	6,901,970	3,091,958	-	9,993,928
Capital assets being depreciated				
Land improvements	34,686,782	4,695,955	-	39,382,737
Buildings & improvements	420,476,747	1,443,239	-	421,919,986
Furniture & equipment	22,005,818	932,243	-	22,938,061
Total Capital Assets Being Depreciated	477,169,347	7,071,437	-	484,240,784
Less Accumulated Depreciation				
Land improvements	6,167,657	1,698,398	-	7,866,055
Buildings & improvements	136,432,166	9,592,223	-	146,024,389
Furniture & equipment	20,757,279	415,088	-	21,172,367
Total Accumulated Depreciation	163,357,102	11,705,709	-	175,062,811
Governmental Activities				
Capital Assets, net	$ 320,714,215	$ (1,542,314)	$ -	$ 319,171,901

NOTE 5 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2018 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Internal Service Funds	District-Wide	Total Governmental Activities
Payroll	$ 30,038,430	$ -	$ 1,088,055	$ -	$ -	$ 31,126,485
Construction	-	73	1,449,971	-	-	1,450,044
Vendors payable	29,864,707	-	405,359	-	-	30,270,066
Unmatured interest	-	-	-	-	153,274	153,274
Other liabilities	-	-	-	14,764,893	-	14,764,893
Total	$ 59,903,137	$ 73	$ 2,943,385	$ 14,764,893	$ 153,274	$ 77,764,762

NOTE 6 – CLAIMS LIABILITY

The District is self-insured for Workers' Compensation. At June 30, 2018, the District maintained a reserve of $10,096,430 to pay future claims. At June 30, 2018, the District had $14,875,092 in assets available to pay claims.

NOTE 7 – UNEARNED REVENUE

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

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal sources	$ 200,770	$ 5,613	$ 206,383
State categorical sources	847,272	1,133,804	1,981,076
Total	$ 1,048,042	$ 1,139,417	$ 2,187,459

NOTE 8 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2018 consisted of the following:

	Restated Balance July 01, 2017	Additions	Deductions	Balance June 30, 2018	Balance Due In One Year
Governmental Activities					
General obligation bonds	$ 53,392,411	$ -	$ 10,222,247	$ 43,170,164	$ 9,915,669
Unamortized premium	5,610,754	-	827,002	4,783,752	827,002
Unamortized discount	(145,703)	-	(9,714)	(135,989)	(9,714)
Accreted interest	18,456,007	2,189,164	3,152,753	17,492,418	3,434,331
Total general obligation bonds	77,313,469	2,189,164	14,192,288	65,310,345	14,167,288
Certificates of participation	18,910,000	-	1,650,000	17,260,000	1,725,000
Unamortized premium	2,427,533	-	242,753	2,184,780	242,753
Total certificates of participation	21,337,533	-	1,892,753	19,444,780	1,967,753
Compensated absences	2,047,288	-	294,744	1,752,544	-
Total OPEB liability	56,050,003	-	246,980	55,803,023	-
Net pension liability	235,970,403	18,642,162	-	254,612,565	-
Total	$ 392,718,696	$ 20,831,326	$ 16,626,765	$ 396,923,257	$ 16,135,041

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments on certificates of participation are made in the General Fund.
- Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

A. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2018 amounted to $1,752,544. This amount is included as part of long-term liabilities in the government-wide financial statements.

B. Certificates of Participation

On June 1, 2007, the District issued Series B Certificates of Participation to $25,000,000 payable in annual installments from June 1, 2008 through June 1, 2027. Interest rates range from 3.6 to 5.0 percent, payable beginning December 1, 2007. The agreement is between the District and the County Schools Regionalized Business Services Corporation with the Bank of New York as trustee. Amounts on deposit in the Project Fund shall be applied to finance the modernization and rehabilitation of approximately 28 different schools on sites within the boundaries of Compton Unified School District.

In April 2015, the District issued $20,135,000 in Certificates of Participation to refund on a current basis all outstanding 2004 Certificates of Participation amounting to $6,535,000, and partially refund on an advance basis $15,305,000 of outstanding 2007 Certificates of Participation. Deferred charges on refunding of $646,952 remain to be amortized. This refunding reduced total debt service payments by $1,505,796 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $1,222,771. As of June 30, 2018, the principal balance outstanding amounted to $17,260,000.

NOTE 8 – LONG-TERM DEBT (continued)

B. Certificates of Participation (continued)

The annual requirements to amortize all certificates of participation outstanding at June 30, 2018 were as follows:

Year Ended June 30,	Principal	Interest	Total
2019	$ 1,725,000	$ 863,000	$ 2,588,000
2020	1,805,000	776,750	2,581,750
2021	1,895,000	686,500	2,581,500
2022	1,990,000	591,750	2,581,750
2023	2,080,000	492,250	2,572,250
2024 - 2027	7,765,000	915,000	8,680,000
Total	$ 17,260,000	$ 4,325,250	$ 21,585,250

C. General Obligation Bonds

In June 2006, the District issued $19,999,970 in General Obligation Series C Bonds and $50,789,740 in General Obligation Series D Bonds to finance the acquisition and improvement of various capital facilities of the District, advance refund on a current basis all outstanding Certificates of Participation Series B amounting to $19,380,000, and partially refund $34,445,000 of outstanding 2002 Series A general obligation bonds and $14,955,000 of outstanding 2002 Series B general obligation bonds.

In March 2015, the District issued $5,505,000 of Series E refunding bonds to advance refund a portion of the Series C bonds. Deferred charges on refunding of $347,281 remain to be amortized. This refunding reduced total debt service payments by $999,276 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $811,455. Deferred charges on refunding of $285,997 remain to be amortized. As of June 30, 2018, the principal balance outstanding on the defeased debt amounted to $0.

On October 26, 2016, the District issued 2002 Election, 2016 Series F General Obligation Refunding Bonds in the amount of $7,785,000. The bonds were issued to current refund and defease all of the District's outstanding General Obligation Bonds, 2002 Election, 2006 Series C and to pay costs of issuance. The bonds accrue interest between 2% and 5.5% per annum from the date of the issuance and are payable semi-annually on June 1 and December 1 of each year through June 2031. Deferred charges on refunding of $218,551 remain to be amortized. As of June 30, 2018, the principal balance outstanding on the defeased debt amounted to $0.

On November 3, 2015, the voters authorized the District to issue and sale $350,000,000 in principal amount of general obligation bonds to finance the acquisition and improvement of various capital facilities of the District. On October 26, 2016, the District issued 2015 Election, Series A General Obligation Bonds in the amount of $20,000,000. The bonds accrue interest between 2% and 5% per annum from the date of the issuance and are payable semi-annually on June 1 and December 1 of each year through June 2020.

NOTE 8 – LONG-TERM DEBT (continued)

C. General Obligation Bonds (continued)

Debt service payments are made from property tax levy authorized by the voters. The annual requirements to amortize outstanding general obligation bonds are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	$ 9,915,669	$ 4,410,619	$ 14,326,288
2020	7,185,220	4,504,868	11,690,088
2021	3,841,583	4,645,055	8,486,638
2022	3,667,725	4,867,613	8,535,338
2023	1,460,902	2,423,136	3,884,038
2024 - 2028	7,734,065	11,234,682	18,968,747
2029 - 2031	9,365,000	883,300	10,248,300
Accretion	17,492,418	(17,492,418)	-
Total	$ 60,662,582	$ 15,476,855	$ 76,139,437

D. Other Postemployment Benefits

The District's restated beginning total OPEB liability was $56,050,003 and decreased by $246,980 during the year ended June 30, 2018. The ending total OPEB liability at June 30, 2018 was $55,803,023. See Note 10 for additional information regarding the total OPEB liability.

E. Net Pension Liability

The District's beginning net pension liability was $235,970,403 and decreased by $18,462,162 during the year ended June 30, 2018. The ending net pension liability at June 30, 2018 was $254,612,565. See Note 11 for additional information regarding the net pension liability.

NOTE 9– FUND BALANCES

Fund balances were composed of the following elements at June 30, 2018:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable				
Revolving cash	$ 150,000	$ -	$ -	$ 150,000
Stores inventory	193,717	-	64,882	258,599
Prepaid expenditures	908,079	-	35,100	943,179
All others	956,327	-	-	956,327
Total non-spendable	2,208,123	-	99,982	2,308,105
Restricted				
Educational programs	11,007,688	-	622,850	11,630,538
Capital projects	-	16,795,075	4,877,110	21,672,185
Debt service	-	-	1,445,617	1,445,617
All others	-	-	55,205	55,205
Total restricted	11,007,688	16,795,075	7,000,782	34,803,545
Committed				
Other commitments	-	-	2,647,218	2,647,218
Total committed	-	-	2,647,218	2,647,218
Assigned				
Reserved for future obligations	28,492,216	-	-	28,492,216
Total assigned	28,492,216	-	-	28,492,216
Unassigned				
Reserve for economic uncertainties	10,282,813	-	-	10,282,813
Total unassigned	10,282,813	-	-	10,282,813
Total	$ 51,990,840	$ 16,795,075	$ 9,747,982	$ 78,533,897

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than 3 percent of General Fund expenditures and other financing uses.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

The Compton Unified School District's defined benefit OPEB plan, Compton Unified School District Retiree Benefit Plan (the Plan) is described below. The Plan is a single employer defined benefit plan administered by the district.

B. Benefits Provided

The eligibility requirements and benefits provided by the Plan as follows.

Effective November 1, 2011, the District provides continuation under PEMHCA to all of its retirees (except Teamsters). CEA (Certificated) retirees have participated in PEMHCA since November 1, 1992, and the minimum District contribution on their behalf, under the Unequal Contribution Method, is now 100% of the statutory minimum for active employees ($128 per months for calendar 2017, $133 per month for calendar year 2018, $136 per month for calendar year 2019, and indexed with Medical CPI thereafter).

For Classified groups entering PEMHCA as of November 1, 2011, the minimum District contribution is subject to the Unequal Contribution Method based on the effective date of the groups' participation in PEMHCA as shown in the table below. The percentage of the statutory minimum for these retirees will increase by 5% per year until it reaches 100% in the year 2031. The statutory minimum itself is increased each year by medical inflation, which has recently averaged about 4% per year. Benefits are paid for the lifetime of the retiree as long as he or she continues to participate in PEMHCA. The District also pays an administrative fee of 0.32% of premium on behalf of all active employees and retirees.

CSEA, SEIU and CFPSE (now Teamsters) retirees who retire after age 60 with at least 20 years of service or after age 55 with at least 30 years of service are offered a 50% District contribution towards the purchase of medical, dental and vision insurance for the retiree only. After the retiree reaches age 65, the District will continue a Medicare Supplement benefit in the amount of $500 per year to eligible retirees until age 68. This amount is subject to the PEMHCA minimum required contribution.

CEA retirees who retire between the ages of 55 and 65 with at least 11 years of service are eligible for an early retirement incentive program that pays 50% of group health, dental, vision, and life insurance premiums until age 65. ROP teachers are not eligible for the early retirement incentive program.

There is a Retirement Incentive of $1,388 per year paid to Certificated retirees. Because this program is not related to health insurance and is not within the scope of GASB 75, it has not been considered in this report, and should not be counted as an employer contribution towards OPEB in the District's financial reporting.

C. Contributions

The contribution requirements of Plan members and the Compton Unified School District are established and may be amended by the Compton Unified School District and the local Teachers' Association and the local California Service Employees Association. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

D. Plan Membership

Membership of the Plan consisted of the following:

	Number of participants
Inactive employees receiving benefits	351
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	2,301
Total number of participants**	2,652

*Information not provided
**As of the June 30, 2017 valuation date

E. Total OPEB Liability

The Compton Unified School District's total OPEB liability of $55,803,023 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date.

F. Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Economic assumptions:	
Inflation	2.75%
Salary increases	3.00%
Discount Rate	3.40%

Non-economic assumptions:	
Mortality:	
Certificated	Most recent rates used by CalSTRS
Classified	Most recent rates used by CalPERS
Retirement rates:	
Certificated	CalSTRS Retirement Rates Table
Classified	CalPERS Retirement Rates for School Employees Table

The actuarial assumptions used in the June 30, 2017 valuation were based on a review of plan experience.

The discount rate was based on the Bond Buyer 20 Bond Index. The actuary assumed contributions would be sufficient to fully fund the obligation over a period not to exceed thirty years.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

G. Changes in Total OPEB Liability

	June 30, 2018
Total OPEB Liability	
Service Cost	$ 3,414,597
Interest on total OPEB liability	1,683,118
Changes of benefit terms	(815,657)
Changes of assumptions	(4,529,038)
Net change in total OPEB liability	(246,980)
Total OPEB liability - beginning	56,050,003
Total OPEB liability - ending	$ 55,803,023
Covered payroll	$ 132,662,000
District's total OPEB liability as a percentage of covered payroll	42%

The Compton Unified School District has invoked Paragraph 244 of GASB Statement 75 for the transition due to cost constraints. Consequently, in order to determine the beginning total OPEB liability, a "roll-back" technique has been used.

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

The following presents the total OPEB liability of the Compton Unified School District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.40 percent) or one percentage point higher (4.40 percent) than the current discount rate:

	1% Decrease (2.4%)	Valuation Discount Rate (3.4%)	1% Increase (4.4%)
Total OPEB liability	$ 64,429,718	$ 55,803,023	$ 48,715,009

I. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the Compton Unified School District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (4.00 percent) or one percentage point higher (6.00 percent) than the current healthcare cost trend rate:

	1% Decrease (4.0%)	Valuation Trend Rate (5.0%)	1% Increase (6.0%)
Total OPEB liability	$ 47,355,617	$ 55,803,023	$ 66,464,138

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

J. OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the Compton Unified School District recognized OPEB expense of $246,980. At June 30, 2018, the Compton Unified School District reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ -	$ 3,882,033
District contributions subsequent to the measurement date	1,374,630	-
	$ 1,374,630	$ 3,882,033

The $1,374,630 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019. Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Inflows of Resources
2019	$ 647,005
2020	647,005
2021	647,005
2022	647,005
2023	647,005
2024	647,008
	$ 3,882,033

Prior periods of deferred outflows and deferred inflows of resources were not restated due to the fact that prior valuations were not rerun in accordance with Paragraph 244 of GASB Statement 75. It was determined the time and expense necessary to rerun prior valuations and to restate prior financial statements was not justified. In the future, gains and losses related to changes in total OPEB liability will be recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

NOTE 11 – PENSION PLANS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
STRS Pension	$ 183,615,185	$ 74,965,618	$ 53,346,474	$ 17,026,100
PERS Pension	70,997,380	23,017,745	7,226,223	11,047,733
Total	$ 254,612,565	$ 97,983,363	$ 60,572,697	$ 28,073,833

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

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

Benefits Provided

The CalSTRS defined benefit plan has two benefit formulas:

1. CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

2. CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 9.205% of their salary for fiscal year 2018, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2018 was 14.43% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were $15,922,435 for the year ended June 30, 2018.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately $8,833,553 to CalSTRS.

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:

District's proportionate share of the net pension liability	$	183,615,185
State's proportionate share of the net pension liability associated with the District		108,626,078
Total	$	292,241,263

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016 and rolling forward the total pension liability to 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. At June 30, 2017, the District's proportion was 0.199 percent, which was a decrease of 0.016 percent from its proportion measured as of June 30, 2016.

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

For the year ended June 30, 2018, the District recognized pension expense of $17,026,100. In addition, the District recognized pension expense and revenue of $3,122,060 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
Differences between projected and actual earnings on plan investments	$ -	$ 4,890,184
Differences between expected and actual experience	679,027	3,202,544
Changes in assumptions	34,016,858	-
Changes in proportion and differences between District contributions and proportionate share of contributions	24,347,298	45,253,746
District contributions subsequent to the measurement date	15,922,435	-
	$ 74,965,618	$ 53,346,474

The $15,922,435 reported as 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 year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2019	$ 11,869,471	$ 12,323,672
2020	11,869,471	5,177,660
2021	11,869,471	7,815,440
2022	11,869,473	12,606,600
2023	5,782,647	7,880,811
2024	5,782,650	7,542,291
	$ 59,043,183	$ 53,346,474

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Rate of Return*	7.10%
Wage Inflation	3.50%

* Net of investment expenses, but gross of administrative expenses.

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on MP-2016 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010–June 30, 2015.

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%
	100%	

*20-year geometric average

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

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 that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the Plan'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 the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	$ 269,605,385	$ 183,615,185	$ 113,828,311

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

NOTE 11 – PENSION PLANS (continued)

B. <u>California Public Employees' Retirement System (CalPERS)</u>

Plan Description

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

Benefits Provided

The benefits for the defined benefit plan are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

Contributions

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 6.5% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2018 was 15.531% of annual payroll. Contributions to the plan from the District were $6,348,967 for the year ended June 30, 2018.

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 of $70,997,380 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016 and rolling forward the total pension liability to 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. At June 30, 2017, the District's proportion was 0.297 percent, which was a decrease of 0.018 percent from its proportion measured as of June 30, 2016.

NOTE 11– PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS) (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

For the year ended June 30, 2018, the District recognized pension expense of $11,047,733. 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
Differences between projected and actual earnings on plan investments	$ 2,456,024	$ -
Differences between expected and actual experience	2,543,543	-
Changes in assumptions	10,370,284	835,906
Changes in proportion and differences between District contributions and proportionate share of contributions	1,298,927	6,390,317
District contributions subsequent to the measurement date	6,348,967	-
	$ 23,017,745	$ 7,226,223

The $6,348,967 reported as 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 year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2019	$ 6,167,207	$ 4,710,374
2020	6,960,514	1,700,335
2021	4,885,975	815,514
2022	(1,344,918)	-
	$ 16,668,778	$ 7,226,223

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS) (continued)

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Discount Rate	7.15%
Salary Increases	Varies by Entry Age and Service

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS' membership data for all funds. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS) (continued)

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

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10*	Real Return Years 11+**
Global Equity	47.0%	4.90%	5.38%
Fixed Income	19.0%	0.80%	2.27%
Inflation Assets	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
	100.0%		

*An expected inflation of 2.50% used for this period.
**An expected inflation of 3.00% used for this period.

Discount Rate
The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS' website.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	$ 104,459,897	$ 70,997,380	$ 43,237,420

Pension Plan Fiduciary Net Position
Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. 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.

B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2018.

C. Construction Commitments

As of June 30, 2018, the District had no commitments with respect to unfinished capital projects.

NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District participates in two joint ventures under joint powers agreements (JPAs); the Southern California Regional Liability Excess Fund (SCR), and the Schools' Excess Liability Fund (SELF). The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs 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 JPAs and the District are included in these statements. The audited financial statements are generally available from the respective entities.

NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A. Refunded Debt

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* the District recognized deferred outflows or inflows of resources in the District-wide financial statements. The deferred outflow of resources pertains to the difference in the carrying value of the refunded debt and its reacquisition price (deferred amount on refunding). Previous financial reporting standards require this to be presented as part of the District's long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. At June 30, 2018, the deferred amount on refunding was $1,151,500.

B. Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 11. At June 30, 2018, total deferred outflows related to pensions was $97,983,363 and total deferred inflows related to pensions was $60,572,697.

C. Other Postemployment Benefits

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* the District recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 10. At June 30, 2018, total deferred outflows related to other postemployment benefits was $1,374,630 and total deferred inflows related to other postemployment benefits was $3,882,033.

NOTE 15 – RESTATEMENT OF NET POSITION

The beginning net position of Governmental Activities has been restated in order to record the District's total OPEB liability in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The effect on beginning net position is presented as follows:

	Governmental Activities
Net Position - Beginning, as Previously Reported	$ 81,055,516
Restatement due to OPEB	(37,246,416)
Restatement from Self-Insurance Fund	(10,096,430)
Net Position - Beginning, as Restated	$ 33,712,670

REQUIRED SUPPLEMENTARY INFORMATION

COMPTON UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual*	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
REVENUES				
LCFF sources	$ 226,006,989	$ 225,893,458	$ 219,714,976	$ (6,178,482)
Federal sources	21,575,416	23,586,001	23,528,642	(57,359)
Other state sources	24,143,331	21,704,340	29,927,468	8,223,128
Other local sources	1,345,000	3,005,709	6,518,287	3,512,578
Total Revenues	273,070,736	274,189,508	279,689,373	5,499,865
EXPENDITURES				
Certificated salaries	119,692,219	120,694,332	112,677,522	8,016,810
Classified salaries	42,276,259	34,475,965	39,027,390	(4,551,425)
Employee benefits	49,415,428	42,025,550	58,425,221	(16,399,671)
Books and supplies	10,297,233	17,417,933	19,197,039	(1,779,106)
Services and other operating expenditures	46,047,500	51,490,916	51,236,890	254,026
Capital outlay	1,840,033	1,755,799	1,639,768	116,031
Other outgo				
Excluding transfers of indirect costs	2,441,185	2,599,305	2,710,617	(111,312)
Transfers of indirect costs	(800,949)	(22,165)	(182,438)	160,273
Total Expenditures	271,208,908	270,437,635	284,732,009	(14,294,374)
Excess (Deficiency) of Revenues				
Over Expenditures	1,861,828	3,751,873	(5,042,636)	(8,794,509)
Other Financing Sources (Uses)				
Transfers out	(3,667,083)	(3,667,083)	(3,667,083)	-
Net Financing Sources (Uses)	(3,667,083)	(3,667,083)	(3,667,083)	-
NET CHANGE IN FUND BALANCE	(1,805,255)	84,790	(8,709,719)	(8,794,509)
Fund Balance - Beginning	60,700,559	60,700,559	60,700,559	-
Fund Balance - Ending	$ 58,895,304	$ 60,785,349	$ 51,990,840	$ (8,794,509)

* Audit adjustments are not included in this schedule.

See accompanying note to required supplementary information.

COMPTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018
Total OPEB Liability	
Service Cost	$ 3,414,597
Interest on total OPEB liability	1,683,118
Changes of benefit terms	(815,657)
Changes of assumptions	(4,529,038)
Net change in total OPEB liability	(246,980)
Total OPEB liability - beginning	56,050,003
Total OPEB liability - ending	$ 55,803,023
Covered payroll	$ 132,662,000
District's total OPEB liability as a percentage of covered payroll	42%

See accompanying note to required supplementary information.

COMPTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.199%	0.215%	0.276%	0.220%
District's proportionate share of the net pension liability	$ 183,615,185	$ 173,838,458	$ 186,073,187	$ 128,276,966
State's proportionate share of the net pension liability associated with the District	108,626,078	98,977,703	98,411,941	77,459,171
Total	$ 292,241,263	$ 272,816,161	$ 284,485,128	$ 205,736,137
District's covered payroll	$ 106,263,179	$ 111,062,465	$ 113,774,202	$ 97,771,818
District's proportionate share of the net pension liability as a percentage of its covered payroll	172.8%	156.5%	163.5%	131.2%
Plan fiduciary net position as a percentage of the total pension liability	69.5%	70.0%	74.0%	76.5%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

See accompanying note to required supplementary information.

COMPTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.297%	0.315%	0.340%	0.405%
District's proportionate share of the net pension liability	$ 70,997,380	$ 62,131,945	$ 50,161,465	$ 45,984,025
District's covered payroll	$ 42,733,687	$ 42,944,375	$ 42,326,807	$ 42,521,063
District's proportionate share of the net pension liability as a percentage of its covered payroll	166.1%	144.7%	118.5%	108.1%
Plan fiduciary net position as a percentage of the total pension liability	71.9%	73.9%	79.4%	83.4%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

See accompanying note to required supplementary information.

COMPTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	$ 15,922,435	$ 11,699,892	$ 11,666,292	$ 12,531,812
Contributions in relation to the contractually required contribution*	(15,922,435)	(11,699,892)	(11,666,292)	(12,531,812)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 114,084,710	$ 106,263,179	$ 111,062,465	$ 113,774,202
Contributions as a percentage of covered payroll	13.96%	11.01%	10.50%	11.01%

*Amounts do not include on-behalf contributions

See accompanying note to required supplementary information.

COMPTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	$ 6,348,967	$ 5,543,200	$ 4,966,156	$ 5,292,672
Contributions in relation to the contractually required contribution	(6,348,967)	(5,543,200)	(4,966,156)	(5,292,672)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 44,717,548	$ 42,733,687	$ 42,944,375	$ 42,326,807
Contributions as a percentage of covered payroll	14.20%	12.97%	11.56%	12.50%

See accompanying note to required supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Changes in Total OPEB Liability and Related Ratios

This 10-year schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 75 was applicable. The schedule presents the sources of change in the total OPEB liability, and the components of the total OPEB liability and related ratios, including the total OPEB liability as a percentage of covered-employee payroll.

Schedule of the District's Proportionate Share of the Net Pension Liability

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuations for CalSTRS and CalPERS.

Changes in 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.

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of District Contributions

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered payroll.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2018, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code.

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Classified salaries	$ 34,475,965	$ 39,027,390	$ 4,551,425
Employee benefits	$ 42,025,550	$ 58,425,221	$ 16,399,671
Books and supplies	$ 17,417,933	$ 19,197,039	$ 1,779,106
Other outgo			
Excluding transfers of indirect costs	$ 2,599,305	$ 2,710,617	$ 111,312

SUPPLEMENTARY INFORMATION

COMPTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
Passed through California Department of Education:			
Title I, Part A, Basic Grants Low-Income and Neglected **[1]**	84.010	14329	$ 15,400,233
Adult Education			
Adult Education: Adult Basic Education & ESL	84.002A	14508	5,613
Adult Education: Adult Secondary Education	84.002	13978	75,120
Subtotal Adult Education			80,733
Title II, Part A, Teacher Quality **[1]**	84.367	14341	1,971,680
Title III			
Title III, English Learner Student Program	84.365	14346	518,170
Title III, Immigrant Education Program	84.365	15146	72,931
Subtotal Title III			591,101
Department of Rehabilitation: Workability II, Transitions Partnership Program	84.126	10006	131,618
Special Education Cluster **[1]**			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	3,695,615
IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	404,400
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	154,992
IDEA Preschool Local Entitlement, Part B, Section 611 (AGE 3-4-5)	84.027A	13682	161,462
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	2,000
IDEA Quality Assurance & Focus Monitoring	84.027A	13693	(13,767)
Alternative Dispute Resolution, Part B, Sec 611	84.173A	13007	7,420
Subtotal Special Education Cluster			4,412,122
IDEA Early Intervention Grants, Part C	84.181	23761	86,063
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14893	324,163
Promoting Readiness of Minors	84.418T	*	339,584
Project READ	84.323	*	90,840
Total U. S. Department of Education			23,428,137
U. S. DEPARTMENT OF AGRICULTURE:			
Passed through California Department of Education:			
Child Nutrition Cluster			
School Breakfast Program - Needy	10.553	13526	3,101,005
National School Lunch Program	10.555	13391	6,775,250
USDA Commodities	10.555	*	801,779
Meal Supplements	10.559	*	247,445
Subtotal Child Nutrition Cluster			10,925,479
CACFP Claims - Centers and Family Day Care	10.558	13393	479,300
NSLP Equipment Assistance Grants	10.579	14906	54,035
Total U. S. Department of Agriculture			11,458,814
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Passed through California Department of Health Services:			
Medi-Cal Billing Option	93.778	10013	97,627
Total U. S. Department of Health & Human Services			97,627
Total Federal Expenditures			$ 34,984,578

[1] - Major Program
* - Pass-Through Entity Identifying Number not available or not applicable

See accompanying note to supplementary information.

SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)

FOR THE YEAR ENDED JUNE 30, 2018

	Second Period Report <C3306A47>	Annual Report <532536C2>
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	6,877.83	7,133.42
Extended Year Special Education	45.17	0.11
Special Education - Nonpublic Schools	4.09	3.80
Extended Year Special Education - Nonpublic Schools	0.46	0.44
Total TK/K through Third	6,927.55	7,137.77
Fourth through Sixth		
Regular ADA	5,418.39	5,425.56
Extended Year Special Education	25.06	5.26
Special Education - Nonpublic Schools	11.47	11.57
Extended Year Special Education - Nonpublic Schools	1.51	1.45
Total Fourth through Sixth	5,456.43	5,443.84
Seventh through Eighth		
Regular ADA	3,244.15	3,266.04
Extended Year Special Education	35.59	5.22
Special Education - Nonpublic Schools	14.32	14.16
Extended Year Special Education - Nonpublic Schools	1.94	1.86
Community Day School	0.59	0.58
Total Seventh through Eighth	3,296.59	3,287.86
Ninth through Twelfth		
Regular ADA	5,065.59	5,045.74
Extended Year Special Education	203.60	18.04
Special Education - Nonpublic Schools	37.56	36.26
Extended Year Special Education - Nonpublic Schools	7.74	7.40
Community Day School	2.05	2.08
Total Ninth through Twelfth	5,316.54	5,109.52
TOTAL SCHOOL DISTRICT	20,997.11	20,978.99

See accompanying note to supplementary information.

COMPTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2018

Grade Level	Minutes Requirement	2017-18 Actual Minutes	Number of Days	Status
Kindergarten	36,000	63,180	180	Complied
Grade 1	50,400	63,180	180	Complied
Grade 2	50,400	63,180	180	Complied
Grade 3	50,400	63,180	180	Complied
Grade 4	54,000	63,180	180	Complied
Grade 5	54,000	63,180	180	Complied
Grade 6	54,000	65,925	180	Complied
Grade 7	54,000	65,925	180	Complied
Grade 8	54,000	65,925	180	Complied
Grade 9	64,800	66,195	180	Complied
Grade 10	64,800	66,195	180	Complied
Grade 11	64,800	66,195	180	Complied
Grade 12	64,800	66,195	180	Complied

See accompanying note to supplementary information.

	2019 (Budget)	2018	2017	2016
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	$ 285,316,089	$ 279,689,373	$ 268,498,988	$ 294,677,302
Expenditures And Other Financing Uses	287,947,667	288,399,092	268,602,663	269,182,591
Net change in Fund Balance	$ (2,631,578)	$ (8,709,719)	$ (103,675)	$ 25,494,711
Ending Fund Balance	$ 49,359,262	$ 51,990,840	$ 59,183,678	$ 5,928,733
Available Reserves*	$ 10,385,641	$ 10,282,813	$ 8,326,683	$ 8,075,478
Available Reserves As A Percentage Of Outgo	3.61%	3.57%	3.10%	3.00%
Long-term Debt	$ 380,788,216	$ 396,923,257	$ 359,354,313	$ 347,812,669
Average Daily Attendance At P-2	20,997	20,997	21,054	21,663

The General Fund balance has increased by $46,062,107 over the past two years. The fiscal year 2018-19 budget projects a decrease of $2,631,578. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2018-19 fiscal year. Total long-term obligations have increased by $49,110,588 over the past two years.

Average daily attendance has decreased by 666 ADA over the past two years. No change in ADA is anticipated during the 2018-19 fiscal year.

*Available reserves consist of all unassigned fund balance within the General Fund.

**Audit adjustments for 2018 are not included in this schedule.

The Compton Unified School District was established on July 1, 1970 and is comprised of an area of approximately 30 square miles located in Los Angeles County. There were no changes in the boundaries of the District during the current year. The District is operating 21 elementary schools, 7 middle schools, 3 high schools, one early college high school, one adult school, and three alternative schools.

GOVERNING BOARD

Member	Office	Term Expires
Micah Ali	President	2019
Satra Zurita	Vice President	2021
Margie Garrett	Clerk	2021
Sandra Moss	Member	2019
Mae P. Thomas	Member	2021
Charles Davis	Member	2019
Alma Pleasant	Legislative Representative	2021

DISTRICT ADMINISTRATORS

Darin Brawley, Ed.D., *Superintendent*

Alejandro Alvarez, Ed.D., *Deputy Superintendent/CAO*

William Wu, JD, *Chief of School Police*

Kanika White, Ed.D., *Assistant Superintendent - Human Resources*

Mario Marcos., *Assistant Superintendent - Educational Services*

See accompanying note to supplementary information.

COMPTON UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2018

Charter #	Charter School	Status	Included in Audit Report
1772	Today's Fresh Start - Compton	Active	No
1827	Celerity Achernar Charter	Active	No
0963	Lifeline Education Charter	Active	No
1996	KIPP Compton Community School	Active	No
1990	Animo Compton Charter	Active	No
1952	Ingenium Clarion Charter Middle School	Active	No
1953	Ingenium Wings Independent Study - Compton	Active	No

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 following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2018 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2018.

	CFDA Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		$ 35,068,189
Medi-Cal Billing Option	93.778	(83,611)
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		$34,984,578

The District has not elected to use the 10 percent de minimis indirect cost rate.

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

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 46208. During the year ended June 30, 2018, the District participated in the Longer Day incentive funding program. As of June 30, 2018, the District had not yet met its target funding.

NOTE 1 – PURPOSE OF SCHEDULES (continued)

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.

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 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.

OTHER INDEPENDENT AUDITORS' REPORTS

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A PROFESSIONAL ACCOUNTANCY CORPORATION

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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*

Independent Auditors' Report

Governing Board
Compton Unified School District
Compton, 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, the major fund, and the aggregate remaining fund information of Compton Unified School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Compton Unified School District's basic financial statements, and have issued our report thereon dated December 14, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Compton 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 Compton Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Compton 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Compton 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Christy White Associates

San Diego, California
December 14, 2018

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditors' Report

Governing Board
Compton Unified School District
Compton, California

Report on Compliance for Each Major Federal Program

We have audited Compton Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Compton Unified School District's major federal programs for the year ended June 30, 2018. Compton 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 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 Compton 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 Compton 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 Compton Unified School District's compliance.

Opinion on Each Major Federal Program

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

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

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

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.

Christy White Associates

San Diego, California
December 14, 2018

christy white associates
A PROFESSIONAL ACCOUNTANCY CORPORATION

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Licensed by the California State Board of Accountancy

REPORT ON STATE COMPLIANCE

Independent Auditors' Report

Governing Board
Compton Unified School District
Compton, California

Report on State Compliance

We have audited Compton Unified School District's compliance with the types of compliance requirements described in the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on each of Compton Unified School District's state programs for the fiscal year ended June 30, 2018, as identified below.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Compton Unified School District's state 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 *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Compton 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 with the requirements referred to above. However, our audit does not provide a legal determination of Compton Unified School District's compliance with those requirements.

Opinion on State Compliance

In our opinion, Compton Unified School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as Findings #2018-001, #2018-002 and #2018-003. Our opinion on state compliance is not modified with respect to these matters.

Compton Unified School District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Compton 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.

Procedures Performed

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

PROGRAM NAME	PROCEDURES PERFORMED
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Yes
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes

(continued on the following page)

Procedures Performed (continued)

PROGRAM NAME	PROCEDURES PERFORMED
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	Not Applicable
Charter School Facility Grant Program	Not Applicable

We did not perform testing for Independent Study because the ADA was below the threshold required for testing.

Christy White Associates

San Diego, California
December 14, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

COMPTON UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Non-compliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	No
Identification of major programs:	

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I, Part A
84.027, 84.027A, 84.173, 84.173A	Special Education Cluster
84.367	Title II, Part A

Dollar threshold used to distinguish between Type A and Type B programs:	$ 1,025,484
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	No
Significant deficiency(ies) identified?	Yes
Type of auditors' report issued on compliance for state programs:	Unmodified

FIVE DIGIT CODE	AB 3627 FINDING TYPE
20000	Inventory of Equipment
30000	Internal Control

There were no financial statement findings and questioned costs for the year ended June 30, 2018.

FIVE DIGIT CODE	**AB 3627 FINDING TYPE**
50000	Federal Compliance

There were no federal award findings and questioned costs for the year ended June 30, 2018.

FIVE DIGIT CODE	AB 3627 FINDING TYPE
10000	Attendance
40000	State Compliance
42000	Charter School Facilities Programs
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

FINDING #2018-001: SCHOOL ACCOUNTABILITY REPORT CARD (72000)

Criteria: School Accountability Report Cards (SARCs), prepared on annual basis for each school site within the District and posted in February, should contain information regarding school facilities conditions, as indicated in the most recently prepared Facility Inspection Tool (FIT) form developed by the Office of Public School Construction and approved by the State Allocation Board, or local evaluation instruments that meet the same criteria, as per Education Code Sections 33126(b)(8) and 17002(d). All schools are required to prepare a SARC during their first year and last year of operation under *EC* Section 35256(c).

Condition: During testing of a representative sample of SARCs published in 2017-18 reporting information pertaining to 2016-17, we found the information reported under the School Facility Conditions and Planned Improvements (Most Recent Year) section did not present accurate information from the Facility Inspection Tool forms provided. For the SARC information to be timely and accurate, the facilities inspection data should come from FIT forms prepared in the current fiscal year.

Additionally, we noted inconsistencies between complaints related to teacher misassignments or vacancies reported on the Williams Quarterly Complaint reports and the SARCs. Inspection dates reported in the SARC did not correspond to the inspection date stated on the Facility Inspection Tool (FIT) forms provide for eight (8) school sites:

1. Bursch Elementary School
2. Clinton Elementary School
3. Foster Elementary School
4. Kelly Elementary School
5. Mayo Elementary School
6. Bunche Middle School
7. Roosevelt Middle School
8. Centennial High School

Cause: Oversight.

Questioned Costs: Not applicable for SARC findings.

FINDING #2018-001: SCHOOL ACCOUNTABILITY REPORT CARD (72000) (continued)

Perspective: Eight (8) of eight (8) school sites did not accurately report school facility conditions.

Effect: The 2016-17 School Accountability Report Card published and tested in 2017-18 reported inaccurate information reported for school facility conditions and complaints related to teacher vacancies and misassignments.

Recommendation: We recommend that the District implement a process to ensure all SARCs are prepared, and all information presented on the SARCs is contemporaneous and complete.

Corrective Action Plan: The Chief Facility Officer (CFO) will ensure that FIT reports are accurate. In addition, the CFO will verify the data on SARCs have proper and accurate supporting documents. It is the responsibility of the Facility department staff to complete FIT forms accurately for all schools. It is not the responsibility of the Los Angeles County Office of Education to conduct facility review for all district schools.

Accurate teacher misassignments on the William Quarterly Complaint reports rests with the Human Resources department. The Senior Director, HRS will create an internal process of reviewing the supporting documents and reports before publication.

FINDING #2018-002: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)

Criteria: Students classified as English Learners (EL) or Free or Reduced Priced Meal (FRPM) on the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report must have supporting documentation that indicates the student was eligible for the classification. Auditors are required to verify compliance with Education Code Section 42238.02(b)(3)(b) in Section W of the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.*

Condition: Nine (9) of sixty (60) students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who were classified as Free or Reduced Priced Meal (FRPM) only did not have documentation for their classification. Four (4) of sixty (60) students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who were classified as Free or Reduced Priced Meal (FRPM) and English Learners did not have documentation for either classification. This error rate was extrapolated over the only FRPM and FRPM and EL population of 1,716 students, for a total of 197 ineligible students.

Cause: District did not maintain household income verification or lunch applications for these students.

Effect: The District is not in compliance with state requirements.

Context: Based on the extrapolation of error, 197 of 1,716 students reported in the District's Unduplicated Pupil Count did not have proper supporting documentation to support their FRPM and/or EL designation.

FINDING #2018-002: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000) (continued)

Questioned Cost: $150,820 as follows:

UPP Audit Adjustment					
1	Total Adjusted Enrollment from the UPP exhibit as of P-2				65,428
2	Total Adjusted Unduplicated Pupil Count from the UPP exhibit as of P-2				59,021
3	Audit Adjustment - Number of Enrollment				-
4	Audit Adjustment - Number of Unduplicated Pupil Count				(197)
5	Revised Adjusted Enrollment				65,428
6	Revised Adjusted Unduplicated Pupil Count				58,824
7	UPP calculated as of P-2				0.9021
8	Revised UPP for audit finding				0.8991
9	**Charter Schools Only:** Determinative School District Concentration Cap				
10	Revised UPP adjusted for Concentration Cap				**0.8991**
LCFF Target Supplemental Grant Funding Audit Adjustment		**TK/K–3**	**4–6**	**7–8**	**9–12**
10	Supplemental and Concentration Grant ADA	7,626.34	5,475.78	3,266.05	4,704.98
11	Adjusted Base Grant per ADA	$7,941	$7,301	$7,518	$8,939
12	Target Supplemental Grant Funding calculated as of P-2				$30,157,458
13	Revised Target Supplemental Grant Funding for audit finding				$30,057,168
14	Target Supplemental Grant Funding audit adjustment				**($100,290)**
LCFF Target Concentration Grant Funding Audit Adjustment					
15	Target Concentration Grant Funding calculated as of P-2				$29,427,008
16	Revised Target Concentration Grant Funding for audit finding				$29,176,280
17	Target Concentration Grant Funding audit adjustment				**($250,728)**
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at LCFF Target					
18	Total Target Supplemental and Concentration audit adjustment				**($351,018)**
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded on LCFF Floor and Gap					
19	Statewide Gap Funding Rate as of P-2				0.4296644273
20	Estimated Cost of Unduplicated Pupil Count audit adjustment				**($150,820)**

Recommendation: We recommend implementation of internal controls to ensure accuracy over CALPADS reporting.

Corrective Action Plan: The district will ensure that all responsible departments for the unduplicated pupil counts coordinate with each other. This will ensure proper maintenance of supporting documents affecting students classified as EL, or Free or Reduced Meal and Forster Youth in the CALPADS.

FINDING #2018-003: AFTER SCHOOL EDUCATION & SAFETY (ASES) PROGRAM (40000)

Criteria: After school programs participating in the ASES program are required to submit student outcome data to the California Department of Education which includes measurable student outcomes including attendance. As a result, ASES 2017-18 1st Half After School Base Attendance Report (covering the period of August to December 2017) was reviewed along with supporting documentation for each school site in order to determine whether the reported number of students served is supported by written records maintained.

Condition: Three (3) of twenty-eight (28) school sites selected for ASES testing did not agree to the number of students served reported to the CDE and reported on ASES 2017-18 1st Half After School Base report.

Cause: Reporting errors.

Effect: Errors were made calculating number of students served, per inquiry the report has been revised with the CDE. For the attendance report submitted to the CDE for the 1st Half: After School Base, the District reported a total number of 172,887 students served for the reporting time period of July 1, 2017 through December 31, 2017. As a result of our audit procedures, the adjusted amount for the 1st Half: After School Base should be increased to a total of 172,891 students served.

Context: An understatement of 4 students served for the ASES 2017-18 1st Half Base period were noted.

Questioned Costs: None. The ASES program funding is not affected as long as the pupil participation level is maintained at 85% of the projected attendance or greater. Since the finding noted a net over reporting of 4 student days of attendance, program attendance did not fall below 85% of the projected attendance; therefore, there is no questioned cost.

Recommendation: We recommend the District implement a process to accurately calculate the attendance of the After School Education and Safety (ASES) Program for reporting purposes to the California Department of Education.

Corrective Action Plan: The district has engaged outside consulting firm to handle the ASES program. The firm will ensure the proper maintenance of supporting documents. The consulting firm will be responsible for the ASES program accurate reporting to CDE with district review. In addition, they will ensure that CDE report agrees with the supporting documents.

FINDING #2017-001: ASSOCIATED STUDENT BODY (ASB) (30000)

Criteria: Proper internal controls are necessary to ensure the safeguard over the Associated Student Body (ASB) assets. Maintaining sound internal control procedures over cash receipts, cash disbursements, bank reconciliations and minutes of council meetings reduces the opportunity for irregularities to go undetected. The Fiscal Crisis & Management Assistance Team (FCMAT) Associated Student Body Accounting Manual & Desk Reference outlines proper internal control procedures for associated student body accounts to follow.

Condition: ASB's were tested to ensure proper internal controls over student funds. Various areas of ASB's financial processes were tested including the cash receipt and disbursement process.

Cause: Lack of training and/or adherence to district policy on ASB accounting.

Effect: Possible misstatement of student body funds.

Perspective: Through our testing of the school site ASB accounts, we noted the following internal control deficiencies:

Whaley Middle School

- Records were not maintained for any cash disbursements or receipts.

Dominguez High School

- 10 out of 10 cash receipts tested did not have adequate support to provide a clear audit trail nor did the collections appear to be deposited timely.
  - No evidence of use of tally sheets, cash receipts, or collection forms
- Bank reconciliations are not prepared or reviewed

Recommendation: We recommend the District provide continuing training to the ASB staff and implement and/or reinforce controls over internal control deficiencies noted above. Internal controls should be implemented to minimize the possibility for waste or abuse of ASB resources.

District Response: The District had staff changes at various school sites during the 2016-17 school year. The District office staff (DOS) provided one on one training to site staff to help alleviate the repeat finding. In addition, DOS held an ASB workshop on November 17, 2017 for all sites. DOS will do a repeat ASB workshop for all sites some time in February of 2018 to help prevent repeat of auditing findings.

Current Status: Implemented.

FINDING #2017-002: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)

Criteria: Students classified as English Learners (EL) or Free or Reduced Priced Meal (FRPM) on the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report must have supporting documentation that indicates the student was eligible for the determination. Auditors are required to verify compliance with Education Code Section 42238.02(b)(3)(b) in Section W of the *2016-17 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.*

Condition: 3 of 60 students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who were classified as English learner (EL) and non-Free or Reduced Priced Meal (FRPM) did not have documentation for their classification. This error rate was extrapolated to the entire EL population of 532 students, for a total of 27 ineligible students. 2 of 60 students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who were classified as only-Free or Reduced Priced Meal (FRPM) did not have documentation for their classification. This error rate was extrapolated to the entire only FRPM population of 1,546 students, for a total of 52 ineligible students. This is a grand total of 79 ineligible students.

Cause: District did not change the students' designation in a timely manner.

Effect: The District is not in compliance with state requirements.

Context: It is extrapolated that 79 of 57,512 (18,562 in 2014-15, 19,041 in 2015-16 and 19,909 in 2016-17) students reported in the District's Unduplicated Pupil Count did not have proper supporting documentation to support their FRPM or EL designation.

FINDING #2017-002: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000) (continued)

Questioned Cost: $79,674, as follows:

UPP Audit Adjustment					
1	Total Adjusted Enrollment from the UPP exhibit as of P-2				65,680
2	Total Adjusted Unduplicated Pupil Count from the UPP exhibit as of P-2				57,478
3	Audit Adjustment - Number of Enrollment				-
4	Audit Adjustment - Number of Unduplicated Pupil Count				(79)
5	Revised Adjusted Enrollment				65,680
6	Revised Adjusted Unduplicated Pupil Count				57,399
7	UPP calculated as of P-2				0.8751
8	Revised UPP for audit finding				0.8739
9	**Charter Schools Only:** Determinative School District Concentration Cap				
10	Revised UPP adjusted for Concentration Cap				**0.8739**
LCFF Target Supplemental Grant Funding Audit Adjustment		**TK/K–3**	**4–6**	**7–8**	**9–12**
9	Supplemental and Concentration Grant ADA	7,909.81	5,618.67	3,386.83	4,752.14
10	Adjusted Base Grant per ADA	$7,820	$7,189	$7,403	$8,801
11	Target Supplemental Grant Funding calculated as of P-2				$29,603,516
12	Revised Target Supplemental Grant Funding for audit finding				$29,562,922
13	Target Supplemental Grant Funding audit adjustment				**($40,594)**
LCFF Target Concentration Grant Funding Audit Adjustment					
14	Target Concentration Grant Funding calculated as of P-2				$27,494,296
15	Revised Target Concentration Grant Funding for audit finding				$27,392,809
16	Target Concentration Grant Funding audit adjustment				**($101,487)**
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at LCFF Target					
18	Total Target Supplemental and Concentration audit adjustment				**($142,081)**
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded on LCFF Floor and Gap					
19	Statewide Gap Funding Rate as of P-2				0.5607679980
20	Estimated Cost of Unduplicated Pupil Count audit adjustment				**($79,674)**

Recommendation: We recommend implementation of internal controls to ensure accuracy over CALPADS reporting.

District Response: The District has a Senior Director, Research, Evaluation and Pupil Records that is now response for the CALPADS. In addition, the Student Nutrition and English Learners departments also are responsible for the accuracy of data. All the three responsible departments will work together for accuracy of reported data. The Senior Director will ensure that the required data in CALPADS are accurate and all required documentation supporting the reported data are readily available for audit purpose and administrative requests.

Current Status: Not Implemented. Refer to Finding #2018-002.

FINDING#2017-003: SCHOOL ACCOUNTABILITY REPORT CARD (72000)

Criteria: School Accountability Report Cards (SARCs), prepared on annual basis for each school site within the District and posted in February, should contain information regarding school facilities conditions, as indicated in the most recently prepared Facility Inspection Tool (FIT) form developed by the Office of Public School Construction and approved by the State Allocation Board, or local evaluation instruments that meet the same criteria, as per Education Code Sections 33126(b)(8) and 17002(d). All schools are required to prepare a SARC during their first year and last year of operation under *EC* Section 35256(c).

Condition: During testing of a representative sample of SARCs published in 2016-17 reporting information pertaining to 2015-16, it was noted that the SARC for Lincoln Elementary School was not prepared and submitted to the CDE. Additionally, we found the information reported under the School Facility Conditions and Planned Improvements (Most Recent Year) section did not present accurate information from the Facility Inspection Tools provided. For the SARC information to be timely and accurate, the facilities inspection data should come from FIT forms prepared in the current fiscal year. The following discrepancies were noted:

- Inspection dates reported in the SARC did not correspond to the inspection date stated on the Facility Inspection Tool (FIT) provide for six (6) sites. Those schools are Carver Elementary School, King Elementary School, Washington Elementary School, Whaley Middle School, Walton Middle School and Dominguez High School.
- Two (2) of the six (6) SARCs with inaccurate dates did not accurately report updated information from the facility inspection. Those schools are King Elementary School and Dominguez High School.

Cause: Lack of review and oversight.

Questioned Costs: Not applicable for SARC findings.

Perspective: One (1) of nine (9) sites did not have a SARC prepared and submitted to the California Department of Education. Six (6) of nine (9) sites did not accurately report school facility conditions.

Effect: The 2015-16 School Accountability Report Card published and tested in 2016-17 for Lincoln Elementary School was not prepared and submitted to the CDE. Inaccurate information reported for school facility conditions.

Recommendation: We recommend that the District implement a process to ensure all SARCs are prepared, and all information presented on the SARCs is contemporaneous and complete.

FINDING#2017-003: SCHOOL ACCOUNTABILITY REPORT CARD (72000), (continued)

District Response: The District hired a Chief Facilities Officer (CFO) in 2017-18. Fiscal Services will request a meeting with the CFO to address the auditing finding and ensure that corrective actions are in place. In addition, the meeting is to ascertain that all information in SARC particularly facilities inspection dates agree with all supporting documents.

Current Status: Not Implemented. Refer to Finding #2018-001.

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