PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 4, 2019

NEW ISSUE - BOOK-ENTRY ONLY

INSURED RATING: S&P: "AA"
UNDERLYING RATING: S&P: "A+"
See "RATINGS" herein.

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, the portion of lease payments designated as and comprising interest and received by the owners of the Certificates is not intended to be excluded from gross income for federal income tax purposes. In the further opinion of Special Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.

$35,095,000*
2019 REFUNDING CERTIFICATES OF PARTICIPATION (FEDERALLY TAXABLE)
Evidencing the Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be Made by the
TULARE COUNTY BOARD OF EDUCATION

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

The captioned 2019 Refunding Certificates of Participation (the "Certificates") are being executed and delivered to (i) prepay a portion of certain outstanding certificates of participation which were executed and delivered in 2013 to finance acquisition, construction and installation of certain capital improvements (the "Project") of the Tulare County Board of Education (the "Board of Education"), and (ii) pay costs of delivery of the Certificates, as further described herein.

The Certificates evidence direct, undivided fractional interests of the owners thereof in Lease Payments to be paid by the Board of Education for the use and occupancy of certain real property and improvements (the "Leased Property") pursuant to a Lease Agreement dated as of November 1, 2019 (the "Lease Agreement"), between the Board of Education and the Local Facilities Finance Corporation (the "Corporation"). Interest represented by the Certificates will be payable on May 1 and November 1 of each year commencing May 1, 2020.

Ownership interests in the Certificates will be in denominations of $5,000 and integral multiples thereof. When executed and delivered, the Certificates will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Certificates. Ownership interests in the Certificates may be purchased in book-entry form only. Beneficial owners of Certificates will not receive physical certificates representing the Certificates purchased, but will receive a credit balance on the books of the nominees of such purchasers who are participants of DTC. Principal, premium, if any, and interest due with respect to the Certificates will be paid by Wilmington Trust, National Association, Costa Mesa, California, as Trustee, to DTC, which will in turn remit such principal, premium, if any, and interest to its participants for subsequent disbursement to the beneficial owners of the Certificates as described herein. See "THE APPENDIX F - Book-Entry Only System."

The Certificates are subject to optional and mandatory prepayment prior to their maturity, as described herein. See "THE CERTIFICATES – Prepayment of the Certificates."

The Board of Education is required under the Lease Agreement to make semiannual Lease Payments (described herein), which comprise the interest and principal due on the Certificates. The Board of Education has agreed in the Lease Agreement to include the Lease Payments due in each fiscal year in its budget for that fiscal year and to make the necessary appropriations for the Lease Payments. Neither the Certificates nor the obligation of the Board of Education to make Lease Payments constitutes an indebtedness of the Board of Education, the Corporation, the State of California or any political subdivision thereof, within the meaning of the Constitution of the State of California or otherwise, or an obligation for which the Board of Education is obligated to levy or pledge any form of taxation or for which the Board of Education has levied or pledged any form of taxation. The Lease Payments are subject to abatement as described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Abatement."

Bond Insurance. The scheduled payment of principal of and interest represented by 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" and APPENDIX H hereto.

BAM
BUILD AMERICA MUTUAL

MATURITY SCHEDULE
(See inside front cover)

The Certificates are offered when, as and if issued, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel. Jones Hall is also acting as Disclosure Counsel to the Board of Education. Dannis Woliver Kelley, Long Beach, California, is serving as counsel to the Underwriter. It is anticipated that the Certificates in book-entry form will be available through the facilities of DTC on or about November 27, 2019.

O'CONNOR & COMPANY SECURITIES
PUBLIC FINANCE

Dated: ________, 2019.

** Preliminary; subject to change.*

MATURITY SCHEDULE

Base CUSIP†: 899141

Maturity (May 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
2020	$180,000				
2021	310,000				
2022	320,000				
2023	325,000				
2024	1,250,000				
2025	1,280,000				
2026	1,310,000				
2027	1,345,000				
2028	1,380,000				
2029	1,420,000				
2030	1,460,000				
2031	1,510,000				
2032	1,565,000				
2033	1,615,000				
2034	1,675,000				
2035	1,730,000				
2036	1,795,000				
2037	1,860,000				
2038	1,935,000				
2039	2,005,000				
2040	2,080,000				
2041	2,165,000				
2042	2,245,000				
2043	2,335,000				

$_______ ____% Term Certificate due May 1, 20__; Yield ____%; Price ____; CUSIP†: ___

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any certificate owner and the Board of Education or the Underwriter.

No Offering Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the Board of Education or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the Board of Education or the Underwriter.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Certificates by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Information in Official Statement. The information set forth in this Official Statement has been furnished by the Board of Education and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness.

Involvement of Underwriter. The Underwriter has provided the following statement for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Stabilization of and Changes to Offering Prices. The Underwriter may overallot or take other steps that stabilize or maintain the market price of the Certificates at a level above that which might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the Certificates to certain dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

Bond Insurer Disclaimer. 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" and "APPENDIX H - Specimen Municipal Bond Insurance Policy".

Document Summaries. All summaries of the documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

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

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Certificates will, under any circumstances, give rise to any implication that there has been no change in the affairs of the Board of Education, the County, the other parties described in this Official Statement, or the condition of the property within the Board of Education since the date of this Official Statement.

THE CERTIFICATES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE CERTIFICATES HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

TULARE COUNTY BOARD OF EDUCATION
COUNTY OF TULARE
STATE OF CALIFORNIA

ADMINISTRATION

Tim Hire, *Superintendent of Schools*
Fernie Marroquin, Ed.D., *Assistant Superintendent, Business Services*
Jody Arriaga, *Director, Internal Business Services*

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Costa Mesa, California

VERIFICATION AGENT
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Denver, Colorado

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INTRODUCTION

Purpose of Official Statement. The purpose of this Official Statement, which includes the cover page, the inside cover page and Appendices hereto (the "**Official Statement**"), is to provide certain information concerning the sale and delivery of 2019 Refunding Certificates of Participation (Federally Taxable) (the "**Certificates**"), representing direct, undivided fractional interests of the owners thereof (the "**Owners**") in Lease Payments (described herein) to be paid by the Tulare County Board of Education (the "**Board of Education**") as rent for certain real property and facilities (the "**Leased Property**").

The Financing Structure. The Leased Property will be leased by the Board of Education from the Local Facilities Finance Corporation, a California nonprofit public benefit corporation (the "**Corporation**"), pursuant to a Lease Agreement, dated as of November 1, 2019 (the "**Lease Agreement**"), between the Corporation, as lessor, and the Board of Education, as lessee. The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of November 1, 2019 (the "**Trust Agreement**"), among Wilmington Trust, National Association, Costa Mesa, California, as trustee (the "**Trustee**"), the Corporation and the Board of Education. Pursuant to an Assignment Agreement, dated as of November 1, 2019 (the "**Assignment Agreement**") between the Corporation and the Trustee, the Corporation has assigned to the Trustee, for the benefit of the Owners, substantially all of its rights under the Lease Agreement, including its rights to receive and collect Lease Payments from the Board of Education under the Lease Agreement and such other rights as may be necessary to enforce payment of Lease Payments.

The Board of Education. The Board of Education provides resources to support 43 school districts in the County of Tulare (the "**County**"). The Board of Education is located in Visalia, California, the county seat and the largest municipality in the County. The primary source of revenue for the Board of Education is operating grants and contributions. A secondary source of revenue for the Board of Education is derived from the average daily attendance of students throughout the County, which was budgeted at 1,520 students in fiscal year 2019-20. See "THE BOARD OF EDUCATION" and "APPENDIX C – GENERAL INFORMATION ABOUT THE COUNTY OF TULARE."

* *Preliminary; subject to change.*

Use of Proceeds. The net proceeds of the sale of the Certificates will be used for the following purposes:

(i) to provide funds to refinance a portion of the Board of Education's lease payment obligations in connection with outstanding Certificates of Participation (2013 Capital Improvement Projects) (the "**2013 Certificates**") which were executed and delivered on September 12, 2013 in the original aggregate principal amount of $39,000,000; and,

(ii) to pay certain financing costs incurred in connection with the execution and delivery of the Certificates, including the payment of premiums in order to acquire a bond insurance policy for the Certificates (the "**Policy**") and a reserve fund insurance policy (the "**Reserve Policy**") to be credited to the reserve fund for the Certificates (the "**Reserve Fund**"), both to be issued by Build America Mutual Assurance Company ("**BAM**" or the "**Insurer**").

See "REFINANCING PLAN."

Security and Sources of Payment for the Certificates. The Board of Education is required to pay to the Trustee, from any source of legally available funds, specified Lease Payments (the "**Lease Payments**") for use and possession of the Leased Property, in amounts designed to be sufficient in both time and amount to pay, when due, the principal and interest represented by the Certificates. The Board of Education covenants in the Lease Agreement to take such action as may be necessary to include all Lease Payments in its annual budget, and to make the necessary appropriations therefor. The Board of Education's financial ability to pay Lease Payments will depend upon the sufficiency of monies in its general fund. See "THE BOARD OF EDUCATION" and "FINANCIAL INFORMATION" herein for a discussion of the current financial condition of the Board of Education.

Payment of Lease Payments by the Board of Education is dependent upon beneficial use and occupancy by the Board of Education of the Leased Property. The obligation of the Board of Education to pay the Lease Payments is subject to abatement during any period in which there is substantial interference with the Board of Education's use and possession of any portion of the Leased Property. In such event and to the extent of such abatement, Certificate Owners may not receive payment of principal or interest represented by the Certificates. Abatement of Lease Payments under the Lease Agreement, to the extent payment is not made from alternative sources as set forth below, would result in all Certificate Owners receiving less than the full amount of principal and interest represented by the Certificates. To the extent proceeds of rental interruption insurance or condemnation proceeds are available, Lease Payments (or a portion thereof) may be made during such abatement. See "CERTAIN RISK FACTORS – Abatement".

Bond Insurance. Concurrently with the delivery of the Certificates, BAM will issue its Policy for the Certificates. The Policy guarantees the scheduled payment of principal of and interest represented by the Certificates when due as set forth in the form of the Policy included as an exhibit to this Official Statement. See "BOND INSURANCE" and "APPPENDIX H – Specimen Municipal Bond Insurance Policy."

LIMITED OBLIGATION. Neither the Certificates nor the obligation of the Board of Education to pay Lease Payments constitutes an obligation of the Board of Education for which the Board of Education is obligated to levy or pledge, or for which the Board of Education has levied or pledged, any form of taxation. Neither the Certificates nor the obligation of the Board of Education to pay Lease Payments constitutes a debt of the Board of Education, the State of California or any of its political subdivisions within the

meaning of any constitutional debt limitation or violates any statutory debt limitation or constitutes a pledge of the faith and credit of the Board of Education, the State of California or any of its political subdivisions.

Covenant to Budget and Appropriate. The Board of Education is required under the Lease Agreement to take such action as may be necessary to include all Lease Payments coming due in each of its annual budgets during the term of the Lease Agreement and to make the necessary annual appropriations for all such Lease Payments. The semiannual Lease Payments payable under the Lease Agreement will comprise the interest and principal represented by the Certificates. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES".

Abatement. The Lease Payments are subject to complete or partial abatement in the event and to the extent that there is substantial interference with the Board of Education's right to use and possession of the Leased Property or any portion thereof. If the Lease Payments are abated under the Lease Agreement, and are not paid from alternative sources as described in this Official Statement, the Certificate Owners would receive less than the full amount of principal and interest represented by the Certificates. To the extent proceeds of rental interruption insurance are available, Lease Payments (or a portion thereof) may be made from those sources during periods when the Lease Payments would otherwise be subject to abatement. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Abatement" and "CERTAIN RISK FACTORS."

Prepayment. The Certificates are subject to optional prepayment, mandatory prepayment from the proceeds of insurance or condemnation proceeds and mandatory sinking fund prepayment prior to their stated maturity dates. See "THE CERTIFICATES – Prepayment."

Risks of Investment. An investment in the Certificates involves risk. See "CERTAIN RISK FACTORS" for a discussion of important investment considerations and other risk factors associated with the purchase of the Certificates. Any one or more of the risks discussed, and others, could lead to a decrease in the market value of the Certificates. Potential purchasers of the Certificates are advised to review the entire Official Statement carefully and to conduct such due diligence and other review as they deem necessary and appropriate under the circumstances. For a discussion of some of the risks associated with the purchase of the Certificates, see "CERTAIN RISK FACTORS."

Continuing Disclosure. The Board of Education will covenant for the benefit of owners of the Certificates to provide certain financial information and operating data relating to the Board of Education on an annual basis and to provide notices of the occurrence of certain enumerated events. See "CONTINUING DISCLOSURE" and "APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Summary of Information. A summary of the principal legal documents relating to the Certificates is contained in Appendix A. Such summary is not and does not purport to be comprehensive or complete. The descriptions in this Official Statement of the Trust Agreement, the Assignment Agreement, the Site Lease, the Lease Agreement and other agreements relating to the Certificates are qualified in their entirety by reference to such documents, and the descriptions herein of the Certificates are qualified in their entirety by the form thereof and the provisions with respect thereto included in the aforesaid documents. Copies of such documents may be obtained at the principal corporate trust office of the Trustee in Costa Mesa, California. All terms used herein and not otherwise defined shall have the meanings given such terms in the Trust Agreement and in Appendix A.

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

Copies of documents referred to herein and information concerning the Certificates are available from the Superintendent, Tulare County Board of Education, 6200 South Mooney Boulevard, Visalia, California 93278, Phone: (559) 733-6300 (the "**Superintendent's Office**"). The Board of Education may impose a charge for copying, mailing and handling.

Summaries Not Definitive. The summaries or references to the Site Lease, the Trust Agreement, the Lease Agreement, the Assignment Agreement, the Continuing Disclosure Certificate (each as defined herein) and other documents, agreements and statutes referred to in this Official Statement, and the description of the Certificates included in this Official Statement, do not purport to be comprehensive or definitive, and such summaries, references and descriptions are qualified in their entireties by reference to each such document or statute.

THE CERTIFICATES

General

The Certificates evidence direct, undivided fractional interests of the Owners thereof in the Lease Payments and any prepayments to be paid by the Board of Education pursuant to the Lease Agreement. The Certificates will be issued in registered form, without coupons. The Certificates will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Certificates. Ownership interests in the Certificates may be purchased in book-entry form only, in denominations of $5,000 or any integral multiple thereof. While DTC acts as securities depository for the Certificates, all payments of principal, premium, if any, and interest represented by the Certificates shall be made to Cede & Co., as nominee of DTC. For information with respect to the payment and transfer of the Certificates, see "APPENDIX F - Book-Entry Only System".

The Certificates will be dated their date of delivery. Interest represented by each Certificate will accrue on the principal components represented by such Certificate at the applicable interest rate from the date of delivery thereof until its date of maturity or prior prepayment, with interest becoming payable on each May 1 and November 1 (each, an "**Interest Payment Date**"), commencing May 1, 2020.

Interest will accrue with respect to the Certificates on the basis of a 360-day year comprised of twelve 30-day months. The Certificates will mature on the dates and in the principal amounts set forth on the cover of this Official Statement.

Prepayment of the Certificates

Optional Prepayment. The Certificates maturing on or before May 1, 20__ are not subject to optional prepayment. The Certificates maturing on and after May 1, 20__, are subject to optional prepayment prior to their respective maturity dates, at the option of the Board of Education, from any source of available funds, in whole or in part, on any date on or after May 1, 20__, at a prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest represented thereby to the date fixed for prepayment, without premium.

Mandatory Sinking Fund Prepayment. The Certificates maturing on May 1, 20__ (the "**Term Certificates**") are subject to mandatory sinking fund prepayment in part, by lot, on May 1 of each year in accordance with the schedule set forth below. The Certificates so called for mandatory sinking fund prepayment shall be prepaid at the principal amount of such Certificates to be prepaid, plus accrued but unpaid interest, without premium.

Term Certificate Maturing May 1, 20__

Prepayment Year (May 1)	Principal Amount to be Prepaid

Mandatory Prepayment From Net Proceeds of Insurance or Condemnation. The Certificates are subject to mandatory prepayment, in whole or in part, on any Interest Payment Date, in order of maturity determined by the Board of Education and by lot within a maturity, from the Net Proceeds of insurance or eminent domain proceedings credited towards the prepayment of the Lease Payments pursuant to the Lease, at a prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest represented thereby to the date fixed for prepayment, without premium.

Selection of Certificates for Prepayment. Whenever provision is made in the Trust Agreement for the prepayment of Certificates and less than all Outstanding Certificates of any maturity are called for prepayment, the Trustee shall select Certificates of such maturity for prepayment by lot. For the purposes of such selection, Certificates shall be deemed to be composed of $5,000 portions, and any such portion may be separately prepaid. The Trustee shall promptly notify the Board of Education and the Corporation in writing of the Certificates or portions thereof so selected for prepayment.

Notice of Prepayment. When prepayment is authorized or required pursuant to the Trust Agreement, the Trustee shall give notice of the prepayment of the Certificates on behalf and at the expense of the Board of Education. Such notice shall state the prepayment date and prepayment price and, if less than all of the then Outstanding Certificates are to be called for prepayment, shall designate the numbers of the Certificates to be prepaid by giving the individual number of each Certificate or by stating that all Certificates between two stated numbers, both inclusive, have been called for prepayment or by stating that all of the Certificates of one or more maturities have been called for prepayment, and shall require that such Certificates be surrendered on the prepayment date at the Office of the Trustee for prepayment at said prepayment price, giving notice also that further interest represented by the Certificates will not accrue after the prepayment date. Such notice shall further state that on the prepayment date there shall become due and payable, the principal and premium, if any, represented by each Certificate together with accrued interest represented thereby to said date, and that from and after such date interest represented thereby shall cease to accrue and be payable.

Notice of such prepayment will be mailed by first class mail with postage prepaid, to one or more of the Information Services, and to the Owners of Certificates designated for prepayment at their respective addresses appearing on the Registration Books, at least thirty (30) days but not more than sixty (60) days prior to the prepayment date. Such notice shall, in addition to setting forth the above information, set forth, in the case of each Certificate called only in part, the portion of the principal represented thereby which is to be prepaid. Neither failure to receive such notice so mailed nor any defect in any notice so mailed will affect the sufficiency of the proceedings for the prepayment of such Certificates or the cessation of accrual of interest represented thereby from and after the date fixed for prepayment.

Partial Prepayment of Certificates**.** Upon surrender of any Certificate prepaid in part only, the Trustee shall execute and deliver to the Owner thereof a new Certificate or Certificates of authorized denominations equal in aggregate principal amount to the unprepaid portion of the Certificate surrendered and of the same interest rate and the same maturity.

Effect of Notice of Prepayment**.** Moneys for the prepayment (including the interest to the applicable date of prepayment) of Certificates having been set aside in the Lease Payment Fund will become due and payable on the date of such prepayment, and, upon presentation and surrender thereof at the Office of the Trustee, said Certificates will be paid at the unpaid principal amount (or applicable portion thereof) represented thereby plus interest accrued and unpaid to said date of prepayment.

If, on said date of prepayment, moneys for the prepayment of all the Certificates to be prepaid, together with interest represented thereby to said date of prepayment, will be held by the Trustee so as to be available therefore on such date of prepayment, then, from and after said date of prepayment, interest represented by the Certificates will cease to accrue and become payable. All moneys held by the Trustee for the prepayment of Certificates will be held in trust for the account of the Owners of the Certificates so to be prepaid.

All Certificates paid at maturity or prepaid prior to maturity pursuant to the provisions of the Trust Agreement will be canceled upon surrender thereof and destroyed.

REFINANCING PLAN

Prepayment of 2013 Certificates

The 2013 Certificates were executed and delivered on September 12, 2013 in the original aggregate principal amount of $39,000,000. In connection with the 2013 Certificates, the Board of Education entered into a Lease Agreement dated as of September 1, 2013, between the Board of Education and the Corporation (the "**2013 Lease Agreement**"). The 2013 Certificates evidence and represent the lease payments which are payable by the Board of Education under the 2013 Lease Agreement (the "**2013 Lease Payments**"). The 2013 Lease Payments and the 2013 Certificates are subject to prepayment on any date on or after May 1, 2023, at a prepayment price (the "**Prepayment Price**") equal to 100% of the principal components of the 2013 Lease Payments to be prepaid, plus accrued interest on such prepaid principal components to the prepayment date.

A portion of the outstanding 2013 Certificates maturing on and after May 1, 2024 (the "**Refunded 2013 Certificates**") will be refunded with Certificate proceeds, as identified in the following table. The Refunded 2013 Certificates will be called for prepayment in full on May 1, 2023 (the "**Prepayment Date**") at the Prepayment Price. Following the Prepayment Date, $3,355,000 principal amount of 2013 Certificates will be outstanding.

TULARE COUNTY BOARD OF EDUCATION
Identification of Refunded 2013 Certificates

Maturities to be Refunded (May 1)	CUSIP†	Principal Amount Prepaid	Prepayment Date	Prepayment Price (% of Par Amount Redeemed)
2024	899141 AL9	$920,000	9/1/2023	100.00%
2025	899141 AM7	955,000	9/1/2023	100.00
2026	899141 AN5	995,000	9/1/2023	100.00
2027	899141 AP0	1,040,000	9/1/2023	100.00
2028	899141 AQ8	1,090,000	9/1/2023	100.00
2033[T]	899141 AR6	6,370,000	9/1/2023	100.00
2038[T]	899141 AS4	8,305,000	9/1/2023	100.00
2048[T]	899141 AT2	10,855,000	9/1/2023	100.00
TOTAL	--	$30,530,000	--	--

T Term Certificate.
† CUSIP Copyright American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of McGraw Hill Companies, Inc. Neither the Board of Education nor the Underwriter is responsible for the accuracy of such data.

Deposits in Prepayment Fund

The Board of Education will deliver certain proceeds of the Certificates together with other available funds to Wilmington Trust, National Association, California, as Escrow Bank (the "**Escrow Bank**"), for deposit into an escrow fund (the "**Prepayment Fund**") established under an Escrow Agreement (the "**Escrow Agreement**") between the Board of Education and the Escrow Bank. The Escrow Bank will invest the amounts on deposit in the Prepayment Fund in defeasance obligations and use such amounts to pay the principal and interest represented by the Refunded 2013 Certificates to and including the Prepayment Date, and to prepay the Refunded 2013 Certificates in full on the Prepayment Date.

As a result of the deposit of funds with the Escrow Bank on the date of execution and delivery of the Certificates, the Refunded 2013 Certificates and the 2013 Lease Payments applicable thereto will be prepaid and legally defeased and will be payable solely from amounts held for that purpose under the Escrow Agreement, and the 2013 Lease Payments relating to the Refunded 2013 Certificates will cease to be due and owing.

Amounts held by the Escrow Bank in the Prepayment Fund are pledged solely to the payment of the Refunded 2013 Certificates, and will not be available for the payment of principal and interest represented by the Certificates.

Sufficiency of the amounts and investments held in the Prepayment Fund for the purpose of paying the principal, interest and Prepayment Price with respect to the Refunded 2013 Certificates will be verified by Causey Demgen & Moore P.C., Denver, Colorado (the **"Verification Agent"**). See "ESCROW VERIFICATION."

LEASE PAYMENT SCHEDULE

The aggregate annual amounts of Lease Payments, comprising interest and principal payable to Certificate Owners, assuming no optional prepayment, are set forth below:

TULARE COUNTY BOARD OF EDUCATION
2019 Refunding Certificates of Participation
Lease Payment Schedule

Lease Payment Date	Principal Component	Interest Component	Total Payments
4/15/20			
10/15/20			
4/15/21			
10/15/21			
4/15/22			
10/15/22			
4/15/23			
10/15/23			
4/15/24			
10/15/24			
4/15/25			
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4/15/33			
10/15/33			
4/15/34			
10/15/34			
4/15/35			
10/15/35			
4/15/36			
10/15/36			
4/15/37			
10/15/37			
4/15/38			
10/15/38			
4/15/39			
10/15/39			
4/15/40			
10/15/40			

Lease Payment Date	Principal Component	Interest Component	Total Payments
4/15/41			
10/15/41			
4/15/42			
10/15/42			
4/15/43			
TOTAL			

THE LEASED PROPERTY

The Board of Education will lease certain real property and improvements (collectively, the "**Leased Property**") to the Corporation under the terms of a Site Lease dated as of November 1, 2019 (the "**Site Lease**"), and will concurrently lease the Leased Property back from the Corporation under the Lease Agreement.

The Leased Property consists of certain real property and improvements generally constituting:

- Jim Vidak Education Center located at 6200 South Mooney Boulevard, Visalia, California, which was constructed in 2016 and consists of approximately 94,800 square feet of facilities, with an insurance replacement value of approximately $26,164,800;

- Doe Avenue Complex located at 7000 Doe Avenue, Visalia, California, which was constructed in 1970 and totals approximately 78,325 square feet of facilities, with an insurance replacement value of approximately $10,160,969; and

- Planetarium and Science Center located at 11535 Avenue 264, Visalia, California, which was constructed in 2015 and consists of approximately 8,690 square feet of facilities, with an insurance replacement value of approximately $3,630,500.

The Board of Education has certified that the value of the Leased Property exceeds the principal amount of the Certificates, based on the insured replacement value of the buildings.

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SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES

Neither the Certificates nor the obligation of the Board of Education to pay Lease Payments constitutes an obligation of the Board of Education for which the Board of Education is obligated to levy or pledge, or for which the Board of Education has levied or pledged, any form of taxation. Neither the Certificates nor the obligation of the Board of Education to pay Lease Payments constitutes a debt of the Board of Education, the State of California or any of its political subdivisions within the meaning of any constitutional debt limitation or violates any statutory debt limitation or constitutes a pledge of the faith and credit of the Board of Education, the State of California or any of its political subdivisions.

General

Each Certificate represents a direct, undivided fractional interest of the Owner of such Certificate in the Lease Payments and any prepayments thereof to be made by the Board of Education to the Trustee under the Lease Agreement. The Board of Education is obligated to pay Lease Payments from any source of legally available funds, and has covenanted in the Lease Agreement to include all Lease Payments coming due in its annual budgets and to make the necessary appropriations therefor. The Corporation, pursuant to the Assignment Agreement, has assigned all of its rights under the Lease Agreement (excepting only its right to receive reasonable attorneys' fees and expenses incurred in the event of a default), including the right to receive Lease Payments and any prepayments, to the Trustee for the benefit of the Owners of the Certificates. On the 15th day of April and October in each year during the term of the Lease Agreement, the Board of Education must pay to the Trustee a Lease Payment (to the extent required under the Lease Agreement) which is equal to the amount necessary to pay the principal, if any, and interest due with respect to the Certificates on the next succeeding Interest Payment Date.

Lease Payments

The Trust Agreement requires that Lease Payments be deposited in the Lease Payment Fund maintained by the Trustee. All moneys at any time deposited by the Trustee in the Lease Payment Fund shall be held by the Trustee in trust for the benefit of the Owners of the Certificates. Pursuant to the Trust Agreement, on May 1 and November 1 of each year, commencing May 1, 2020, the Trustee will apply such amounts in the Lease Payment Fund as are necessary to make principal and interest payments with respect to Certificates as the same shall become due and payable, in the amounts specified by the Lease Agreement, as shown in the annual payment schedule in the table below. All amounts in the Lease Payment Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal, interest and prepayment premiums (if any) with respect to the Certificates as the same shall become due and payable in accordance with the provisions of the Trust Agreement.

Additional Rental Payments

The Lease Agreement requires the Board of Education to pay, as Additional Payments thereunder in addition to the Lease Payments, all costs and expenses incurred by the Board of Education and the Corporation to comply with the provisions of the Trust Agreement, including without limitation all Delivery Costs (as defined in the Lease Agreement), to the extent not paid from amounts on deposit in the Delivery Costs Fund, annual compensation due to the Trustee, all of the Trustee's reasonable costs payable as a result of the performance of and compliance with its duties under the Trust Agreement, and all other amounts due to the Trustee pursuant to the Trust Agreement, and all costs and expenses of attorneys, auditors, engineers and accountants.

Abatement

Lease Payments are paid by the Board of Education in each Fiscal Year for the Board of Education's right of use and possession of the Leased Property for such Fiscal Year. The obligation of the Board of Education to pay all or a portion of the Lease Payments will be subject to abatement during any period in which by reason of damage, destruction or taking by eminent domain or condemnation with respect to any portion of the Leased Property there is substantial interference with the Board of Education's right of use and possession of such portion of the Leased Property.

Termination or Abatement Due to Eminent Domain. If the Leased Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the term of the Lease Agreement will cease with respect thereto as of the day possession is taken. If less than all of the Leased Property is taken permanently, or if the Leased Property is taken temporarily, under the power of eminent domain, (a) the Lease Agreement will continue in full force and effect with respect thereto and shall not be terminated by virtue of such taking, and (b) there shall be a partial abatement of Lease Payments as a result of the application of the Net Proceeds (as defined in the Lease Agreement) of any eminent domain award to the prepayment of the Lease Payments, in an amount to be agreed upon by the Board of Education and the Corporation such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Leased Property. In the Site Lease, the Board of Education covenants not to exercise the power of eminent domain relating to the Leased Property as long as the Certificates are outstanding.

Abatement Due to Damage or Destruction. Lease Payments shall be abated during any period in which by reason of damage or destruction (other than by eminent domain) there is substantial interference with the use and occupancy by the Board of Education of the Leased Property or any portion thereof. The amount of such abatement shall be agreed upon by the Board of Education and the Corporation such that the resulting Lease Payments represent fair consideration for the use and occupancy of the portions of the Leased Property not damaged or destroyed, calculated in accordance with the Lease Agreement. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Lease Agreement shall continue in full force and effect and the Board of Education waives any right to terminate the Lease Agreement by virtue of any such damage and destruction. Notwithstanding the foregoing, there shall be no abatement of Lease Payments to the extent that the proceeds of hazard insurance or rental interruption insurance are available to pay Lease Payments which would otherwise be abated, it being declared in the Lease Agreement that such proceeds and amounts constitute a special fund for the payment of the Lease Payments.

The Trustee cannot terminate the Lease Agreement in the event of such substantial interference. Abatement of Lease Payments is not an event of default under the Lease Agreement and does not permit the Trustee to take any action or avail itself of any remedy against the Board of Education. For a description of abatement resulting from condemnation of all or part of the Leased Property, see "APPENDIX A – Summary of Principal Legal Documents".

Substitution and Release of Property

The Board of Education has the option at any time and from time to time during the term of the Lease Agreement, to substitute other real property for the Leased Property or any portion thereof, provided that the Board of Education comply with certain conditions precedent specified in the Lease Agreement. The Board of Education also has the option to release portions of the Leased Property from the Site Lease and the Lease Agreement upon compliance with certain conditions precedent specified in the Lease Agreement. See "APPENDIX A – Summary of Principal Legal Documents - Lease Agreement". The Board of Education is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such substitution.

Reserve Fund

The Trustee shall establish a Reserve Fund under the Trust Agreement. The Reserve Fund will not be funded with cash. Instead, the Insurer will issue its Reserve Policy in the amount of the Reserve Requirement, which will be credited to the Reserve Fund established under the Trust Agreement. The Trustee shall draw on the Reserve Policy in accordance with its terms and conditions and the terms and conditions of the Trust Agreement. See "CERTAIN RISK FACTORS - No Cash Reserve," herein.

Covenant to Appropriate Funds

The Board of Education covenants in the Lease Agreement to take such action as may be necessary to include all Lease Payments coming due in each of its annual budgets during the term of the Lease Agreement and to make the necessary annual appropriations for all such Lease Payments.

Action on Default

Should the Board of Education default under the Lease Agreement, the Trustee, as assignee of the Corporation under the Lease Agreement, may terminate the Lease Agreement and recover certain damages from the Board of Education, or may retain the Lease Agreement and hold the Board of Education liable for all Lease Payments thereunder on an annual basis. Lease Payments may not be accelerated upon a default under the Lease Agreement. See "RISK FACTORS – Limited Recourse on Default".

For a description of the events of default and permitted remedies of the Trustee (as assignee of the Corporation) contained in the Lease Agreement and the Trust Agreement, see "APPENDIX A – Summary of Principal Legal Documents – Lease Agreement" and "– Trust Agreement".

Rental Interruption Insurance

The Lease Agreement requires the Board of Education to maintain, or cause to be maintained, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any part of the Leased Property during the term of the Lease Agreement as a result of any of fire and other hazards, in an amount at least equal to the maximum Lease Payments coming due in any 24-month period during the Lease. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the Board and may be maintained in whole or in part in the form of insurance maintained through a joint exercise of powers authority created for such purpose. The Net Proceeds of such insurance shall be paid to the Trustee and deposited in the Lease Payment Fund and shall be credited towards the payment of the Lease Payments in the order in which such Lease Payments come due and payable, or to the extent there has been a draw on the Reserve Policy, to reimburse the Insurer for amounts due under the Trust Agreement as a result of the draw on the Reserve Policy. See "APPENDIX A – Summary of Principal Legal Documents - Lease Agreement".

Public Liability and Property Damage Insurance

The Lease Agreement requires the Board of Education to obtain and maintain certain public liability, property damage, fire and extended coverage and rental interruption insurance coverage, which may have certain deductibles and may in some cases be maintained as part of or in conjunction with other insurance carried by the Board of Education and/or in the form of self-insurance or budgeted reserve. The Net Proceeds of any insurance award resulting from any damage to or destruction of the Project by fire or other casualty shall be applied as set forth in the Lease Agreement. See "APPENDIX A – Summary of Principal Legal Documents - Lease Agreement".

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Certificates, Build America Mutual Assurance Company ("**BAM**") will issue its Municipal Bond Insurance Policy for the Certificates (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 APPENDIX H to this Official Statement.

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

Build America Mutual Assurance Company

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

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

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

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the 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 by the issuer of 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".

Additional Information Available from BAM

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

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

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

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

THE CORPORATION

The Local Facilities Finance Corporation, a nonprofit public benefit corporation was incorporated pursuant to the Nonprofit Public Benefit Corporation Law of the State (Title 1, Division 2, Part 2 of the California Corporation Code). The Corporation was established in order to facilitate and assist public entities in financing its public facilities and equipment needs.

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THE BOARD OF EDUCATION

General Information

General. The State Constitution and the State Legislature together have created a three-level public education system. This system includes the California Department of Education, 58 county offices of educations (one of which is the Board of Education) and over 1,000 school districts. Regulations and guidelines are set at the State level, while the day-to-day delivery of services takes place in the local districts. Boards of education operate between these two levels by linking state education policy to local programs and needs.

The Board of Education provides resources to support the County's 43 school districts. The Board of Education's administrative office is located in Visalia, California, the county seat and largest municipality in the County. The Board of Education receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding sources. As the governmental body charged with establishing county-wide educational policies, the Board of Education acts upon a variety of fiscal, administrative, personnel and instructional matters at its monthly meetings.

In carrying out its responsibilities for formulation of instructional policy, the Board of Education adopts the course of study for use as a guide by teachers in Tulare County; approves teacher credentials and instructional materials; establishes policies for the County Superintendent's instructional programs, including classes in special education; and awards diplomas to students who have completed their studies in classes operated by the Board of the Tulare County Superintendent of Schools. The Board of Education also acts in an appellate capacity in school district expulsion cases and in disputes arising from inter-district school attendance. In addition, the Board of Education sponsors programs, seminars and workshops for school district trustees, administrators and teachers. The Board of Education also grants reviews, if requested, of petitions to establish a charter school if the district school board denies the original petition request; evaluates petition requests to establish a charter school that will serve pupils for whom the county office of education is responsible; and provides supervisory oversight for any charter school whose petition was accepted by the county office of education.

Board of Trustees

The governing board of the Board of Education is called the Board of Trustees (the "**Board**"). The Board includes seven members each elected by and representing a separate "Trustee Area" of the County. The Trustees serve four-year terms and their terms are staggered so that at any election either three or four seats, respectively, are up for election. If a vacancy arises less than four months prior to the end of the member's term, the seat is left vacant until the next election. If a vacancy arises more than four months prior to the end of the member's term, the seat can be filled by provisional appointment of the Board or by special election, except in some circumstances a special election is required. Each year, the Board elects a President and a Vice President to serve one-year terms.

The current Trustees are as follows:

Name	Office	Term Expires
Judy Coble	President, Area 4	December 2022
Celia Maldonado-Arroyo	Vice President, Area 1	December 2022
Joe Enea	Trustee, Area 5	December 2020
Patricia Hillman	Trustee, Area 7	December 2022
Debby Holguin	Trustee, Area 2	December 2020
Tom Link	Trustee, Area 3	December 2020
Chris Reed	Trustee, Area 6	December 2020

Superintendent and Administrative Personnel

The County Superintendent of Schools is responsible for management of the Board of Education's day-to-day operations and supervises the work of other key administrators. Information concerning the County Superintendent is set forth below.

Tim Hire, County Superintendent of Schools. Mr. Hire has served as the Tulare County Superintendent of Schools since January, 2019. Prior to serving as Superintendent of Schools, Mr. Hire was Superintendent of Exeter Unified School District. Mr. Hire earned his B.A. in Industrial Technology and Master's degree in Agriculture from California Polytechnic San Luis Obispo.

Average Daily Attendance

Average daily attendance (**"ADA"**) is a measurement of the number of pupils attending education programs administered directly by the Board of Education. The purpose of attendance accounting from a fiscal standpoint has been to provide the basis on which apportionments of State funds are made to the Board of Education. As described herein, the fiscal year 2013-14 State Budget included legislation which revises the manner in which offices of education receive funds from the State. While there continues to be a funding component based on ADA, there are additional funding factors such as a base operations grant, and an alternative education component which provides additional funding for students in the juvenile court school, English learners, and free and reduced lunch and foster care students. See "FINANCIAL INFORMATION - State Funding of Education and Recent State Budgets."

The following table summarizes the ADA for various programs administered by the Board of Education, for the fiscal years shown.

TULARE COUNTY BOARD OF EDUCATION
Average Daily Attendance

ADA By Category	2015-16	2016-17	2017-18	2018-19(2)	2019-20(3)
Alternative Education	266.33	204.08	195.24	147.69	148.80
Community Schools(1)	4.61	3.04	15.54	32.69	33.00
Special Education(1)	856.03	885.54	875.61	907.42	901.00
Charter – BOE Authorized	441.88	449.40	451.42	435.32	437.01
Total	1,568.85	1,542.06	1,537.81	1,523.12	1,519.81

(1) The County Board of Education provides educational services directly to students in these categories.
(2) Estimated actuals.
(3) Projected.
Source: Tulare County Board of Education.

Employee Relations

The Board of Education has two recognized bargaining agents for its employees. The California Teachers Association ("**CTA**") is the exclusive bargaining unit for all certificated employees and the California School Employees Association ("**CSEA**") Chapters #428 and #899 are the exclusive bargaining agents for all classified employees. Management and confidential employees do not have a bargaining unit. The Board of Education has 242 full-time equivalent ("FTE") certificated employees, 359 FTE classified employees, 181 FTE classified management employees and 78 FTE certificated management employees.

TULARE COUNTY BOARD OF EDUCATION
Bargaining Units

Labor Organization	Number of Employees	Contract Expiration
California Teachers' Association (CTA)	242	June 30, 2021
California School Employees Association (CSEA)	359	June 30, 2021

Source: Tulare County Board of Education.

BOARD OF EDUCATION FINANCIAL INFORMATION

Education Funding Generally

School districts in California receive operating income primarily from two sources: the State funded portion which is derived from the State's general fund, and a locally funded portion, being the district's share of the one percent general *ad valorem* tax levy authorized by the California Constitution. As a result, decreases or deferrals in education funding by the State could significantly affect a school district's revenues and operations.

From 1973-74 to 2012-13, California school districts operated under general purpose revenue limits established by the State Legislature. In general, revenue limits were calculated for each school district by multiplying (1) the average daily attendance ("**ADA**") for such district by (2) a base revenue limit per unit of ADA. The revenue limit calculations were adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type. Funding of the District's revenue limit was provided by a mix of local property taxes and State apportionments of basic and equalization aid. Generally, the State apportionments amounted to the difference between the District's revenue limit and its local property tax revenues. Districts which had local property tax revenues which exceeded its revenue limit entitlement were deemed "Basic Aid Districts" and received full funding from local property tax revenues, and were entitled to keep those tax revenues which exceeded its revenue limit funding entitlement.

The fiscal year 2013-14 State budget package (the "**2013-14 State Budget**") replaced the previous K-12 finance system with a formula known as the Local Control Funding Formula (the **"LCFF"**). Under the LCFF, revenue limits and most state categorical programs were eliminated. School districts instead receive funding based on the demographic profile of the students they serve and gain greater flexibility to use these funds to improve outcomes of students. The LCFF creates funding targets based on student characteristics. For school districts and charter schools, the LCFF funding targets consist of grade span-specific base grants plus supplemental and concentration grants that reflect student demographic factors. The LCFF includes the following components:

- A base grant for each local education agency per unit of ADA, which varies with respect to different grade spans. The base grant is $2,375 more than the average revenue limit provided prior to LCFF implementation. The base grants will be adjusted upward each year to reflect cost-of-living increases. In addition, grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in grades K-3 and the provision of career technical education in grades 9-12.

- A 20% supplemental grant for English learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.

- An additional concentration grant of up to 50% of a local education agency's base grant, based on the number of English learners, students from low-income families and foster youth served by the local agency that comprise more than 55% of enrollment.

- An economic recovery target to ensure that almost every local education agency receives at least their pre-recession funding level, adjusted for inflation, at full implementation of the LCFF.

The LCFF was implemented for fiscal year 2013-14 and was phased in gradually. Beginning in fiscal year 2013-14, an annual transition adjustment was required to be calculated for each school district, equal to each district's proportionate share of the appropriations included in the State budget based on the percentage of each district's students who are low-income, English learners, and foster youth ("**Targeted Students**"), to close the gap between the prior-year funding level and the target allocation at full implementation of LCFF. In each year, districts will have the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap.

Funding levels used in the LCFF target entitlement calculations, not including any supplemental or concentration grant funding entitlements, for fiscal year 2019-20 are set forth in the following table. Full implementation occurred in fiscal year 2018-19 in connection with adoption of the State Budget for said fiscal year.

Fiscal Year 2019-20 Base Grant* Under LCFF by Grade Span
(Targeted Entitlement)

Grade Span	2019-20 Base Grant Per ADA	2018-19 COLA (3.26%)	Grade Span Adjustments (K-3: 10.4%; 9-12: 2.6%)	2019-20 Base Grant/Adjusted Base Grant Per ADA
K-3	$7,459	$243	$801	$8,503
4-6	7,571	247	n/a	7,818
7-8	7,796	254	n/a	8,050
9-12	9,034	295	243	9,572

*Does not include supplemental and concentration grant funding entitlements.
Source: California Department of Education.

The new legislation included a "hold harmless" provision which provided that a district or charter school would maintain total revenue limit and categorical funding at least equal to its 2012-13 level, unadjusted for changes in ADA or cost of living adjustments.

The LCFF includes an accountability component. Districts are required to increase or improve services for English language learners, low income, and foster youth students in proportion to supplemental and concentration grant funding received. All school districts, county offices of education, and charter schools are required to develop and adopt local control and accountability plans, which identify local goals in areas that are priorities for the State, including pupil achievement, parent engagement, and school climate.

County superintendents review and provide support to the districts under their jurisdiction, and the Superintendent of Public Instruction performs a corresponding role for county offices of education. In addition, the 2013-14 State Budget created the California Collaborative for Education Excellence to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. Under the LCFF and related legislation, the State will continue to measure student achievement through statewide assessments, produce an index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

Accounting Practices

The accounting policies of the Board of Education conform to generally accepted accounting principles and are in accordance with the policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts and county offices of education. The Governmental Accounting Standards Board ("**GASB**") has released Statement No. 34, which makes changes in the annual financial statements for all governmental agencies in the United States, especially in recording of fixed assets and their depreciation, and in the way the report itself is formatted. Revenue is recorded on an accrual basis except for taxes allocable to the Board of Education, which are considered revenue in the year collections are made and, therefore, are fully reserved. Expenditures are recorded according to receipt of goods and services on an accrual basis. Differences between estimated and actual accounts receivable and payable, as of the beginning of the year, are reflected as adjustments to the fund balance.

Financial Statements

The Board of Education's Audited Financial Statements for the fiscal year ending June 30, 2018, were prepared by Christy White Associates, Certified Public Accountants, San Diego, California. See Appendix B hereto for the 2017-18 Audited Financial Statements. The Board of Education has not requested the auditor's consent to include the 2017-18 Audited Financial Statements or its audit report in this Official Statement. Audited financial statements for the Board of Education for the fiscal year ended June 30, 2018 and prior fiscal years are on file with the Board of Education and available for public inspection at the Superintendent's Office. Copies of such financial statements will be mailed to prospective investors and their representatives upon written request to the Board of Education.

Summary Financial Information. The following table shows the audited general fund revenues, expenditures and changes in fund balance statements for the Board of Education for the fiscal years 2013-14 through 2017-18.

TULARE COUNTY BOARD OF EDUCATION
Summary of General Fund Revenues, Expenditures and Changes in Fund Balance
For Fiscal Years 2013-14 through 2017-18 (audited)

	Audited 2013-14	Audited 2014-15	Audited 2015-16	Audited 2016-17	Audited 2017-18
Revenues					
LCFF sources	$19,778,976	$21,568,426	$21,627,580	$21,163,364	$22,317,385
Federal Revenues	22,165,220	20,540,593	19,262,879	18,847,083	19,069,210
Other State Revenues	43,400,563	45,168,634	53,417,417	52,396,824	53,042,641
Other Local Revenues	25,722,626	31,845,378	31,833,214	34,150,317	36,814,272
Total Revenues	111,067,385	119,123,031	126,141,090	126,557,588	131,243,508
Expenditures					
Instruction	39,463,775	39,632,179	42,183,883	44,215,015	47,733,194
Instruction-Related Services					
Instructional supervision and admin.	17,212,932	16,005,947	19,134,056	20,726,734	22,497,676
Instructional library, media, tech.	1,696,658	1,581,327	1,720,439	1,812,067	1,981,129
School site administration	3,004,675	3,339,682	3,898,827	4,592,177	5,219,694
Pupil Services					
Home-to-school transportation	4,441,359	4,681,123	5,194,388	5,192,628	5,047,684
Food services	25,077	11,968	7,552	9,043	65,353
All other pupil services	20,065,315	15,902,102	16,174,086	18,136,321	18,001,952
General Administration					
Centralized data processing	2,384,150	2,616,528	2,831,908	3,251,886	3,328,558
All other general administration	5,263,168	5,459,136	6,226,550	6,168,059	6,233,947
Plant Services	4,132,425	3,765,520	3,486,942	3,776,920	3,975,159
Facilities acquisition and maintenance	5,394,129	27,187,188	9,444,283	337,994	629,549
Ancillary Services	10,315,740	10,323,570	11,206,222	10,831,122	11,261,848
Community Services	1,017,857	1,016,418	1,049,172	1,179,089	1,080,108
Enterprise activities	21,932	32,897	30,000		
Transfers to other agencies	35,219				
Debt Service - principal	1,667,613	705,000	720,000	735,000	750,000
Debt Service - interest and other	2,154,262	1,837,886	1,823,800	1,809,412	1,791,038
Total Expenditures	118,296,286	134,098,471	125,132,108	122,773,467	129,594,889
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,228,901)	(14,975,440)	1,008,982	3,784,121	1,648,619
Other Financing Sources (Uses)					
Transfers in	33,662	33,286	32,135	16,895	27,652
Other financing sources	39,000,000				
Transfers out	(671,853)	(589,023)	(500,414)	(674,280)	(596,307)
Net Financing Sources (Uses)	38,361,809	(555,737)	(468,279)	(657,385)	(568,655)
Net Change in Fund Balance	31,132,908	(15,531,177)	540,703	3,126,736	1,079,964
Fund Balance, July 1	47,199,237	78,332,145	62,800,968	63,341,671	66,468,407
Fund Balance, June 30	$78,332,145	$62,800,968	$63,341,671	$66,468,407	$67,548,371

Source: Tulare County Board of Education.

Board of Education Budget and Interim Financial Reporting

Budgeting - Education Code Requirements. The Board of Education is required by provisions of the California Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts and offices of education. The budget process for school districts and offices of education was substantially amended by Assembly Bill 1200 ("**AB 1200**"), which became State law on October 14, 1991. Portions of AB 1200 are summarized below.

School districts and offices of education must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. An office of education may be on either a dual or single budget cycle. The dual budget option requires a revised and readopted budget by September 1 that is subject to State-mandated standards and criteria. The revised budget must reflect changes in projected income and expenses subsequent to July 1. The single budget is only readopted if it is disapproved by the county office of education, or as needed. The Board of Education is on a single budget cycle and adopts its budget on or before July 1.

For both dual and single budgets submitted on July 1, the county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, will determine if the budget allows the Board of Education to meet its current obligations and will determine if the budget is consistent with a financial plan that will enable the Board of Education to meet its multi-year financial commitments. On or before August 15, the county superintendent will approve or disapprove the adopted budget for the office of education. Budgets will be disapproved if they fail the above standards. The Board of Education board must be notified by August 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than August 20. Any recommendations made by the county superintendent must be made available by the Board of Education for public inspection. The law does not provide for conditional approvals; budgets must be either approved or disapproved. No later than August 20, the county superintendent must notify the Superintendent of Public Instruction if its budget has been disapproved.

For all dual budget options and for single and dual budget option offices of education whose budgets have been disapproved, the office of education must revise and readopt its budget by September 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final office of education budgets and not later than October 8, will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to California Education Code Section 42127.1. Until an office of education's budget is approved, the office of education will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

Interim Certifications Regarding Ability to Meet Financial Obligations. Under the provisions of AB 1200, each office of education is required to file interim certifications with the State Superintendent of Public Instruction as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent two fiscal years. The Superintendent of Public Instruction reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any office of education that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any office of education that 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 office of education that may not meet its financial obligations for the current fiscal year or subsequent two fiscal years.

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

Board of Education's Budget Approval/Disapproval and Certification History. The Board of Education has never received any qualified or negative certifications of its financial reports. Copies of the Board of Education's budget, interim reports and certifications may be obtained upon request from the Superintendent's Office at 6200 South Mooney Boulevard, Visalia, CA 93278. The Board of Education may impose charges for copying, mailing and handling.

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Board of Education's Budget Figures. The following table shows the general fund figures for the Board of Education for fiscal year 2018-19 (unaudited actuals) and 2019-20 (adopted budget).

TULARE COUNTY BOARD OF EDUCATION
General Fund
Revenues, Expenditures and Changes in Fund Balance
Fiscal Year 2018-19 (unaudited actuals) and Fiscal Year 2019-20 (budgeted)

	Unaudited Actuals 2018-19	Budgeted Fiscal Year 2019-20
Revenues		
LCFF Sources	$24,224,521	$24,789,943
Federal Revenues	19,037,169	22,932,150
Other State Revenues	61,369,943	61,144,407
Other Local Revenues	42,506,907	37,398,706
Total Revenues	147,138,540	146,265,206
Expenditures		
Certificated Salaries	35,931,335	37,180,294
Classified Salaries	37,082,295	39,342,782
Employee Benefits	34,845,537	40,992,811
Books and Supplies	2,824,336	3,500,803
Services and Other Expenses	25,716,400	31,105,019
Capital Outlay	3,951,849	268,778
Other Outgo (excluding transfers of Indirect Costs)	8,066,843	2,543,288
Other Outgo – transfers of indirect costs	(3,491,410)	(3,379,466)
Total Expenditures	144,927,185	151,554,309
Excess (Deficiency) of Revenues over Expenditures	2,211,355	(5,289,103)
Financing Sources (Uses)		
Transfers in	24,653	0
Transfers out	(536,068)	(738,977)
	(511,414)	(738,977)
Net Increase (Decrease)	1,899,941	(6,028,080)
Beginning Fund Balance	67,548,372	69,248,313
Funding Balance	$69,248,313	$63,220,233

Source: Tulare County Board of Education unaudited actuals for Fiscal Year 2019-20.

Board of Education Reserves. The Board of Education's ending fund balance is the accumulation of surpluses from prior years. This fund balance is used to meet the State's minimum required reserve of 3% of expenditures, plus any other allocation or reserve which might be approved as an expenditure by the Board of Education in the future. The Board of Education maintains, and expects to maintain, an unrestricted reserve, which meets the State's minimum requirements.

In connection with legislation adopted in connection with the State's fiscal year 2014-15 Budget (**"SB 858"**), the Education Code was amended to provide that, beginning in fiscal year 2015-16, if a district's proposed budget includes a local reserve above the minimum recommended level, the governing board must provide the information for review at the annual public hearing on its proposed budget. In addition, SB 858 included a provision, which became effective upon the passage of Proposition 2 at the November 4, 2014 statewide election, which limits the amount of reserves which may be maintained at the County of Education level. Specifically, the legislation, among other things, enacted Education Code Section 42127.01, which became operative December 15, 2014, and provides that in any fiscal year immediately after a fiscal year in which a transfer is made to the State's Public School System Stabilization Account (the Proposition 98 reserve), a school district may not adopt a budget that contains a reserve for economic uncertainties in excess of twice the applicable minimum recommended reserve for economic uncertainties established by the State Board (for school districts with ADA over 400,000, the limit is three times the amount). Exemptions can be granted by the County Superintendent under certain circumstances.

On October 11, 2017, the Governor signed new legislation ("**SB 751**") amending Section 42127.01 of the Education Code, effective January 1, 2018. SB 751 raises the reserve cap established under SB 858 to no more than 10% of a school district's combined assigned or unassigned ending general fund balance and provides that the reserve cap will be triggered only if there is a minimum balance of 3% of the Proposition 98 reserve. Basic aid school districts and small districts with 2,500 or fewer ADA are exempt from the reserve cap.

Attendance - LCFF Funding

As described herein, prior to fiscal year 2013-14, school districts in California derived most State funding based on a formula which considered a revenue limit per unit of average daily attendance (**"ADA"**). With the implementation of the LCFF, commencing in fiscal year 2013-14, school districts receive base funding based on ADA, and may also be entitled to supplemental funding, concentration grants and funding based on an economic recovery target. The following table sets forth LCFF funding for the Board of Education for fiscal years 2013-14 through 2019-20 (Budgeted).

AVERAGE DAILY ATTENDANCE AND STATE FUNDING UNDER LCFF
Fiscal Years 2013-14 and 2019-20
TULARE COUNTY BOARD OF EDUCATION

Fiscal Year	ADA(1)	LCFF Revenue	% of Target Student Enrollment under LCFF
2013-14	1,091	$19,778,976	68.4%
2014-15	1,120	21,568,426	75.0
2015-16	1,127	21,627,580	71.6
2016-17	1,093	21,163,364	74.5
2017-18	1,087	22,317,385	70.6
2018-19(2)	1,088	24,224,521	72.6
2019-20(2)	1,083	24,789,943	NA

(1) Does not include charter school ADA.
(2) Unaudited Actual figures for FY 2018-19; Budgeted figures for FY 2019-20.
Source: California Department of Education, School Fiscal Services 2013-14 through 2015-16. Tulare County Board of Education 2018-19 and 2019-20.

Revenue Sources

The Board of Education categorizes its General Fund revenues into four sources, being LCFF, Federal Revenues, Other State Revenues and Local Revenues. Each of these revenue sources is described below.

LCFF Sources. Board of Education funding is provided by a mix of (1) local property taxes and (2) State apportionments of funding under the LCFF. Generally, the State apportionments will amount to the difference between the Board of Education's LCFF funding entitlement and its local property tax revenues.

Beginning in fiscal year 1978-79, Proposition 13 and its implementing legislation provided for each county to levy (except for levies to support prior voter-approved indebtedness) and collect all property taxes, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

The principal component of local revenues is the school Board of Education's property tax revenues, i.e., the Board of Education's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. California Education Code Section 42238(h) itemizes the local revenues that are counted towards the base revenue limit before calculating how much the State must provide in equalization aid. Historically, the more local property taxes a Board of Education received, the less State equalization aid it is entitled to.

Federal Revenues. The federal government provides funding for several Board of Education programs, including special education programs, programs under No Child Left Behind, the Individuals With Disabilities Education Act, and specialized programs such as Drug Free Schools.

Other State Revenues. In addition to the funding sources described above, the Board of Education receives substantial other State revenues, including State Special Education Master Plan, lottery and state categorical funding (e.g. class size reduction funding, and economic impact funding), and pass-through revenues from State sources.

For additional discussion of State aid to school Board of Educations, see "-State Funding of Education."

Other Local Revenues. In addition to local property taxes, the Board of Education receives additional local revenues from items such as interest earnings and other local sources.

Board of Education Retirement Systems

Qualified employees of the Board of Education are covered under multiple-employer defined benefit pension plans maintained by agencies of the State. Certificated employees are members of the State Teachers' Retirement System ("**STRS**") and classified employees are members of the Public Employees' Retirement System ("**PERS**"). Both STRS and PERS are operated on a Statewide basis. *The information set forth below regarding the STRS and PERS programs, other than the information provided by the Board of Education regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be* *reliable but are not guaranteed as to accuracy or completeness, and should not to be construed as a representation by either the Board of Education or the Underwriter.*

STRS. All full-time certificated employees participate in STRS, a cost-sharing, multiple-employer contributory public employee retirement system. STRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended. The program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers and the State. The Board of Education's employer contributions to STRS for recent fiscal years are set forth in the following table.

STRS Contributions
Tulare County Board of Education
Fiscal Years 2012-13 through 2019-20 (Projected)

Fiscal Year	Amount
2012-13	$2,146,930
2013-14	2,425,828
2014-15	2,759,941
2015-16	3,413,436
2016-17	4,202,147
2017-18	5,174,818
2018-19	7,119,753
2019-20*	7,621,226

*Budgeted.
Source: The Board of Education.

Historically, employee, employer and State contribution rates did not vary annually to account for funding shortfalls or surpluses in the STRS plan. In recent years, the combination of investment earnings and statutory contributions were not sufficient to pay actuarially required amounts. As a result, the STRS defined benefit program showed an estimated unfunded actuarial liability of approximately $107.2 billion as of June 30, 2018 (the date of the last actuarial valuation). In connection with the State's adoption of its fiscal year 2014-15 Budget, the Governor signed into law Assembly Bill 1469 ("**AB 1469**"), which represents a legislative effort to address the unfunded liabilities of the STRS pension plan. AB 1469 addressed the funding gap by increasing contributions by employees, employers and the State. In particular, employer contribution rates are scheduled to increase through at least fiscal year 2020-21, from a contribution rate of 8.88% in fiscal year 2013-14 to 19.1% in fiscal year 2020-21. Thereafter, employer contribution rates will be determined by the STRS board to reflect the contribution required to eliminate unfunded liabilities by June 30, 2046.

The Board of Education's employer contribution rates for fiscal years 2015-16 through 2019-20 were 10.73%, 12.58%, 14.43%, 16.28% and 17.10%, respectively. Projected employer contribution rates for school districts (including the Board of Education) for fiscal year 2020-21 through fiscal year 2022-23 are set forth in the following table.

EMPLOYER CONTRIBUTION RATES (STRS)
Fiscal Years 2020-21 through 2022-23

Fiscal Year	Employer Contribution Rate[(1)]
2020-21	18.40%
2021-22	18.10
2022-23	18.10

(1) Expressed as a percentage of covered payroll.
Source: AB 1469

PERS. All full-time and some part-time classified employees participate in PERS, an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State. PERS provides retirement, disability, and death benefits to plan members and beneficiaries. The Board of Education is part of a cost-sharing pool within PERS known as the "Schools Pool." Benefit provisions are established by State statutes, as legislatively amended. Contributions to PERS are made by employers and employees. Each fiscal year, the Board of Education is required to contribute an amount based on an actuarially determined employer rate. The Board of Education's employer contributions to PERS for recent fiscal years are set forth in the following table.

PERS Contributions
Tulare County Board of Education
Fiscal Years 2012-13 through 2019-20 (Projected)

Fiscal Year	Amount
2012-13	$4,695,331
2013-14	4,876,293
2014-15	4,884,970
2015-16	5,174,814
2016-17	6,435,634
2017-18	7,500,687
2018-19	7,459,105
2019-20*	8,746,884

* Unaudited actual.
** Not yet determined.
Source: The Board of Education.

Like the STRS program, the PERS program has experienced an unfunded liability in recent years. The PERS unfunded liability, on a market value of assets basis, was approximately $27.2 billion as of June 30, 2018 (the date of the last actuarial valuation). To address this issue, the PERS board has taken a number of actions. In April 2013, for example, the PERS board approved changes to the PERS amortization and smoothing policy intended to reduce volatility in employer contribution rates. In addition, in April 2014, PERS set new contribution rates, reflecting new demographic assumptions and other changes in actuarial assumptions. In November 2015, PERS adopted a funding risk mitigation policy intended to incrementally lower its discount rate (its assumed rate of investment return) in years of good investment returns, help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in contribution rates for employers. In December 2016, PERS voted to lower its discount rate from the current 7.5% to 7.0% over the next three years according to the following schedule.

PERS Discount Rate
Fiscal Years 2018-19 through 2020-21

Fiscal Year	Amount
2018-19	7.375%
2019-20	7.250
2020-21	7.000

Source: PERS.

The new rates and underlying assumptions, which are aimed at eliminating the unfunded liability of PERS in approximately 30 years, will be implemented for school districts beginning in fiscal year 2016-17, with the costs spread over 20 years and the increases phased in over the first five years.

The Board of Education's employer contribution rates for fiscal years 2015-16, 2016-17, 2017-18, 2018-19 and 2019-20 were 11.847%, 13.888%, 15.531%, 18.062% and 19.721% respectively. Projected employer contribution rates for school districts (including the Board of Education) for fiscal year 2020-21 through fiscal year 2022-23 are set forth in the following table.

EMPLOYER CONTRIBUTION RATES (PERS)
Fiscal Years 2020-21 through 2022-23(1)

Fiscal Year	Employer Contribution Rate(2)
2020-21	23.500%
2021-22	24.600
2022-23	25.300

(1) Rates were estimated by PERS in 2017. The FY 2019-20 employer contribution rate was reduced pursuant to Circular Letter 200-029-19 dated June 27, 2019. The PERS board is expected to approve official employer contribution rates for each fiscal year shown during the immediately preceding fiscal year.
(2) Expressed as a percentage of covered payroll.
Source: PERS

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 ("**PEPRA**"), which impacted various aspects of public retirement systems in the State, including the STRS and PERS programs. In general, PEPRA (i) increased the retirement age for public employees depending on job function, (ii) capped the annual pension benefit payouts for public employees hired after January 1, 2013, (iii) required public employees hired after January 1, 2013 to pay at least 50% of the costs of their pension benefits (as described in more detail below), (iv) required final compensation for public employees hired after January 1, 2013 to be determined based on the highest average annual pensionable compensation earned over a period of at least 36 consecutive months, and (v) attempted to address other perceived abuses in the public retirement systems in the State. PEPRA applies to all public employee retirement systems in the State, *except* the retirement systems of the University of California, and charter cities and charter counties whose pension plans are not governed by State law. PEPRA's provisions went into effect on January 1, 2013 with respect to new State, school, and city and local agency employees hired on or after that date; existing employees who are members of employee associations, including employee associations of the Board of Education, have a five-year window to negotiate compliance with PEPRA through collective bargaining.

PERS has predicted that the impact of PEPRA on employees and employers, including the Board of Education and other employers in the PERS system, will vary, based on each employer's current level of benefits. As a result of the implementation of PEPRA, new members must pay at least 50% of the normal costs of the plan, which can fluctuate from year to year. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in a lower retirement benefit for employees than they currently earn.

With respect to the STRS pension program, employees hired after January 1, 2013 will pay the greater of either (1) fifty percent of the normal cost of their retirement plan, rounded to the nearest one-quarter percent, or (2) the contribution rate paid by then-current members (i.e., employees in the STRS plan as of January 1, 2013). The member contribution rate could be increased from this level through collective bargaining or may be adjusted based on other factors. Employers will pay at least the normal cost rate, after subtracting the member's contribution.

The Board of Education is unable to predict the amount of future contributions it will have to make to PERS and STRS as a result of the implementation of PEPRA, and as a result of negotiations with its employee associations, or, notwithstanding the adoption of PEPRA, resulting from any legislative changes regarding the PERS and STRS employer contributions that may be adopted in the future.

Additional Information. Additional information regarding the Board of Education's retirement programs is available in Note 11 to the Board of Education's audited financial statements attached to the Official Statement as APPENDIX B. In addition, both STRS and PERS issue separate comprehensive financial reports that include financial statements and required supplemental information. Copies of such reports may be obtained from STRS and PERS, respectively, as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; and (ii) PERS, 400 Q Street, Sacramento, California 95811. More information regarding STRS and PERS can also be obtained at their websites, www.calstrs.com and www.calpers.ca.gov, respectively. *The references to these Internet websites are shown for reference and convenience only and the information contained on such websites is not incorporated by reference into this Official Statement. The information contained on these websites may not be current and has not been reviewed by the Board of Education or the Underwriter for accuracy or completeness.*

Other Post-Employment Benefits (OPEB)

Plan Description. The Board of Education's defined benefit plan, Tulare County Office of Education Retiree Benefit Plan (the "Plan") pays part or all of monthly medical insurance premiums on behalf of retired former employees, provided that the employee has satisfied certain requirements.

Benefits Provided. The Board of Education contributes 100% of medical, dental, vision premiums up to a certain age, except as otherwise described below:

<u>Certificated employees hired before July 1, 2006</u> - who retire after age 55 with at least 15 years of Board of Education service or 20 years of California public service receive benefits until age 65. Certificated employees who retire after age 60 with at least 15 years of Board of Education

service or 20 years of California public service receive benefits until age 70.

Certificated employees hired after June 30, 2006 - who retire after age 60 with at least 20 years of Board of Education service received benefits until age 65.

Classified employees hired before July 1, 2006 - who retire after age 55 with at least 15 years of Board of Education service or 20 years of California public service receive benefits until age 65. Benefits are pro-rated if employee works less than six hours per day.

Classified employees hired after June 30, 2006 - who retire after age 60 with at least 20 years of Board of Education service receive benefits until age 65. Benefits are pro-rated if employee works less than six hours per day.

Childcare employees hired after June 30, 2006 - who retire after age 60 with at least 20 years of Board of Education service receive benefits until age 65. 100% of premiums are paid, subject to an annual cap of $13,875 (if hired before November 1, 1989) or $13,395 (if hired after October 31, 1989).

Certificated management employees (except for childcare) hired before July 1, 2006 - who retire after age 55 with at least 15 years of Board of Education service receive benefits until age 65. If at least age 60 with at least 23 years of California public service (including 8 years of Board of Education service), retiree will receive benefits until age 70. If at least 60 with at least 30 years of California public service (including 8 years of Board of Education service), the retiree may continue coverage up until age 75 by paying 50% premiums.

Classified management employees (except for childcare) hired before July 1, 2006 - who retire after age 55 with at least 15 years of Board of Education service or 20 years of California public service receive benefits until age 65. If at least age 58 with at least 23 years of California public service (including 8 years of Board of Education service), or at least age 55 with at least 30 years of Board of Education service, retiree may continue coverage up until age 75 by paying 50% premiums.

Certificated or classified management employees hired after June 30, 2006 - who retire after age 55 with at least 15 years of Board of Education service receive benefits until age 65.

Disability retirement - any employee with PERS or STRS coverage who becomes disabled after the sum of age and service is at least 80 is entitled to payment of premiums until age 65.

Funding Policy. The contribution requirements of plan members are established and may be amended by the Board of Education and CSEA.

Plan Membership. As of the July 1, 2017 valuation date, membership of the Plan consisted of 151 inactive employees receiving benefits and 1,200 active employees.

Net OPEB Liability. The components of the net OPEB liability at June 30, 2018, were as follows:

Total OPEB Liability	$28,524,942
Plan fiduciary net position	(11,836,251)
Net OPEB Liability	$16,688,691
Plan fiduciary net position as a percentage of total OPEB liability	41.49%

In June 2019 the District set aside $11.4 million in an irrevocable trust for post-employment benefits.

For investment information, actuarial assumptions and other inputs, see "APPENDIX B - Audited Financial Statements of the Board of Education for Fiscal Year Ended June 30, 2018 - Note 10."

Changes in Net OPEB Liability. The changes in Net OPEB liability at June 30, 2018 were:

Total OPEB Liability	
Service Cost	$1,030,588
Interest on total OPEB liability	1,764,563
Benefits payments	(2,834,662)
Net change in total OPEB liability	(39,511)
Total OPEB liability, beginning	28,564,453
Total OPEB liability, ending (a)	$28,524,942
Plan fiduciary net position	
Contributions - employer	$3,337,594
Net investment income	1,227,724
Benefit payments	(2,834,662)
Administrative expenses	(5,339)
Net change in plan fiduciary net position	1,765,317
Plan fiduciary net position, beginning	10,071,034
Plan fiduciary net position, ending (b)	$11,836,351
County Office's net OPEB liability - ending (a) - (b)	$16,688,691
Plan fiduciary net position as a percentage of Total OPEB liability	41.5%
Covered Payroll	$78,218,592
County Office's net OPEB liability (asset) as a Percentage of covered payroll	21.34%

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Long-Term Debt

Changes in long-term obligations for the year ended June 30, 2018 are as follows:

Governmental Activities	Beginning Balance	Additions	Deductions	Balance June 30, 2018	Balance Due in One Year
2013 Certificates of Participation	$35,410,000	$ -	$750,000	$34,660,000	$775,000
Compensated Absences	1,873,075	$ -	$240,643	$1,632,432	-
Net OPEB liability	18,907,387	-	1,846,577	17,060,810	-
Net pension liability	91,100,678	17,939,809	-	109,040,487	-
Total Governmental Activities	$147,291,140	$17,939,809	$2,837,220	$162,393,729	$775,000

Operating Leases

The Board of Education entered into various operating leases for land, buildings and equipment with lease terms in excess of one year. These agreements contain no purchase options. Future minimum leases payments under these agreements as of June 30, 2018, are as follows:

Year Ending June 30	Lease Payments
2018	$590,809
2019	332,445
2020	63,913
2021	14,473
Total	$1,001,640

Risk Management

The Board of Education participates in five joint powers agreements with the following (each, a "**JPA**"): Self-Insured Schools of California III (S.I.S.C. III), the School Employee's Trust of Tulare County (SET-TC), the Tulare County Schools Insurance Group (T.C.S.I.G.), the Tulare County Schools Self-Insurance Authority (T.C.S.S.I.A.), and the Northern California Regional Liability Excess Fund (NorCal ReLief). The relationship between the Board of Education and the JPA is such that the JPA is not a component unit of the Board of Education for financial reporting purposes.

Investment of Board of Education Funds

In accordance with Government Code Section 53600 et seq., the Tulare County Treasurer manages funds deposited with it by the Board of Education. The County is required to invest such funds in accordance with California Government Code Sections 53601 et seq. In addition, counties are required to establish their own investment policies which may impose limitations beyond those required by the Government Code. See "APPENDIX G – TULARE COUNTY INVESTMENT POLICY."

Ad Valorem Property Taxation

The Certificates are primarily secured by Lease Payments to be budgeted and appropriated annually by the Board of Education pursuant to the Lease Agreement from monies available in the Board of Education's general fund. The Certificates are not secured by ad valorem taxes. As previously discussed herein the Board of Education's primary source of revenue comes from grants and contributions, with only a small portion of its funds derived from property taxes.

The information presented in this section is provided to give investors more information generally regarding the Board of Education and its tax base.

Tax Levies, Collections and Delinquencies. Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. A supplemental roll is developed when property changes hands or new construction is completed.

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

In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1 of the fiscal year, and a lien is recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on specific property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on specified property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Beginning in 1978-79, Proposition 13 and its implementing legislation provided for each county to levy and collect all property taxes, and prescribed how levies on county-wide property values (except for levies to support prior voter-approved indebtedness) are to be shared with local taxing entities within each county.

Termination of the Teeter Plan. From June 1993 through June 2009, the County and its political subdivisions operated under the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "**Teeter Plan**"), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code. The Teeter Plan is an alternate procedure for distribution of certain property tax and assessment levies on the secured roll. In June 2009, in order to address cash flow issues and other financial matters, the County discontinued the Teeter Plan.

Property Tax Collections. The following table shows tax charges, collections and delinquencies for secured property in the territory of the Board of Education. Because Tulare County no longer participates in the Teeter Plan, secured property taxes actually collected are allocated to political subdivisions for which the County acts as tax-levying or tax-collecting agency, including the Board of Education, when the secured property taxes were actually collected.

TULARE COUNTY BOARD OF EDUCATION
Secured Tax Charges and Delinquencies
(Tulare County)
Fiscal Year 2007-08 through Fiscal Year 2018-19

	Secured Tax Charge (1)	Amt. Del. June 30	% Del. June 30
2007-08	$5,679,696.65	$331,253.41	5.83%
2008-09	6,035,944.50	393,753.08	6.52
2009-10	5,944,297.12	337,517.27	5.68
2010-11	5,901,884.02	320,623.13	5.43
2011-12	5,763,974.00	196,066.04	3.40
2012-13	5,584,735.98	172,243.48	3.08
2013-14	5,904,476.72	133,513.64	2.26
2014-15	6,111,243.95	155,481.59	2.54
2015-16	6,471,888.25	148,257.02	2.29
2016-17	6,717,898.08	165,325.37	2.46
2017-18	7,140,002.13	152,444.84	2.14
2018-19	7,511,820.46	158,309.09	2.11

(1) 1% General Fund apportionment.
Reflects county-wide delinquency rate.
Source: California Municipal Statistics, Inc.

Assessed Valuations. The Board of Education's share of local property taxes are assessed and collected by the County at the same time and on the same rolls as the special district property taxes. Assessed valuations are the same for both Board of Education and County taxing purposes.

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

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

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

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 State-assessed property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Unsecured property comprises all property not attached to land such as personal property or business property. Boats and airplanes are examples of unsecured property. Unsecured property is assessed on the "unsecured roll."

The following represents a five-year history of assessed valuation of property located within the jurisdiction of the Board of Education.

TULARE COUNTY BOARD OF EDUCATION
Assessed Valuation
Fiscal Years 2008-09 through 2019-20

	Local Secured	Non-Unitary Utility	Unsecured	Total	Unitary Utility	Total with Unitary Utility
2008-09	$26,196,878,563	$13,686,181	$1,346,586,592	$27,557,151,336	$640,201,148	$28,197,352,484
2009-10	25,854,636,804	14,843,953	1,432,546,924	27,302,027,681	652,372,024	27,954,399,705
2010-11	25,868,537,991	14,842,476	1,484,933,511	27,368,313,978	673,700,277	28,042,014,255
2011-12	25,553,819,638	14,785,084	1,549,512,023	27,118,116,745	814,583,503	27,932,700,248
2012-13	25,365,159,183	14,755,079	1,552,663,090	26,932,577,352	845,928,620	27,778,505,972
2013-14	26,145,327,614	14,371,048	1,556,520,799	27,716,219,461	922,936,238	28,639,155,699
2014-15	27,411,900,528	14,361,245	1,686,089,111	29,112,350,884	915,727,424	30,028,078,308
2015-16	28,826,434,711	14,436,534	1,732,476,762	30,573,348,007	988,346,138	31,561,694,145
2016-17	30,101,531,679	13,046,045	1,834,532,495	31,949,110,219	1,298,867,905	33,247,978,124
2017-18	31,347,985,008	14,292,129	1,982,982,767	33,345,259,904	1,293,112,970	34,638,372,874
2018-19	32,877,758,613	14,291,527	2,091,982,808	34,984,032,948	1,381,710,618	36,365,743,566
2019-20	34,585,321,695	14,218,673	2,155,627,535	36,755,167,903	1,422,004,876	38,177,172,779

Source: California Municipal Statistics, Inc.

Taxation of State-Assessed Utility Property

A portion of the property tax revenue of the Board of Education is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions ("**unitary property**"). Under the State Constitution, such property is assessed by the State Board of Equalization ("**SBE**") as part of a "going concern" rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the Board of Education) according to statutory formulae generally based on the distribution of taxes in the prior year.

The California electric utility industry has been undergoing significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed, and which local agencies are to receive the property taxes. The Board is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any future litigation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the Board of Education.

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Largest Property Owners

The following table shows the twenty largest owners of taxable property in the County as determined by secured assessed valuation in fiscal year 2019-20.

TULARE COUNTY BOARD OF EDUCATION
Largest Local Secured Taxpayers
Fiscal Year 2019-20

	Property Owner	Primary Land Use	2019-20 Assessed Valuation	% of Total (1)
1.	Saputo Cheese and Protein LLC	Industrial	$ 219,976,793	0.64%
2.	Land O'Lakes Inc.	Industrial	175,028,965	0.51
3.	California Dairies Inc.	Industrial	167,450,382	0.48
4.	Wal-Mart Real Estate Business Trust	Commercial	158,495,807	0.46
5.	Ventura Costal LLC	Industrial	104,154,622	0.30
6.	Target Corporation	Commercial	83,237,323	0.24
7.	Ruiz Foods Products Inc.	Industrial	73,439,179	0.21
8.	United States Cold Storage of California	Industrial	66,334,002	0.19
9.	Dreyer's Grand Ice Cream Inc.	Industrial	63,895,145	0.18
10.	California Water Service Co.	Water Company	62,292,601	0.18
11.	Bosman Diary	Dairy	59,365,638	0.17
12.	Perfection Pet Foods LLC	Industrial	55,629,114	0.16
13.	Wonderful Citrus II LLC	Agricultural	54,923,109	0.16
14.	Western Milling LLC	Industrial	54,872,423	0.16
15.	Lowes HIW Inc.	Commercial	54,595,753	0.16
16.	Visalia Mall LP	Commercial	54,551,182	0.16
17.	Craig Realty Group Tulare LLC	Commercial	48,967,442	0.14
18.	Wawona Packing Co. LLC	Industrial	44,397,005	0.13
19.	ACMPC California 3 LLC	Industrial	43,974,271	0.13
20.	Darlene & Jay Te Velde, Jr., Trustees	Dairy	43,330,233	0.13
			$1,688,910,989	4.88%

(1) 2019-20 Total Secured Assessed Valuation: $34,585,321,695.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Governmental Obligations

Set forth below is a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc. and dated October 1, 2019. The Debt Report is included for general information purposes only. The Board of Education has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

TULARE COUNTY BOARD OF EDUCATION
Statement of Direct and Overlapping Debt
October 1, 2019

2019-20 Assessed Valuation: $38,177,172,779 (includes unitary utility valuation)

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 10/1/19	
College of the Sequoias Hanford School Facilities Improvement District	1.065%	$ 177,160	
College of the Sequoias Tulare School Facilities Improvement District	89.326	27,931,509	
College of the Sequoias Visalia School Facilities Improvement District	100.000	25,849,024	
Other Community College Districts	2.848-8.234	20,460,784	
Dinuba Joint Unified School District	98.974	18,772,077	
Lindsay Unified School District	100.000	19,121,573	
Porterville Unified School District School Facilities Improvement District	100.000	19,525,219	
Visalia Unified School District	100.000	53,134,971	
Other Unified School Districts	8.854-100.	35,425,344	
Delano Joint Union High School District	24.502	10,077,673	
Exeter Union High School District	100.000	7,628,275	
Tulare Joint Union High School District	99.860	19,172,319	
Other Union High School Districts	1.065-100.	9,778,393	
Earlimart School District	100.000	8,290,695	
Other School Districts	6.938-100.	36,938,206	
Kaweah Delta Hospital District	100.000	42,030,000	
Tulare Local Healthcare District	100.000	81,990,000	
City of Visalia 1915 Act Bonds	100.000	315,000	
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$436,618,222	
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Tulare County General Fund Obligations	100.000%	$ 31,105,000	
Tulare County Pension Obligation Bonds	100.000	242,115,000	
Tulare County Office of Education Certificates of Participation	**100.000**	**33,885,000**	(1)
College of Sequoias Community College District General Fund Obligations	78.300	3,926,745	
Kern Community College District General Fund and Benefit Obligations	7.344	7,753,795	
Dinuba Joint Unified School District Certificates of Participation	98.974	10,298,245	
Farmersville Unified School District General Fund Obligations	100.000	5,646,000	
Porterville Unified School District Certificates of Participation	100.000	25,170,000	
Visalia Unified School District Certificates of Participation	100.000	74,375,000	
Other Unified School District Certificates of Participation	16.963-100.	13,027,936	
Union High School District Certificates of Participation	1.065-100.	254,354	
School District Certificates of Participation	6.938-100.	26,598,097	
City of Porterville Certificates of Participation and Pension Obligations	100.000	20,585,000	
City of Dinuba General Fund Obligations	100.000	24,018,277	
City of Lindsay General Fund Obligations	100.000	1,220,000	
City of Tulare General Fund Obligations	100.000	25,635,000	
City of Visalia Certificates of Participation	100.000	18,915,000	
City of Woodlake Certificates of Participation	100.000	2,871,000	
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$567,399,449	
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		$82,640,000	
COMBINED TOTAL DEBT		$1,086,657,671	(2)

Ratios to 2019-20 Assessed Valuation:
Total Overlapping Tax and Assessment Debt....................................1.14%
Total Direct Debt ($33,885,000) 0.09%
Combined Total Debt..2.85%

Ratios to Redevelopment Successor Agencies Incremental Valuation ($3,757,217,287):
Total Overlapping Tax Increment Debt...2.20%

(1) Excludes Certificates to be sold and includes the 2013 Certificates to be refunded.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS

State Funding of Education

General. The State requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education. School districts in California receive operating income primarily from two sources: (1) the State funded portion which is derived from the State's general fund, and (2) a locally funded portion, being a district's share of the 1% general *ad valorem* tax levy authorized by the California Constitution (see "DISTRICT FINANCIAL INFORMATION – Education Funding Generally" above). School districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55% of their operating revenues from various State sources.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process. Decreases in State revenues may significantly affect appropriations made by the legislature to school districts.

The following information concerning the State's budgets for the current and most recent preceding years has been compiled from publicly-available information provided by the State. None of the District, the Underwriter or the County is responsible for the information relating to the State's budgets provided in this section. Further information is available from the Public Finance Division of the State Treasurer's Office.

The Budget Process. The State's fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the "**Governor's Budget**"). 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 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 Legislature and signed by the Governor. The Budget Act must be approved by a majority vote of each house of the Legislature. 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 Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (including for K-14 education) must be approved by a majority vote in each House of the Legislature, unless such appropriations require tax increases, in which case they must be approved by a two-thirds vote of each house of the Legislature, and be signed by the Governor. 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.

Recent State Budgets

Certain information about the State budgeting process and the State budget is available through several State of California sources. A convenient source of information is the State's website, where recent official statements for State bonds are posted. *The references to internet websites shown below are shown for reference and convenience only, the information contained within the websites may not be current and has not been reviewed by the District and is not incorporated herein by reference.*

- The California State Treasurer internet home page at www.treasurer.ca.gov, under the heading "Bond Information", posts various State of California Official Statements, many of which contain a summary of the current State budget, past State budgets, and the impact of those budgets on school districts in the State.

- The California State Treasurer's Office Internet home page at www.treasurer.ca.gov, under the heading "Financial Information", posts the State's audited financial statements. In addition, the Financial Information section includes the State's Rule 15c2-12 filings for State bond issues. The Financial Information section also includes the Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation from the State's most current Official Statement, which discusses the State budget and its impact on school districts.

- The California Department of Finance's Internet home page at www.dof.ca.gov, under the heading "California Budget", includes the text of proposed and adopted State budgets.

- The State Legislative Analyst's Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the heading "Subject Area – Budget (State)".

Prior Years' Budgeting Techniques*.* Declining revenues and fiscal difficulties which arose in the State commencing in fiscal year 2008-09 led the State to undertake a number of budgeting strategies, which had subsequent impacts on local agencies within the State. These techniques included the issuance of IOUs in lieu of warrants (checks), the enactment of statutes deferring amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year (known as statutory deferrals), trigger reductions, which were budget cutting measures which were implemented or could have been implemented if certain State budgeting goals were not met, among others, and the dissolution of local redevelopment agencies in part to make available additional funding for local agencies. Although the fiscal year 2018-19 State budget is balanced and projects a balanced budget for the foreseeable future, largely attributable to the additional revenues generated due to the passage of Proposition 55 at the November 8, 2016 statewide election, there can be no certainty that budget-cutting strategies such as those used in recent years will not be used in the future should the State budget again be stressed and if projections included in such budget do not materialize.

***2013-14 State Budget: Significant Change in Education Funding**.* As described previously herein, the 2013-14 State Budget and its related implementing legislation enacted significant reforms to the State's system of K-12 education finance with the enactment of the LCFF. Significant reforms such as the LCFF and other changes in law may have significant impacts on the District's finances.

2019-20 State Budget

On June 27, 2019, the Governor signed the 2019-20 State budget (the "**2019-20 State Budget**") into law. The 2019-20 State Budget calls for total spending of $214.8 billion, with $147.8 billion in general fund spending. The 2019-20 State Budget provides for $81.1 billion of funding through Proposition 98, the primary source of funding for K-12 school districts and community college districts, an increase of $2.7 billion, or 3.4%, from the 2018-19 State budget. Of that $81.1 billion, $62.9 billion will be distributed to K-12 school districts through the LCFF, which will be fully funded during fiscal year 2019-20, restoring every school district in the State to at least pre-recession funding levels.

The 2019-20 State Budget continues to build State reserves, with the rainy-day fund balance projected to grow to $16.5 billion by the end of the budget year. Additionally, revenues have been set aside in new savings funds, including a $900 million reserve for safety net programs. Other significant features of the 2019-20 State Budget include:

- $3.15 billion one-time payment on behalf of school districts and community college districts to STRS and PERS pools;

- $1.5 billion anticipated in Proposition 51 bond funds for school facilities and an additional $1.2 million of ongoing Proposition 51 bond funds;

- $5 million one-time funding for a long-term strategic plan to provide childcare and preschool for children from birth through age twelve;

- $300 million one-time funding to construct new or retrofit existing facilities to support full-day kindergarten programs;

- $645.3 million ongoing funding for special education, including $152.6 million to provide all Special Education Local Plan Areas with at least the statewide target rate for base special education funding.

- $147.4 million one-time and ongoing funding to address the shortage of teachers;

- $918 million in additional funding to identify and implement recommendations and solutions to reduce wildfire risk, bolster the state's emergency preparedness capacity and protect vulnerable communities;

- $518,000 one-time funding to reimburse cities, counties and special districts for 2018-2019 property tax losses and a corresponding $530,000 that will be used to backfill property tax revenue losses for K-14 schools in those cities, counties and districts;

- $460 million one-time general funding to increase the quality and availability of child care, including $263 million for child care and preschool facilities expansion and $195 million for childcare and preschool workforce development;

- one-time funding of $750 million to support local governments in increasing and accelerating housing production; and

- one-time funding of $650 million to support local governments in addressing homelessness, to be used for emergency shelters and navigation centers, rapid rehousing, permanent supportive housing, job programs and hotel/motel conversions.

Disclaimer Regarding State Budgets. The implementation of the foregoing 2019-20 State Budget and future State budgets may be affected by numerous factors, including but not limited to: (i) shifts in costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risks associated with proposed spending reductions, (iv) rising health care costs and/or other unfunded liabilities, such as pension or OPEB, and (v) numerous other factors, all or any of which could cause the revenue and spending projections included in such budgets to be unattainable. The District cannot predict the impact that the 2018-19 State Budget, or subsequent state budgets, will have on its own finances and operations. However, the Bonds are secured by *ad valorem* taxes levied and collected on taxable property in the District, without limit as to rate or amount, and are not secured by a pledge of revenues of the District or its general fund.

The State has not entered into any contractual commitments with the District, the County, the Underwriter or the owners of the Bonds to provide State budget information to the District or the owners of the Bonds. Although they believe the sources of information listed below are reliable, neither the District nor the Underwriter assumes any responsibility for the accuracy of State budget information set forth or referred to or incorporated in this Official Statement.

Availability of State Budgets. The complete 2019-20 State Budget is available from the California Department of Finance website at www.ebudget.ca.gov. An impartial analysis of the budget is published by the Legislative Analyst Office, and is available at www.lao.ca.gov/budget. The District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted on these sites, and such information is not incorporated in this Official Statement by these references. The information referred to above should not be relied upon when making an investment decision with respect to the Bonds.

Uncertainty Regarding Future State Budgets. The District cannot predict what actions will be taken in future years by the State legislature or the Governor to address the State's current or future revenues and expenditures, or possible future budget deficits. Future State budgets will be affected by national and State economic conditions and other factors over which the District has no control. The District cannot predict what impact any future budget proposals will have on the financial condition of the District. To the extent that the State budget process results in reduced revenues to the District, the District will be required to make adjustments to its own budgets.

Legal Challenges to State Funding of Education

The application of Proposition 98 and other statutory regulations has been the subject of various legal challenges in the past. The District cannot predict if or when there will be changes to education funding or legal challenges which may arise relating thereto.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Principal of and interest and, in the case of Capital Appreciation Bonds, accreted value of the Bonds are payable from the proceeds of an *ad valorem* tax levied by the County for the payment thereof. Articles XIIIA, XIIIB, XIIIC, and XIIID of the State Constitution, Propositions 62, 98, 111 and 218, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with Article XIIIA and all applicable laws.

Constitutionally Required Funding of Education

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

Article XIIIA of the California Constitution

Basic Property Tax Levy. On June 6, 1978, California voters approved Proposition 13 ("**Proposition 13**"), which added Article XIIIA to the State Constitution ("**Article XIIIA**"). Article XIIIA limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) (as a result of an amendment to Article XIIIA approved by State voters on June 3, 1986) bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness (which provided the authority for the issuance of the Refunded Bonds), and (iii) (as a result of an amendment to Article XIIIA approved by State voters on November 7, 2000) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. The tax for the payment of the Bonds falls within the exception described in (iii) of the immediately preceding sentence. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment". This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

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

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

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

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

Inflationary Adjustment of Assessed Valuation. As described above, the assessed value of a property may be increased at a rate not to exceed 2% per year to account for inflation. On December 27, 2001, the Orange County Superior Court, in *County of Orange v. Orange County Assessment Appeals Board No. 3*, held that where a home's taxable value did not increase for two years, due to a flat real estate market, the Orange County assessor violated the 2% inflation adjustment provision of Article XIIIA, when the assessor tried to "recapture" the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in most California counties, including the County, use a similar methodology in raising the taxable values of property beyond 2% in a single year. The SBE has approved this methodology for increasing assessed values. On appeal, the Appellate Court held that the trial court erred in ruling that assessments are always limited to no more than 2% of the previous year's assessment. On May 10, 2004 a petition for review was filed with the California Supreme Court. The petition has been denied by the California Supreme Court. As a result of this litigation, the "recapture" provision described above may continue to be employed in determining the full cash value of property for property tax purposes.

Article XIIIB of the California Constitution

Article XIIIB ("**Article XIIIB**") of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year under the provisions of Article XIIIB, as amended.

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

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

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

Article XIIIB also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund under Section 8.5 of Article XVI of the State Constitution.

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions ("**unitary property**"). Under the State Constitution, such property is assessed by the SBE as part of a "going concern" rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

Articles XIIIC and XIIID of the California Constitution

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

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4.

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

Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

While the provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District (thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District), the District does not believe that Proposition 218 will directly impact the revenues available to pay debt service on the Bonds.

Proposition 98

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

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

Proposition 111

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

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

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

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

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

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

Proposition 39

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

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

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amended the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Under Proposition 1A, beginning in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amended the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, a constitutional initiative entitled the “Local Taxpayer, Public Safety, and Transportation Protection Act of 2010,” approved on November 2, 2010, superseded many of the provision of Proposition 1A. This initiative amends the State constitution to prohibit the legislature from diverting or shifting revenues that are dedicated to funding services provided by local government or funds dedicated to transportation improvement projects and services. Under this proposition, the State is not allowed to take revenue derived from locally imposed taxes, such as hotel taxes, parcel taxes, utility taxes and sales taxes, and local public transit and transportation funds. Further, in the event that a local governmental agency sues the State alleging a violation of these provisions and wins, then the State must automatically appropriate the funds needed to pay that local government. This Proposition was intended to, among other things, stabilize local government revenue sources by restricting the State’s control over local property taxes. Proposition 22 did not prevent the California State Legislature from dissolving State redevelopment agencies pursuant to AB 1X26, as confirmed by the decision of the California Supreme Court decision in *California Redevelopment Association v. Matosantos* (2011).

Because Proposition 22 reduces the State’s authority to use or reallocate certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget, such as reducing State spending or increasing State taxes, and school and college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State’s general fund.

Proposition 30 and Proposition 55

The Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as **“Proposition 30”**), temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposed an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposed an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017. This excise tax was levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,000 for single filers (over $500,000 but less than $600,000 for joint filers), (ii) 2% for taxable income over $300,000 but less than $500,000 for single filers (over $600,000 but less than $1,000,000 for joint filers), and (iii) 3% for taxable income over $500,000 for single filers (over $1,000,000 for joint filers). Proposition 55 (described below) extended said increases to personal income rates through the end of 2030.

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

The California Children's Education and Health Care Protection Act of 2016, also known as Proposition 55, was a proposed constitutional amendment initiative that was approved on the November 8, 2016 general election ballot in California. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through 2030, instead of the scheduled expiration date of December 31, 2018. Tax revenue received under Proposition 55 is to be allocated 89% to K-12 schools and 11% to community colleges. Proposition 55 did not extend the sales or excise tax increases of Proposition 30.

California Senate Bill 222

Senate Bill 222 ("**SB 222**") was signed by the California Governor on July 13, 2015 and became effective on January 1, 2016. SB 222 amended Section 15251 of the California Education Code and added Section 52515 to the California Government Code to provide that voter approved general obligation bonds which are secured by *ad valorem* tax collections such as the Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service those bonds. Said lien shall attach automatically and is valid and binding from the time the bonds are executed and delivered. The lien is enforceable against the issuer, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act. The effect of SB 222 is the treatment of general obligation bonds as secured debt in bankruptcy due to the existence of a statutory lien.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 98, 111, 22, 26, 30, 39 and 55 were each adopted as measures that qualified for the ballot under the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

CERTAIN RISK FACTORS

The following factors, along with other information in this Official Statement, should be considered by potential investors in evaluating the risks in the purchase of the Certificates. However, the following is not an exhaustive listing of risk factors and other considerations which may be relevant to an investment in the Certificates. There can be no assurance that other risk factors will not become evident at any future time.

No Pledge of Taxes

The obligation of the Board of Education to pay the Lease Payments and Additional Payments does not constitute an obligation of the Board of Education for which the Board of Education is obligated to levy or pledge any form of taxation or for which the Board of Education has levied or pledged any form of taxation. The obligation of the Board of Education to pay Lease Payments and Additional Payments does not constitute a debt or indebtedness of the Corporation, the Board of Education, 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 Board of Education, the Board of Education is obligated under the Lease Agreement to pay Lease Payments and Additional Payments from any source of legally available funds (subject to certain exceptions) and the Board of Education has covenanted in the Lease Agreement that, for as long as the Leased Property are available for its use and possession, it will make the necessary annual appropriations within its budget for all Lease Payments and Additional Payments. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES."

The Board of Education is currently liable on other obligations payable from general revenues, as described above under "FINANCIAL INFORMATION - Long-Term Debt," and may incur additional obligations payable from the General Fund, including amounts under the Lease Agreement (see "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Additional Obligations under Lease".

Certain taxes, assessments, fees and charges presently imposed by the Board of Education could be subject to the voter approval requirements of Article XIIIC and Article XIIID of the State Constitution. Based upon the outcome of an election by the voters, such fees, charges, assessments and taxes might no longer be permitted to be imposed, or may be reduced or eliminated and new taxes, assessments fees and charges may not be approved. The Board of Education has assessed the potential impact on its financial condition of the provisions of Article XIIIC and Article XIIID of the State Constitution respecting the imposition and increase of taxes, fees, charges and assessments and does not believe that an election by the voters to reduce or eliminate the imposition of certain existing fees, charges, assessments and taxes would substantially affect its financial condition. However, the Board of Education believes that in the event that the initiative power was exercised so that all local taxes, assessments, fees and charges which may be subject to the provisions of Article XIIIC and Article XIIID of the State Constitution are eliminated or substantially reduced, the financial condition of the Board of Education, including its General Fund, could be materially adversely affected. The Board of Education can provide no assurances regarding the ultimate interpretation or effect of Article XIIIC and Article XIIID of the State Constitution on the Board of Education's finances. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING BOARD OF EDUCATION REVENUES AND APPROPRIATIONS."

Additional Obligations of the Board of Education

The Board of Education has existing obligations payable from its General Fund. See "BOARD OF EDUCATION FINANCIAL INFORMATION – Long-Term Debt." Under the Lease Agreement the Board of Education is permitted to enter into other obligations which constitute additional charges against its revenues without the consent of Owners of the Certificates. To the extent that additional obligations are incurred by the Board of Education, the funds available to pay 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 Board of Education. If the amounts which the Board of Education is obligated to pay in a fiscal year exceed the Board of Education's revenues for such year, the Board of Education may choose to make some payments rather than making other payments, including Lease Payments and Additional Payments, based on the perceived needs of the Board of Education. The same result could occur if, because of California Constitutional limits on expenditures, the Board of Education is not permitted to appropriate and spend all of its available revenues or is required to expend available revenues to preserve the public health, safety and welfare.

No Cash Reserve

Initially, the Reserve Requirement is being satisfied by the Reserve Policy. In the event that the Insurer were to experience financial difficulties, there would be no cash available for transfer from the Reserve Fund. The obligations of the Insurer under the Reserve Policy are unsecured contractual obligations and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies. See "– Risks Associated with Bond Insurer" below.

Default

Whenever any event of default referred to in the Lease Agreement happens and continues, the Trustee, as the assignee of the Corporation, is authorized under the terms of the Lease Agreement to exercise any and all remedies available under law or granted under the Lease Agreement. **There is no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then due or past due to be immediately due and payable. Neither the Corporation nor the Trustee has any right to re-enter or re-let the Leased Property except following the occurrence and during the continuation of an event of default under the Lease Agreement.** Following an event of default, the Corporation may elect either to terminate the Lease Agreement and seek to collect damages from the Board of Education or to maintain the Lease Agreement in effect and seek to collect the Lease Payments as they become due. The Lease Agreement further provides that so long as an event of default exists under the Lease Agreement, the Corporation, or its assignee, may re-enter the Leased Property for the purpose of taking possession of any portion of the Leased Property and to re-let the Leased Property and, in addition, at its option, with or without such entry to terminate the Lease Agreement as described therein. See "APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Lease Agreement."

No assurance can be given that the Trustee will be able to re-let the Leased Property so as to provide rental income sufficient to pay principal and interest evidenced by the Certificates in a timely manner or that such re-letting will not adversely affect the exclusion of interest with respect thereto from gross income for federal or State income tax purposes. Furthermore, since the Leased Property serves an essential governmental purpose it is unlikely that a court would permit the exercise of the remedies of repossession and re-letting with respect to the Leased Property.

In the event of a default, there is no remedy of acceleration of the total Lease Payments due over the term of the Lease Agreement and the Trustee is not empowered to sell the Leased Property and use the proceeds of such sale to prepay the Certificates or pay debt service with respect thereto. The Board of Education will be liable only for Lease Payments on an annual basis and, in the event of a default, the Trustee would be required to seek a separate judgment each year for that year's defaulted Lease Payments. Any such suit for money damages would be subject to limitations on legal remedies against municipalities in 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.

Abatement

Under certain circumstances related to damage, destruction, condemnation or title defects which cause a substantial interference with the use and possession of the Leased Property, the Board of Education's obligation to make Lease Payments will be subject to full or partial abatement and could result in the Trustee having inadequate funds to pay the principal and interest with respect to the Certificates as and when due. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Abatement" and "APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Lease Agreement."

The Board of Education's ability to incur additional lease obligations under the Lease Agreement with respect to the Leased Property could adversely impact the Board of Education's ability to pay the Lease Payments in the event the Board of Education's obligation to make Lease Payments were subject to abatement in the future.

Property Taxes

Levy and Collection. The Board of Education does not have any independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Board of Education's share of local property tax revenues, and accordingly, could have an adverse impact on the ability of the Board of Education to make Lease Payments. Likewise, delinquencies in the payment of property taxes could have an adverse effect on the Board of Education's ability to pay principal and interest with respect to the Certificates when due. However, the Board of Education revenues are derived primarily from State and federal sources, not from property taxes,

Reduction in Inflationary Rate. Article XIIIA of the California Constitution provides that the full cash value base of real property used in determining assessed value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING BOARD OF EDUCATION REVENUES AND APPROPRIATIONS." Such measure is computed on a calendar year basis. Because Article XIIIA limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. Since Article XIIIA was approved, the annual adjustment for inflation has fallen below the 2% limitation four times: 1993-94 (1%); 1995-96 (1.19%); 1996-97 (1.11%); and 1999-00 (1.853%). The Board of Education is unable to predict if any adjustments to the full cash value base of real property within the Board of Education, whether an increase or a reduction, will be realized in the future.

Appeals of Assessed Values. There are two types of appeals of assessed values that could adversely impact property tax revenues:

> Proposition 8 Appeals. Most of the appeals that might be filed in the County would be based on Section 51 of the Revenue and Taxation Code, which requires that for each lien date the value of real property must be the lesser of its base year value annually adjusted by the inflation factor pursuant to Article XIIIA of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value.
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> Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. These market-driven appeals are known as Proposition 8 appeals.
>
> Any reduction in the assessment ultimately granted as a Proposition 8 appeal applies to the year for which application is made and during which the written application was filed. These reductions are often temporary and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA. However, current case law is uncertain as to whether or not property may be adjusted to its prior value at once or if adjustments may only be made subject to the 2% limitation. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING BOARD OF EDUCATION REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution."
>
> Base Year Appeals. A second type of assessment appeal is called a base year appeal, where the property owners challenge the original (basis) value of their property. Appeals for reduction in the "base year" value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change

of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

Property tax appeals in the future could reduce the Board of Education's property tax revenues, however, the majority of the Board of Education revenues are derived primarily from State and federal sources, not from property taxes.

Natural Calamities

General. Natural calamities, including, but not limited to, earthquake, flood, wildfire, extreme weather. or pipeline incident could occur in the County and impact the properties of the Board of Education, including the Leased Property. If any portion of the Leased Property is destroyed or rendered useless by an earthquake, flood, or other natural disaster, the Lease Payments may be abated which could result in the Trustee having inadequate funds to pay the principal and interest represented by the Certificates as and when due. Risks in the County include, but are not limited to, earthquake risk, flood and wildfire risk, as described below.

Earthquakes. There are numerous fault lines which are located in the County. As a result, the property in the County, including the Leased Property, is subject to possible structural damage in the event of an earthquake. The Board of Education cannot predict when or if a seismic event might occur, or if one occurs the impact it would have on the Leased Property or other operations of the Board of Education. The Board of Education is obligated under the Lease Agreement to maintain earthquake insurance on the Leased Property only if available at reasonable cost from reputable insurers in the reasonable opinion of the Board of Education. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Covenant to Maintain Property Insurance." The Board of Education does not currently maintain earthquake insurance on the Leased Property.

Flood and Wildfire Risk. The County is located in California's Central Valley and the Tulare Lake region. Flooding is a natural occurrence in this area because the Central Valley is a natural drainage basin for thousands of watershed acres of Sierra Nevada and Coast Range foothills and mountains. Two kinds of flooding can occur in the Central Valley: general rainfall floods occurring in the late fall and winter in the foothills and the valley floor; and snowmelt floods occurring the late spring and early summer. Most floods are produced by extended periods of precipitation during the winter months. Floods can also occur when large amounts of water (due to snowmelt) enter storage reservoirs, causing an increase in the amount of water that is released. The Board of Education cannot predict when or if a flooding event might occur, or if one occurs the impact it would have on the Leased Property or other operations of the Board of Education.

The risk of wildfire is highest in the foothills and mountainous regions of California. Tulare County is located in the Central Valley of California and includes national parklands, wilderness regions and the Sierra Nevada mountains to the east and the valley floor to the west. Wildfire risk increases under conditions of below average rainfall and snowfall, high temperatures and strong winds. Most of the locations constituting the Leased Property are in moderate fire hazard zones, although the area of Springville is located in a High Fire Hazard Severity Zone. The Board of Education cannot predict when or if a fire event might occur, or if one occurs the impact it would have on the Leased Property or other operations of the Board of Education. The Board of Education is obligated under the Lease Agreement to maintain fire insurance on the Leased Property. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Covenant to Maintain Property Insurance."

Limitations on Remedies; Bankruptcy

The rights of the owners of the Certificates are subject to the limitations on legal remedies against municipalities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Additionally, enforceability of the rights and remedies of the owners of the Certificates, and enforcement of the Board of Education's obligations under the Lease Agreement, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect, 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, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against cities in the State. Bankruptcy proceedings under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for public agencies such as the Board of Education, 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. See "–Default" above.

Board Finances Subject to Legislative Changes

The Board of Education receives a large portion of its revenues from State sources. The implementation of the LCFF in the State's 2013-14 Budget is an example of how legislation may change the State's education funding model and as a result the amount of revenues available to local agencies, such as the Board of Education. While the Board of Education does not anticipate a negative impact on its finances as a result of the LCFF in the short term, it cannot guarantee that economic challenges in future years or other legislative or budgetary cut-backs will not require the State to reduce education funding or revise the funding model which could have a negative impact on the Board of Education's general fund, and therefore the Board's ability to make Lease Payments.

Risks Associated with Bond Insurer

Purchasers of the Certificates should note that, while the Policy will insure payment of the principal amount (but not any premium) paid to any owner of the Certificates in connection with the mandatory or optional prepayment of any Certificate which is recovered from such owner as a voidable preference under applicable bankruptcy law, such amounts will be repaid by the Insurer to the Owner only at the times and in the amounts as would have been due absent such prepayment unless the Insurer chooses to pay such amount at an earlier date or dates.

So long as the Insurer performs its obligations under the Policy, the Insurer shall be deemed to be the sole holder of the Certificates insured by it for the purpose of exercising any voting right or privilege or giving any consent of direction or taking any other action that the Owners of such Certificates are entitled to take pursuant to the Indenture pertaining to defaults and remedies, and the duties and obligations of the Trustee.

In the event that the Insurer is unable to make payments of principal of and interest with respect to the Certificates as such payments become due, the Certificates are payable solely from moneys received by the Trustee pursuant to the Trust Agreement.

In the event that the Insurer is required to pay principal of or interest with respect to the Certificates, no representation or assurance is given or can be made that such event will not adversely affect the market price for or marketability of the Certificates.

The long-term ratings on the Certificates are dependent, in part, on the claims paying ability or financial strength ratings, as applicable, of the Insurer. The Insurer's current claims paying ability or financial strength ratings are predicated upon a number of factors which could change over time and could result in downgrading of the ratings on the Certificates insured by the Insurer. Such a downgrade could adversely affect the market price for, and marketability of, the Certificates. The Insurer is not contractually bound to maintain its present claims paying ability or financial strength ratings in the future. See "RATINGS" herein.

The Insurer's obligation under the Policy is a general obligation of the Insurer. Default by the Insurer may result in insufficient funds being available to pay the principal of and interest with respect to the Certificates. In such event, the remedies available to the applicable Trustee may be limited by, among other things, certain risks related to bankruptcy proceedings, and may also have been altered prior to a default by the Insurer, which has the right, acting with the Trustee, without Owner consent, to amend the applicable provisions of the Indenture governing defaults and remedies and to direct the Trustee to direct remedies with respect to such obligation. The Policy does not insure the payment of redemption premiums.

Recent developments which have been the subject of substantial discussion in the financial press and which affect the bond insurance business, including that of the Insurer, have had a serious adverse effect on the financial condition of a number of bond insurers, weakening their credit status as reflected in their credit ratings. Therefore, when making an investment decision on the Certificates a prospective Owner should look to the ability of the Board of Education to pay the Lease Payments which secure the Certificates and not solely to the Insurer's ability to pay claims under the Policy.

No review of the business or affairs of the Insurer has been conducted by the Board of Education in connection with the offering of the Certificates. No assurance can be given by the Board of Education as to the Insurer's ability to pay claims under the Policy. See "BOND INSURANCE" herein and "APPENDIX H" hereto for further information concerning the Insurer and the Policy, including instructions for obtaining certain financial information concerning the Insurer.

Secondary Market for Certificates

There can be no guarantee that there will be a secondary market for the Certificates or, if a secondary market exists, that any Certificates can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

TAX MATTERS

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, subject, however to the qualifications set forth below, under existing law, the portion of lease payments designated as and comprising interest and received by the Owners of the Certificates is not excluded from gross income for federal income tax purposes. However, in the opinion of Jones Hall, A Professional Law Corporation, Special Counsel, San Francisco, California, the portion of lease payments designated as and comprising interest and received by the owners of the Certificates is exempt from California personal income taxes.

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

Owners of the Certificates should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Certificates may have federal or state tax consequences other than as described above. Special Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Certificates other than as expressly described above, including any federal tax consequences arising with respect to the ownership, sale or disposition of the Certificates, or the amount, accrual or receipt of interest on the Certificates.

Current and future legislative proposals, if enacted into law, clarification of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") or court decisions may cause interest with respect to the Certificates to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, or court decisions may also affect the market price for, or marketability of, the Certificates. Prospective purchasers of the Certificates should consult their own tax advisors regarding any pending or proposed state tax legislation, regulations or litigation, as to which Special Counsel expresses no opinion.

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NO LITIGATION

To the best knowledge of the Board of Education, there is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending and notice of which has been served on and received by the Board of Education or, to the knowledge of the Board of Education, threatened against or affecting the Board of Education or the assets, properties or operations of the Board of Education which, if determined adversely to the Board of Education or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of the Lease Agreement, the Site Lease or the Trust Agreement, or upon the financial condition, assets, properties or operations of the Board of Education, and the Board of Education is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially adversely affect the consummation of the transactions contemplated by the Lease Agreement, the Site Lease or the Trust Agreement, or the financial conditions, assets, properties or operations of the Board of Education, including but not limited to the payment and performance of the Board of Education's obligations under the Lease Agreement.

RATINGS

Standard & Poor's Ratings Services ("**S&P**") has assigned its municipal bond rating of "AA" to the Certificates with the understanding that upon delivery of the Certificates, a bond insurance policy insuring the payment when due of the principal and interest represented by the Certificates will be issued by the Insurer. In addition, S&P has assigned an underlying municipal bond rating of "A+" to the Certificates. Such ratings reflect only the views of S&P and an explanation of the significance of such ratings may be obtained from S&P. There is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by S&P, if in its judgment 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 being purchased by O'Connor & Company Securities, Inc. (the "**Underwriter**"). The Underwriter has agreed to purchase the Certificates at a price of $________ (which price is equal to the aggregate principal amount of the Certificates, less a net original issue discount of $_______ and less an Underwriter's discount of $_______). The Purchase Contract pursuant to which the Underwriter has agreed to purchase the Certificates provides that the Underwriter will purchase all of the Certificates if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Purchase Contract, including the approval of certain legal matters by counsel and certain other conditions.

The Underwriter intends to offer the Certificates to the public at the offering prices set forth on the cover page of this Official Statement. The Underwriter may offer and sell to certain dealers and others at a price lower than the offering prices stated on the cover page hereof. The offering price may be changed from time to time by the Underwriter.

CONTINUING DISCLOSURE

The Board of Education has covenanted in the Continuing Disclosure Certificate, for the benefit of the holders and Owners of the Certificates, to provide certain financial information and operating data relating to the Board of Education no later than nine months following the end of the Board of Education's Fiscal Year (which would be no later than March 31 following the Board of Education's fiscal year ending on June 30) (the **"Annual Report"**), commencing with the report of Fiscal Year ending June 30, 2020, and to provide notices of the occurrence of certain enumerated events. The Annual Report and other notices will be filed by the Board of Education with the Municipal Securities Rulemaking Board.

The Board of Education entered into a continuing disclosure undertaking with respect to the 2013 Certificates. During the past five years, the District has complied with its filing obligations thereunder.

The specific nature of the information to be contained in the Annual Report and the notice of material events is set forth in "APPENDIX E - FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934, as amended (the **"Rule"**). The Board of Education has made no prior undertakings under the Rule.

PROFESSIONAL SERVICES

In connection with the execution and delivery of the Certificates, fees payable to the following professionals involved in the offering are contingent upon the execution and delivery of the Certificates: Jones Hall, A Professional Law Corporation, as Special Counsel and Disclosure Counsel; Isom Advisors, a Division of Urban Futures, Inc., as Financial Advisor; Dannis Woliver Kelley, as Underwriter's Counsel; and Wilmington Trust, National Association, as Trustee.

EXECUTION

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

TULARE COUNTY BOARD OF EDUCATION

By: ________________________________

Superintendent of Schools

APPENDIX A

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

DEFINED TERMS

The following terms have the following meanings, notwithstanding that any such terms may be elsewhere defined in this Official Statement. Any terms not expressly defined in this Summary but previously defined in this Official Statement have the respective meanings previously given.

"Additional Rental Payments" means the amounts payable by the Board pursuant to the Lease.

"Assignment Agreement" means the Assignment Agreement, dated as of November 1, 2019, by and between the Corporation as assignor and the Trustee as assignee, as originally executed or as thereafter amended pursuant to any duly authorized and executed amendments thereto.

"Board" means the Tulare County Board of Education, a county board of education duly organized and existing under the Constitution and laws of the State of California.

"Board Representative" means the County Superintendent of Schools, the Director, Internal Business Services, or any other person authorized to act on behalf of the Board under or with respect to the Trust Agreement by resolution of the Board of Trustees of the Board delivered to the Trustee.

"Bond Insurance Policy" or "Insurance Policy" means the insurance policy issued by the Bond Insurer guaranteeing the scheduled payment of principal and interest with respect to the Certificates when due.

"Bond Insurer" or "BAM" means Build America Mutual Assurance Company, or any successor thereto or assignee thereof.

"Business Day" means a day other than a Saturday, Sunday or legal holiday, on which banking institutions in the State of California, or in any state in which the Office of the Trustee is located, are not closed for corporate trust business.

"Certificates" means the 2019 Refunding Certificates of Participation, executed and delivered pursuant to the Trust Agreement.

"Certificate Year" means each period from November 2 to November 1 of the following calendar year except that the first certificate year will commence on the Closing Date and the last certificate year will end on the date of payment of the Lease Payments in full.

"Closing Date" means the day when the Certificates, duly executed by the Trustee, are delivered to the Underwriter.

"Continuing Disclosure Certificate" shall mean that certain Continuing Disclosure Certificate executed by the Board and dated the date of execution and delivery of the Certificates, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Corporation" means the Local Facilities Finance Corporation, a nonprofit corporation duly organized and existing under the Nonprofit Public Benefit Corporation Law of the State of California.

"Corporation Representative" means the President, Vice President, Treasurer, Secretary, Executive Director, or Assistant Treasurer of the Corporation, or any other person authorized to act on behalf of the Corporation under or with respect to the Trust Agreement by resolution of the Board of Directors of the Corporation delivered to the Trustee.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Board or the Corporation relating to the execution and delivery of the Lease Agreement or the execution, sale and delivery of the Certificates, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee (which shall include legal fees and the first annual administration fee of the Trustee), financing discounts, legal fees and charges, insurance fees and charges, financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Certificates and charges and fees in connection with the foregoing.

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

"Defeasance Obligations" means (a) cash, or (b) Federal Securities.

"Escrow Bank" means Wilmington Trust, National Association, as escrow bank under the Escrow Agreement, with respect to the 2013 Certificates.

"Escrow Agreement" means the Escrow Deposit Agreement, dated the Closing Date, by and between the Board and the Escrow Bank relating to the prepayment of the 2013 Certificates.

"Event of Default" means an event of default under the Lease Agreement.

"Facilities" means the buildings located on the real property described in Exhibit A to the Lease Agreement.

"Federal Securities" means: (1) non-callable direct obligations of the United States of America ("Treasuries"), and (2) securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, or as otherwise may be authorized under State law and approved by the Bond Insurer.

"Fiscal Year" means the twelve-month period beginning on July 1 of any year and ending on June 30 of the next succeeding year, or any other twelve-month period by the Board as its fiscal year pursuant to written notice filed with the Trustee.

"Hazardous Substances" means any substances, pollutants, wastes and contaminants now or hereafter included in such (or any similar) term under any federal, state or local state ordinance, code or regulation now existing or hereafter enacted or amended.

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

"Interest Payment Date" means, with respect to any Certificate, May 1, 2020, and the first day of each May and November thereafter to and including the date of maturity or prepayment of such Certificate.

"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 the City of 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 Bond Insurer, in its sole and absolute discretion, shall designate. Interest at the Late Payment Rate on any amount owing to the Bond Insurer shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

"Lease" or "Lease Agreement" means the Lease Agreement, dated as of November 1, 2019, by and between the Corporation as lessor and the Board as lessee, as originally executed or as thereafter amended pursuant to any duly authorized and executed amendments thereto.

"Leased Property" means certain real property constituting the Board's Jim Vidak Education Center, the Planetarium and the Doe Avenue Complex, more particularly described in Exhibit B to the Lease Agreement.

"Lease Payment Date" means, with respect to any Interest Payment Date, the fifteenth (15th) calendar day of the month immediately preceding such Interest Payment Date.

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

"Lease Payments" means all payments required to be paid by the Board pursuant to the Lease Agreement, including any prepayment thereof pursuant to Article IX of the Lease Agreement.

"Moody's" means Moody's Investors Service, Inc., and its successors and assigns.

"Net Proceeds" means an insurance proceeds or eminent domain award (including any proceeds of sale to a governmental entity under threat of the exercise of eminent domain powers), paid with respect to the Project, to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

"Office" means the corporate trust office of the Trustee at which at any particular time its corporate trust business shall be principally administered, or such other office designated by the Trustee from time to time.

“Outstanding”, when used as of any particular time with respect to Certificates, means (subject to the Trust Agreement) all Certificates theretofore executed and delivered by the Trustee hereunder except (a) Certificates theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Certificates for the payment or prepayment of which funds or Federal Securities in a sufficient amount shall have theretofore been deposited with the Trustee (whether upon or prior to the maturity or prepayment date of such Certificates), provided that, if such Certificates are to be prepaid prior to maturity, notice of such prepayment shall have been given as provided in the Trust Agreement or provision satisfactory to the Trustee shall have been made for the giving of such notice; and (c) Certificates in lieu of or in exchange for which other Certificates shall have been executed and delivered by the Trustee pursuant to the Trust Agreement.

Notwithstanding anything in the Trust Agreement to the contrary, in the event that the principal and/or interest due with respect to the Certificates shall be paid by the Bond Insurer pursuant to the Insurance Policy, the Certificates shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Board, and the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the Board to the registered Owners shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such registered Owners.

“Owner”, when used with respect to a Certificate, means the person in whose name the ownership of such Certificate shall be registered on the Registration Books.

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

“Permitted Encumbrances” means, as of any time: (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the Board may permit to remain unpaid pursuant to Article V; (b) the Site Lease, the Lease Agreement, the Assignment Agreement, and any other agreement or document contemplated hereunder to be recorded against the Leased Property; (c) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (d) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record and which the Board certifies in writing will not materially impair the use of the Leased Property for its intended purposes, and (e) easements, rights of way, mineral rights, reservations, covenants, conditions or restriction established following the date of recordation of the Lease Agreement and to which the Corporation, the Bond Insurer and the Board agree in writing consent in writing do not reduce the value of the Leased Property.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein (provided that the Trustee shall be entitled to rely upon any investment directions from the Office as conclusive certification to the Trustee that the investments described therein are so authorized under the laws of the State of California):

(a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), for which the full faith and credit of the United States of America are pledged.

(b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.

(c) Any direct or indirect obligations of an agency or department of the United States of America whose obligations represent the full faith and credit of the United States of America, or which are rated A or better by S&P.

(d) Interest-bearing deposit accounts (including certificates of deposit) in federal or State chartered savings and loan associations or in federal or State of California banks (including the Trustee and its affiliates), provided that: (i) the unsecured obligations of such commercial bank or savings and loan association are rated A or better by S&P; or (ii) such deposits are fully insured by the Federal Deposit Insurance Corporation.

(e) Commercial paper rated at the time of purchase “A-1+” or better by S&P.

(f) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating of “A-1+” or better by S&P.

(g) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least AAAm-G, AAAm or AAm, including such funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services or for which the Trustee or an affiliate of the Trustee serves as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (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.

(h) Obligations the interest on which is excludable from gross income pursuant to Section 103 of the Tax Code and which are either (a) rated A or better by S&P, or (b) fully secured as to the payment of principal and interest by Permitted Investments described in clauses (a) or (b).

(i) Bonds or notes issued by any state or municipality which are rated A or better by S&P.

(k) Any investment agreement, in form and substance acceptable to the Bond Insurer, with, or guaranteed by, a financial institution the long-term unsecured obligations or the claims paying ability of which are rated “A-“ or better by S&P and “A3” or better by Moody’s at the time of initial investment and acceptable to the Bond Insurer, by the terms of which all amounts invested thereunder are required to be withdrawn and paid to the Trustee without penalty or termination fee in the event either of such ratings at any time falls below “A-“ by S&P or “A-3” by Moody’s.

(l) The Local Agency Investment Fund of the State of California, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

“Record Date” means the close of business on the fifteenth (15th) day of the month preceding each Interest Payment Date, whether or not such fifteenth (15th) day is a Business Day.

“Registration Books” means the records maintained by the Trustee for registration of the ownership and transfer of ownership of the Certificates.

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

“Reserve Policy” means the Reserve Account Municipal Bond Insurance Policy issued by the Bond Insurer guaranteeing certain payments into the Reserve Fund with respect to the Certificates as provided therein and subject to the limitations set forth therein.

"Reserve Requirement" means, as of the date of calculation thereof by the Board, an amount equal to the lesser of (a) 10% of the original principal amount of the Certificates, or (b) the maximum amount of Lease Payments (excluding Lease Payments with respect to which the Board shall have posted a security deposit pursuant the Lease Agreement) coming due in the current or any future Certificate Year, or (c) 125% of average annual Lease Payments. The Reserve Requirement as of the Closing Date $________. On the Closing Date, the Reserve Policy will be credited to the Reserve Fund in satisfaction of the Reserve Requirement.

"S&P" means S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, and its successors and assigns.

"Securities Depositories" means The Depository Trust Company, 55 Water Street, 50th Floor, New York, NY, 10047-0099, Attention: Call Notification Department, Fax (212) 855-7232; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Board may designate in a written request of the Board delivered to the Trustee.

“Site Lease” means the Site Lease, dated as of November 1, 2019, by and between the Board as lessor and the Corporation as lessee of the Leased Property, as originally executed or as thereafter amended pursuant to any duly authorized and executed amendments thereto.

“Site Lease Payment” means the payment in the amount of $________ which is due and payable under the Site Lease as the rental for the Leased Property.

“Special Counsel” means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys of nationally recognized expertise with respect to legal matters relating to obligations the interest on which is excludable from gross income pursuant to Section 103 of the Tax Code.

"Trust Agreement" means the Trust Agreement dated as of November 1, 2019, by and among the Trustee, the Corporation and the Board, together with any duly authorized and executed amendments thereto.

"Trustee" means Wilmington Trust, National Association, or any successor thereto acting as Trustee pursuant to the Trust Agreement.

"2013 Certificates" means the Certificates of Participation (2013 Capital Improvement Projects) executed and delivered in the aggregate principal amount of $39,000,000 and evidencing the direct, undivided fractional interests in the 2013 Lease Payments.

"2013 Lease" means the Lease Agreement dated as of September 1, 2013, between the Corporation, as sublessor, and the Board, as sublessee.

"2013 Lease Payments" means the lease payments by the Board to the Corporation pursuant to the 2013 Lease.

"2013 Site Lease" means the Site Lease dated as of September 1, 2013, between the Board, as lessor, and the Corporation, as lessee.

"2013 Trust Agreement" means the Trust Agreement dated as of September 1, 2013, among the Trustee, the Corporation and the Board.

"Underwriter" means O'Connor & Company Securities, Inc., as Underwriter of the Certificates.

SITE LEASE

Under the Site Lease, the Board leases the Leased Property to the Corporation, and the Corporation leases the Leased Property from the Board, upon the terms and conditions set forth in the Site Lease. The term of the Site Lease commences on November 1, 2019. The Site Lease shall end, and the right of the Corporation to possession of the Leased Property shall thereupon cease, on May 1, 2043 or such earlier or later date on which the Lease Payments (as such term is defined in the Lease Agreement, dated as of November 1, 2019, between the Board and the Corporation) are paid in full or provisions made for such payment (except that the term hereof shall not extend beyond May 1, 2043).

The Corporation agrees to pay to the Board, as rental for the use and occupancy of the Leased Property during the term of the Site Lease, the sum of $_________ which is due and payable upon execution and delivery of the Site Lease. No further amounts are due and payable by the Board as rental for the Leased Property under the Site Lease.

LEASE AGREEMENT

Lease of Leased Property; Term

The Corporation subleases the Leased Property back to the Board pursuant to the Lease Agreement. The Lease Agreement commences on November 1, 2019 and shall end May 1, 2043 or such earlier or later date on which the Trust Agreement shall be discharged pursuant to and in accordance with the Lease Agreement, but under any circumstances not later than November 1, 2053.

Substitution of Leased Property

The Board shall have, upon the prior written consent of the Bond Insurer, and is granted, the option at any time and from time to time during the Term of the Lease, to substitute other land, facilities, improvements or other property (a "Substitute Site") for the Leased Property or any portion thereof (a "Former Site"), provided that the Board shall satisfy all of the following requirements which are hereby declared to be conditions precedent to such substitution:

(a) No Event of Default has occurred and is continuing;

(b) The Board shall take all actions and shall execute all documents required to subject such Substitute Site to the terms and provisions of the Lease, including the filing with the Corporation, the Trustee and the Bond Insurer an amended Exhibit A of the Lease and an amended Exhibit B of the Lease, which adds thereto a description of such Substitute Site and deletes therefrom the description of such Former Site;

(c) The Board shall deliver to the Corporation, the Trustee and the Bond Insurer an appraisal or other written documentation which establishes that the estimated value and the fair rental value of the Substitute Site are at least equal to the estimated value and fair rental value, respectively, of the Former Site, and that the useful life of the Substitute Site at least equals the lesser of the (i) the useful life of the Former Site, or (ii) the final Lease Payment Date of the Lease Payments;

(d) The Board shall certify in writing to the Corporation, the Trustee and the Bond Insurer that such Substitute Site serves the educational purposes of the Board and constitutes property which the Board is permitted to lease under the laws of the State of California and has been determined to be essential to the proper, efficient and economic operation of the Board and to serve an essential governmental function of the Board;

(e) The Board has mailed written notice of such substitution to each rating agency which then maintains a rating on the Certificates;

(f) The Board shall obtain a policy of title insurance meeting the requirements of Section 5.6 with respect to such Substitute Site; and

(g) The Board shall certify in writing to the Corporation, the Trustee and the Bond Insurer that the Substitute Site shall not cause the Board to violate any of its covenants, representations and warranties made in the Lease Agreement or in the Trust Agreement.

From and after the date on which all of the foregoing conditions precedent to such substitution are satisfied, the Term of the Lease shall cease with respect to the Former Site and shall be continued with respect to the Substitute Site, and all references in the Lease Agreement to the Former Site shall apply with full force and effect to the Substitute Site. The Board shall not be entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such substitution.

Lease Payments; Abatement

The Board agrees to pay semiannual Lease Payments, subject to abatement as described below, as the rental for the use and occupancy of the Leased Property. On each Lease Payment Date, the Board is obligated to deposit with the Trustee the full amount of the Lease Payments coming due and payable on the next Interest Payment Date, to the extent required to be paid by the Board under the Lease Agreement. Any amount on deposit in the Lease Payment Fund on any Lease Payment Date is required to be credited towards the payment then required to be deposited by the Board with the Trustee.

In the event a Lease Payment is not paid when due, and the Trustee draws on the Reserve Policy to insure timely payment of the Lease Payments to the Owners of the Certificates, the Board shall continue to be obligated to pay such Lease Payment, which shall be applied by the Trustee, when paid by the Board and received by the Trustee, to reimburse the Bond Insurer for the draw on the Reserve Policy, in accordance with the Trust Agreement.

The Board agrees to take such actions as may be necessary to include all Lease Payments and Additional Rental Payments required to be paid by it under the Lease Agreement in its annual budgets and to appropriate such Lease Payments and Additional Rental Payments in each Fiscal Year during the term of the Lease Agreement.

The Lease Payments will be abated under the Lease Agreement during any period in which due to damage or destruction of the Leased Property in whole or in part, or due to taking in eminent domain proceedings of the Leased Property in whole or in part, there is substantial interference with the Board's use and occupancy of all or any portion thereof. The parties to the Lease Agreement have agreed that the amount of Lease Payments under such circumstances shall not be less than the amount of the Lease Payments required to pay principal and interest with respect to the Certificates, as scheduled, unless such unpaid amounts are determined to be greater than the fair rental value of the portions of the Leased Property not damaged or destroyed, based on the opinion of an MAI appraiser with expertise in valuing such properties or other appropriate method of valuation, in which event the Lease Payments shall be abated such that they represent said fair rental value. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Lease Agreement shall continue in full force and effect and the Board waives any right to terminate the Lease Agreement by virtue of any such damage and destruction. There is to be no abatement of Lease Payments to the extent that the net proceeds of hazard insurance, rental interruption insurance and amounts in the Reserve Fund are available to pay Lease Payments. In the event of such abatement, the Board will have no obligation to pay abated Lease Payments and there is no remedy available to Certificate owners arising from such abatement.

Additional Rental Payments

In addition to the Lease Payments, the Board shall pay when due all costs and expenses incurred by the Corporation to comply with the provisions of the Trust Agreement, including without limitation all Costs of Issuance (to the extent not paid from amounts on deposit in the Costs of Issuance Fund), annual compensation due to the Trustee, all of its reasonable costs payable as a result of the performance of and compliance with its duties under the Trust Agreement and all other amounts due to the Trustee or the Bond Insurer pursuant to the Trust Agreement, all amounts required to restore or replenish the Reserve Fund to the Reserve Requirement, the Bond Insurance Policy or the Reserve Policy, and all costs and expenses of attorneys, auditors, engineers and accountants.

Title

At all times during the term of the Lease Agreement, the Board will hold fee title to the Leased Property, subject to the provisions of the Site Lease and other Permitted Encumbrances. Any sale, substitution, release, transfer, lease, assignment mortgage or encumbrance with respect to the Leased Property is subject to the prior written consent of the Bond Insurer.

The Board will, on an ongoing basis, execute and deliver all documents and make or cause to be made all filings and recordings necessary or desirable in order to perfect, preserve and protect the interest of the Trustee in the Leased Property to the extent possible under applicable law.

Upon the termination of the Lease, all right, title and interest of the Corporation in and to the Leased Property will be transferred to and vested in the Board. Upon the payment in full of all Lease Payments allocable to the Leased Property and the full payment of all amounts due and payable to the Bond Insurer in connection with the Insurance Policy and the Reserve Policy, or upon the deposit by the Board of security for such Lease Payments as provided the defeasance provisions of the Lease and the full payment of all amounts due and payable to the Bond Insurer in connection with the Insurance Policy and the Reserve Policy, all right, title and interest of the Corporation in and to the Leased Property will be transferred to and vested in the Board. The Corporation has agreed to take any and all steps and execute and record any and all documents reasonably required by the Board to consummate any such transfer of title.

Maintenance, Utilities, Taxes and Modifications

All improvement, repair and maintenance of the Leased Property is the responsibility of the Board, and the Board will pay for or otherwise arrange for the payment of all utility services supplied to the Leased Property, and will 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 Board or any assignee or sublessee. The Board will also pay all taxes and assessments of any type or nature, if any, charged to the Corporation or the Board affecting the Leased Property or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Board will be obligated to pay only such installments as are required to be paid during the Term of the Lease Agreement as and when the same become due.

Insurance

The Lease Agreement requires the Board to maintain or cause to be maintained the following insurance against risk of physical damage to the Leased Property and other risks for the protection of the Certificate Owners, the Corporation and the Trustee:

Public Liability and Property Damage Insurance. The Board shall maintain or cause to be maintained throughout the Term of the Lease Agreement, a standard comprehensive general insurance policy or policies in protection of the Corporation, Board, and their respective members, officers, agents, employees and assigns. 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 operation of the Facilities. Such 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 (subject to a deductible of not to exceed $250,000), and in a minimum amount of $150,000 (subject to a deductible of not to exceed $50,000) for damage to property resulting from each accident or event. Such insurance may, however, be in the form of a single limit policy in the amount of $3,000,000 covering all such risks, subject to a deductible of not to exceed $250,000. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the Board, and may be maintained in whole or in part in the form of the participation by the Board in a joint powers agency or other program providing pooled insurance. The Net Proceeds of such liability insurance shall be applied by the Board toward extinguishment or satisfaction of the liability with respect to which paid.

Fire and Extended Coverage Insurance. The Board shall procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease Agreement, insurance against loss or damage to any Facilities leased hereunder by fire and lightning, with extended coverage and vandalism and malicious mischief insurance. Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in an aggregate amount at least equal to the greatest of (a) one hundred percent (100%) of the replacement cost of the Facilities insured thereunder, or (b) the aggregate principal amount of the Outstanding Certificates. All policies of such insurance may be subject to deductible clauses of not to exceed $100,000 for any one loss. The Net Proceeds of such insurance shall be applied as provided in the Lease Agreement. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the Board, and may be maintained in whole or in part in the form of self-insurance by the Board, subject to the Lease Agreement, or in the form of the participation by the Board in a joint powers agency or other program providing pooled insurance.

Rental Interruption Insurance. The Board must maintain, throughout the term of the Lease Agreement, rental interruption or use and occupancy insurance to cover loss, total or partial, in an amount at least equal to the maximum Lease Payments in any 24-month period during the term of the Lease Agreement. With the prior written consent of the Bond Insurer, such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the Board. The Net Proceeds of such insurance shall be paid to the Trustee and deposited in the Lease Payment Fund, and shall be credited towards the payment of the Lease Payments as the same become due and payable, or to the extent there has been a draw on the Reserve Policy, to reimburse the Bond Insurer for amounts due under the Trust Agreement as a result of a draw on the Reserve Policy.

Title Insurance. The Board will obtain a title insurance policy insuring the Board's leasehold estate in the Leased Property, subject only to Permitted Encumbrances, in an amount at least equal to the aggregate principal amount of the Certificates. All Net Proceeds received under any such title insurance policy will be deposited with the Trustee in the Lease Payment Fund and will be credited towards the prepayment of the remaining Lease Payments pursuant to the Lease Agreement. A copy of such policy shall be delivered to the Bond Insurer.

Each policy of insurance required by the Lease Agreement shall name the Trustee as loss payee so as to provide that all proceeds thereunder shall be payable to the Trustee. The Board shall pay or cause to be paid when due the premiums for all insurance policies required by the Lease Agreement. All such policies shall provide that the Trustee shall be given thirty (30) days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby. Unless waived by the Bond Insurer, insurance must be provided by an insurer rated “A” or better by S&P. The Trustee shall not be responsible for the sufficiency of any insurance required and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss.

In the event that any insurance shall be provided in the form of self-insurance, the Board shall file with the Trustee and the Bond Insurer annually, within 90 days following the close of each Fiscal Year, but no later than October 1 of each year, a statement of the risk manager of the Board or an independent insurance adviser engaged by the Board identifying the extent of such self-insurance and stating the determination that the Board maintains sufficient reserves with respect thereto. In the event that any such insurance shall be provided in the form of self-insurance by the Board, the Board shall not be obligated to make any payment with respect to any insured event except from such reserves.

Assignment; Subleases

The Corporation has assigned certain of its rights under the Lease Agreement to the Trustee pursuant to the Assignment Agreement. The Board may not assign any of its rights in the Lease Agreement, and may sublease all or a portion of the Leased Property only with the prior written consent of the Bond Insurer, and only under the conditions contained in the Lease Agreement, including the condition that such sublease not cause the interest component of the Lease Payments to become subject to federal or State of California personal income taxes.

Amendment of Lease

The Corporation and the Board may at any time amend or modify any of the provisions of the Lease Agreement but only (a) with the prior written consent of the Bond Insurer and the Owners of a majority in aggregate principal amount of the Outstanding Certificates; or (b) with the consent of the Bond Insurer, but without the consent of the Trustee or any of the Certificate Owners, but only if such amendment or modification is for any one or more of the following purposes:

(i) to amend the description of the Leased Property to reflect accurately the property originally intended to be included therein, or in connection with any substitution of the Leased Property pursuant to the Lease Agreement; or

(ii) to obligate the Board to pay additional amounts of rental for the use and occupancy of the Leased Property, provided that (A) such additional amounts of rental do not cause the total rental payments made by the Board to exceed the fair rental value of the Leased Property, (B) the Board has obtained an appraisal of the Leased Property showing that the estimated fair market value thereof is not less than the aggregate unpaid principal components of the Lease Payments and the aggregate principal components of such additional amounts of rental, (C) to the extent the Leased Property will be expanded or remodeled with the proceeds of certificates of participation representing the right to receive such additional rental payments, such certificates shall be subordinate to the Certificates until the construction of such expansion or remodeling of the Leased Property is completed, and (D) such additional amounts of rental are pledged or assigned for the payment of any bonds, notes, leases or other obligations the proceeds of which shall be applied to finance the construction or acquisition of land, facilities or other improvements which are authorized pursuant to the Education Code of the State of California.

(iii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision, or in any other respect whatsoever as the Corporation and the Board may deem necessary or desirable, provided that, in the opinion of Special Counsel, such modifications or amendments do not materially adversely affect the interests of the Owners of the Certificates;

(iv) to grant or confer upon the Owners of the Certificates any additional rights, remedies, powers authority or security that may lawfully be granted to or conferred upon the Owners of the Certificates;

(v) to add to the conditions, limitations and restrictions on the execution and delivery of the Certificates contained in the Lease, other covenants and agreements thereafter to be observed; or

(vi) to add to the covenants and agreements of the Board contained in the Lease Agreement, other covenants and agreements to be observed, or to limit or surrender any rights or power reserved to or conferred upon the Board, or

No amendment to the Lease Agreement shall modify any of the rights or obligations of the Trustee without its prior written consent.

Events of Default

Each of the following constitutes an event of default under the Lease Agreement:

(a) Failure by the Board to pay any Lease Payment or other payment required to be paid under the Lease Agreement at the time specified in the Lease Agreement.

(b) Failure by the Board to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in the preceding clause (a), for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the Board by the Corporation, the Bond Insurer or the Trustee; *provided, however*, that if in the reasonable opinion of the Board the failure stated in the notice can be corrected, but not within such 30 day period, such failure will not constitute an Event of Default if the consent of the Bond Insurer is obtained and the Board commences to cure such failure within such 30 day period and thereafter diligently and in good faith cures such failure in a reasonable period of time.

(c) Certain events relating to the insolvency or bankruptcy of the Board.

Remedies on Default

Whenever any Event of Default shall have happened and be continuing, it shall be lawful for the Corporation to exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement and the Trustee, acting at the direction of the Bond Insurer, shall have the right to re-enter and re-let the Leased Property and to terminate the Lease; *provided, however*, that 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 or to re-lease the Leased Property to any party other than the Board. The provisions of the Lease Agreement and the duties of the Board and of its board, officers or employees shall be enforceable by the Corporation or its assignee by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. So long as the Policy is in effect and the Bond Insurer is not in default in respect of its payment obligations thereunder, the Bond Insurer is entitled to direct and control the enforcement of all remedies granted under the Site Lease, the Lease and the Trust Agreement.

The Trustee has no right to accelerate Lease Payments and, due to the governmental nature of the Leased Property, it is uncertain whether a court would permit the exercise of the remedies of re-entry, repossession or re-letting.

TRUST AGREEMENT

Trustee

The Trustee is appointed pursuant to the Trust Agreement and is authorized to prepare, execute and deliver the Certificates thereunder, and to act as a depository of amounts held thereunder. The Trustee is required to make deposits into and withdrawals from funds, and invest amounts held under the Trust Agreement in accordance with the Board's instructions.

Funds

The Trust Agreement creates the Lease Payment Fund, the Costs of Issuance fund, the Reserve Fund and the Insurance and Condemnation Fund to be held in trust by the Trustee.

<u>Lease Payment Fund</u>. There will be deposited in the Lease Payment Fund, when received by the Trustee, all Lease Payments and prepayments thereof, and any other amounts required to be deposited therein pursuant to the Trust Agreement or the Lease Agreement. Moneys on deposit in the Lease Payment Fund will be used to pay principal and interest and premium (if any) represented by the Certificates. Any earnings on investment of moneys in the Lease Payment Fund will remain therein and will be credited towards payment of the next Lease Payments. Any surplus remaining in the Lease Payment Fund after the payment of all Certificates, or provision for their payment has been made, will be paid to the Board.

<u>Costs of Issuance Fund</u>. The Trustee shall establish the Costs of Issuance Fund, into which shall be deposited amounts sufficient to pay Costs of Issuance. Funds will be disbursed from the Costs of Issuance upon receipt of a requisition of a Board Representative meeting the requirements set forth in the Trust Agreement.

Reserve Fund. The Trustee will establish a special fund designated as the "Reserve Fund" to be held by the Trustee in trust for the benefit of the Board and the Owners of the Certificates, and applied solely as provided in the Trust Agreement. Moneys in the Reserve Fund shall be held in trust as a reserve for the payment when due of the Lease Payments on behalf of the Board.

In the event the Reserve Fund is at any time maintained in cash rather than in the form of the Reserve Policy, the Trustee will retain in the Reserve Fund all earnings on the investment of amounts therein to the extent required to maintain the full amount of the Reserve Requirement on deposit in the Reserve Fund. All amounts on deposit in the Reserve Fund in excess of the Reserve Requirement, and all amounts derived from the investment of amounts in the Reserve Fund which are not required to be retained therein to maintain the Reserve Requirement, shall be transferred by the Trustee to the Lease Payment Fund semiannually on or before each Lease Payment Date. Any recomputation of the Reserve Requirement shall be made by or on behalf of the Board, and shall become effective upon the filing by the Board with the Trustee of written notice thereof.

Initially, the Reserve Requirement shall be satisfied by the credit to the Reserve Fund of the Reserve Policy, the terms of which are set forth in the Trust Agreement. The deposit of any Reserve Policy to the Reserve Fund shall be subject to the prior written consent of the Bond Insurer.

If five (5) Business Days prior to any Interest Payment Date the moneys available in the Lease Payment Fund do not equal the amount of the Lease Payment then coming due and payable, the Trustee shall apply the moneys available in the Reserve Fund to make such payments on behalf of the Board by transferring the amount necessary for the purpose to the Lease Payment Fund.

Reserve Policy. The agreements of the Board, the Corporation and the Bond Insurer with respect to the Reserve Policy shall be governed in accordance with the following provisions notwithstanding anything to the contrary in the Trust Agreement.

(i) Payment of Draws and Expenses. The Board shall repay any draws under the Reserve Policy and pay all related reasonable expenses incurred by BAM. Interest shall accrue and be payable on such draws and expenses from the date of payment by BAM at the Late Payment Rate.

Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, the "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 BAM 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 BAM 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 shall be transferred to the Lease Payment Fund for payment of principal and interest represented by the Certificates before any drawing may be made on the Reserve Policy.

(ii) Draws on Reserve Policy. Payment of any Policy Cost shall be made prior to replenishment of any cash amounts. Draws on all reserve fund credit instruments (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 reserve fund credit instruments 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 the failure of such provider to honor any such claim or draw.

(iii) Limitation. Draws under the Reserve Policy may only be used to make payments on the Certificates.

(iv) Remedies of BAM. If the Board fails to pay any Policy Costs in accordance with the requirements of paragraph 1 above, BAM shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Trust Agreement other than (i) acceleration of the maturity of the Certificates, or (ii) remedies which would adversely affect owners of the Certificates.

(v) Discharge of Trust Agreement. The Trust Agreement shall not be discharged until all Policy Costs owing to BAM shall have been paid in full. The Board’s obligation to pay such amount shall expressly survive payment in full of the Certificates.

(vi) Notice to BAM. The Trustee shall ascertain the necessity for a claim upon the Reserve Policy in accordance with the provisions of the Reserve Policy and provide notice to BAM at least three Business Days prior to each date upon which interest or principal is due with respect to the Certificates.

(vii) Expiration of Policy. 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.

(viii) Security Interest. In order to secure the Board’s payment obligations with respect to the Policy Costs, there is hereby granted and perfected in favor of BAM a security interest (subordinate only to that of the Owners of the Certificates) in all revenues and collateral pledged as security for the Certificates.

Insurance and Condemnation Fund; Application of Net Proceeds of Insurance and Eminent Domain. Any Net Proceeds of insurance or condemnation awards with respect to the Leased Property will be deposited in the Insurance and Condemnation Fund. In the event of an insurance award, the net proceeds on deposit in the Insurance and Condemnation Fund will be used, as directed by the Board, either (a) to replace, repair, restore, modify or improve the Leased Property if the Board determines and notifies the Trustee and the Bond Insurer that such is economically feasible or in the best interests of the Board, or (b) to the extent not so used, to prepay the Lease Payments allocable to the Leased Property and thereby prepay Certificates. In the event of an eminent domain award with respect to the Leased Property, the net proceeds on deposit in the Insurance and Condemnation Fund will be used as directed by the Board, as follows: (a) if the Board determines that such eminent domain proceedings have not materially affected the interest of the Board in the Leased Property or its ability to make payments under the Lease Agreement, such proceeds will be used either for repair, replacement or rehabilitation of the Leased Property, or credited towards the allocable Lease Payments next coming due and payable; or (b) if the Board determines otherwise, and in any event if all of the Leased Property is taken in eminent domain proceedings, such proceeds will be used to prepay the Lease Payments and Certificates.

Investment of Funds

The Trustee is required to invest and reinvest all moneys held under the Trust Agreement, in Permitted Investments maturing not later than the date moneys are expected to be required for expenditure. All income or profit on any investments of funds held by the Trustee under the Trust Agreement will be deposited in the respective funds from which such investments were made, except that all amounts derived from the investment of amounts in the Reserve Fund will be transferred to the Lease Payment Fund to the extent not required to be retained in the Reserve Fund to maintain the Reserve Requirement.

The Trustee

Removal of Trustee. So long as no Event of Default (or any event which, if not cured or waived, with the passage of time would become an Event of Default) shall have occurred and be continuing, upon 30 days written notice the Board may remove the Trustee at any time with the prior written consent of the Bond Insurer, for good cause, by an instrument or concurrent instruments in writing delivered to the Trustee and the Bond Insurer, and may appoint a successor or successors thereto; provided that any successor Trustee shall have a corporate office in California, shall have or be a member of a bank holding company having a combined capital and surplus of at least $75,000,000, and shall be subject to supervision or examination by Federal or state authority, so long as any Certificates are Outstanding.

Resignation by Trustee. The Trustee and any successor Trustee may at any time resign by giving written notice by registered or certified mail to the Board and the Bond Insurer. Upon receiving such notice of resignation, the Board shall, with the written consent of the Bond Insurer, promptly appoint a successor Trustee in accordance with the Trust Agreement. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. Upon such acceptance, the Board shall mail notice thereof to the Certificate Owners at their respective addresses set forth on the Registration Books.

Remedies Upon Event of Default

Upon the occurrence of an event of default by the Board under the Lease Agreement the Trustee, with the prior written consent of the Bond Insurer may, and at the written direction of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding the Trustee shall, exercise any and all remedies available at law or pursuant to the Lease Agreement. The Trustee subject to the control of the Bond Insurer is granted the power to control the proceedings in the event of a default, for the equal benefit of the Certificate Owners, and no Certificate Owner has the right to institute any suit, action or proceeding at law or in equity, unless (a) such Owner has previously notified the Trustee of the occurrence of an event of default, (b) the Owners of a majority in aggregate principal amount of the outstanding Certificates have requested the Trustee in writing to exercise its powers, (c) said Owners have tendered the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in complying with such request, and (d) the Trustee has failed to comply with such request for 60 days after receipt of such request and tender of such indemnity.

Any amounts collected by the Trustee in an event of default are required to be applied first to the payment of the fees and expenses of the Trustee incurred in connection with such event of default and second to the payment of principal and interest represented by the Certificates (including interest on overdue installments of interest at the net effective rate of interest per annum then represented by the outstanding Certificates, but only to the extent funds are available for such purpose after payment of all other overdue amounts), ratably if necessary. Upon an event of default, the Trustee has a first lien on the amounts held under the Trust Agreement for its fees, charges and expenses.

Amendment of Trust Agreement

The Trust Agreement may be amended by agreement among the parties thereto without the consent of the Owners of the Certificates, but only:

(a) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power reserved to the Corporation or the Board, provided, however that written consent of the Bond Insurer is required with respect to an amendment to the provisions recognizing or granting rights in or to the Bond Insurer,

(b) to cure, correct or supplement any ambiguous or defective provision in accordance with the original intention of the Corporation and the Board,

(c) in regard to questions arising thereunder, as the Board and the Corporation may deem necessary or desirable and which do not, in the opinion of Special Counsel, materially adversely affect the interests of the Owners of the Certificates,

(d) to facilitate any amendment to the Lease Agreement which is permitted to be made thereto as described above, or

(e) if and to the extent permitted in the opinion of Special Counsel filed with the Trustee, the Bond Insurer, the Board and the Corporation, to delete or modify any of the provisions thereof relating to the exclusion from gross income for federal income tax purposes of interest represented by the Certificates.

Any other amendment requires the approval of the Owners of a majority in aggregate principal amount of the Certificates then outstanding, provided that no such amendment may (a) extend the maturity or time of interest payment, or reduce the interest rate, amount of principal or premium payable on, any Certificate without such Owner's consent; (b) reduce the percentage of Owners of Certificates required to consent to any amendment or modification; or (c) modify any of the Trustee's rights or obligations without its consent, or (d) modify any of the rights and interests of the Bond Insurer without its written assent thereto.

Discharge of Trust Agreement

If and when the obligations represented by any or all Outstanding Certificates shall be paid and discharged in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal of and interest and prepayment premiums (if any) represented by such Certificates Outstanding selected for prepayment as and when the same become due and payable; or

(b) by depositing with the Trustee or any other fiduciary, under an escrow deposit and trust agreement, security for the payment of Lease Payments relating to such Certificates selected for prepayment as more particularly described in the Lease Agreement, said security to be held by the Trustee on behalf of the Board to be applied by the Trustee or by such other fiduciary to pay or prepay such Lease Payments as the same become due, pursuant to the Lease Agreement -

and if such Certificates selected for prepayment are to be prepaid prior to the maturity thereof notice of such prepayment shall have been mailed or provision satisfactory to the Trustee shall have been made for the mailing of such notice, then, notwithstanding that such Certificates shall not have been surrendered for payment, all rights hereunder of the Owners of such Certificates and all obligations of the Corporation, the Trustee and the Board with respect to such Certificates shall cease and terminate, except only certain of the obligations of the Trustee under the Trust Agreement, and the obligation of the Trustee to pay or cause to be paid, from Lease Payments paid by or on behalf of the Board from funds deposited pursuant to paragraph (b) above, to the Owners of such Certificates not so surrendered and paid all sums represented thereby when due and in the event of deposits pursuant to paragraph (b), such Certificates shall continue to represent direct, undivided fractional interests of the Owners thereof in the Lease Payments.

To accomplish discharge hereunder, the Board shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Bond Insurer ("Accountant") verifying the sufficiency of the escrow established to pay the Certificates in full on the maturity or prepayment date ("Verification"), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Bond Insurer), (iii) an opinion of Special Counsel to the effect that the Certificates are no longer Outstanding under the Trust Agreement. The Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Board, the Bond Insurer and the Trustee. The Bond 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. In addition, the Escrow Deposit Agreement shall provide that:

(a) 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 holders of the Certificates of the interest on the Certificates for federal income tax purposes and the prior written consent of BAM.

(b) The Board will not exercise any prior optional redemption of the Certificates secured by the Escrow Deposit Agreement or any other redemption other than mandatory sinking fund redemptions unless (i) the right to make any such redemption has been expressly reserved in the Escrow Deposit Agreement and such reservation has been disclosed in detail in the official statement for the refunding bonds or certificates, and (ii) as a condition to any such redemption there shall be provided to BAM a Verification as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such redemption.

The Board shall not amend the Escrow Deposit Agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of BAM.

Notwithstanding anything in the Trust Agreement to the contrary, in the event that the principal and/or interest due with respect to the Certificates shall be paid by the Bond Insurer pursuant to the Bond Insurance Policy, the Certificates shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Board, and the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the Board to the registered Owners shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such registered Owners.

Any funds held by the Trustee, at the time of discharge of the obligations represented by all Outstanding Certificates as a result of one of the events described in paragraphs (a) or (b) above, which are not required for the payment to be made to Owners, shall, upon payment in full of all fees and expenses of the Trustee (including attorneys' fees) then due, be paid over to the Board.

Provisions Relating to Bond Insurance

(a) Provisions Govern. The provisions of the Trust Agreement relating to Bond Insurance shall govern, notwithstanding anything to the contrary set forth in the Trust Agreement.

(b) Consent of the Bond Insurer in Addition to Owner Consent. Any amendment, supplement, modification to, or waiver of the Site Lease, the Lease, the Assignment Agreement or Bond Insurer Trust Agreement that requires the consent of the Owners of the Certificates or adversely affects the rights or interest of the Bond Insurer shall be subject to the prior written consent of the Bond Insurer.

(c) Consent of the Bond Insurer in the Event of Insolvency. Any reorganization or liquidation plan with respect to the Board must be acceptable to the Bond Insurer in writing. In the event of any reorganization or liquidation of the Board, the Bond Insurer shall have the right to vote on behalf of all holders of the Certificates absent a continuing failure by the Bond Insurer to make a payment under the Bond Insurance Policy.

(d) Consent of the Bond Insurer upon Default. Anything in the Lease or Bond Insurer Trust Agreement to the contrary notwithstanding, upon the occurrence and continuance of a default or an event of default, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Certificates or the Trustee for the benefit of the Owners of the Certificates under the Lease or Bond Insurer Trust Agreement. The Trustee may not waive any default or event of default without the Bond Insurer’s written consent

(e) Bond Insurer as Owner. Upon the occurrence and continuance of a default or an event of default, the Bond Insurer shall be deemed to be the sole owner of the Certificates for all purposes under the Security Documents, including, without limitations, for purposes of exercising remedies and approving amendments.

(f) Grace Period for Payment Defaults. No grace period shall be permitted for payment defaults on the Certificates. No grace period for a covenant default shall exceed 30 days without the prior written consent of BAM.

(g) Special Provisions for Bond Insurer Default. If an Insurer Default shall occur and be continuing, then, notwithstanding anything in paragraphs (b)-(f) above to the contrary,

(1) if at any time prior to or following an Insurer Default, the Bond Insurer has made payment under the Policy, to the extent of such payment the Bond Insurer shall be treated like any other holder of the Certificates for all purposes, including giving of consents, and

(2) if the Bond Insurer has not made any payment under the Policy, the Bond Insurer shall have no further consent rights until the particular Insurer Default is no longer continuing or the Bond Insurer makes a payment under the Policy, in which event, the foregoing clause (1) shall control. For purposes of this paragraph (g),

"Insurer Default" means: (A) the Bond Insurer has failed to make any payment under the Bond Insurance Policy when due and owing in accordance with its terms; or (B) the Bond 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 Bond Insurance Policy or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of BAM (including without limitation under the New York Insurance Law).

(h) Payment Procedure Under the Bond Insurance Policy.

(1) In the event that principal and/or interest due on the Certificates shall be paid by the Bond Insurer pursuant to the Bond Insurance Policy, the Certificates shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Issuer, the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the Issuer to the registered owners shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such registered owners including, without limitation, any rights that such owners may have in respect of securities law violations arising from the offer and sale of the Certificates.

In the event that on the second business day prior to any payment date on the Certificates, the Paying Agent or Trustee has not received sufficient moneys to pay all principal of and interest on the Certificates due on such payment date, the Paying Agent or Trustee shall immediately notify the Bond 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 Paying Agent or Trustee shall so notify the Bond Insurer or its designee.

In addition, if the Paying Agent or Trustee has notice that any holder of the Certificates 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 holder within the meaning of any applicable bankruptcy law, then the Paying Agent or Trustee shall notify the Bond 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 Bond Insurer.

The Paying Agent or Trustee shall irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for holders of the Certificates as follows:

(i) If there is a deficiency in amounts required to pay interest and/or principal on the Certificates, the Paying Agent or Trustee shall (i) execute and deliver to BAM, in form satisfactory to the Bond Insurer, an instrument appointing BAM as agent and attorney-in-fact for such holders of the Certificates in any legal proceeding related to the payment and assignment to the Bond Insurer of the claims for interest on the Certificates, (ii) receive as designee of the respective holders (and not as Paying Agent) in accordance with the tenor of the Bond Insurance Policy payment from the Bond Insurer with respect to the claims for interest so assigned, and (iii) disburse the same to such respective holders; and

(ii) If there is a deficiency in amounts required to pay principal of the Certificates, the Paying Agent or Trustee shall (A) execute and deliver to the Bond Insurer, in form satisfactory to the Bond Insurer, an instrument appointing the Bond Insurer the Bond Insurer as agent and attorney- in-fact for such holder of the Certificates in any legal proceeding related to the payment of such principal and an assignment to the Bond Insurer of the Certificates surrendered to the Bond Insurer, (B) receive as designee of the respective holders (and not as Paying Agent) in accordance with the tenor of the Bond Insurance Policy payment therefore from the Bond Insurer, and (C) disburse the same to such holders.

The Trustee shall designate any portion of payment of principal on Bonds paid by the Bond 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 holder, whether DTC or its nominee or otherwise, and shall issue a replacement Insured Obligation to the Bond Insurer, registered in the name directed by the Bond 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 Insured Obligation shall have no effect on the amount of principal or interest payable by the Issuer on any Insured Obligation or the subrogation or assignment rights of the Bond Insurer.

Payments with respect to claims for interest on and principal of Certificates disbursed by the Paying Agent or Trustee from proceeds of the Bond Insurance Policy shall not be considered to discharge the obligation of the Issuer with respect to such Certificates, and the Bond 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.

(2) Irrespective of whether any such assignment is executed and delivered, the Board and the Trustee agree for the benefit of the Bond Insurer that:

(i) They recognize that to the extent the Bond Insurer makes payments directly or indirectly (*e.g.*, by paying through the Paying Agent or Trustee), on account of principal of or interest on the Certificates, the Bond Insurer will be subrogated to the rights of such holders to receive the amount of such principal and interest from the Issuer/Obligor, with interest thereon, as provided and solely from the sources stated in the transaction documents and the Bonds; and

(ii) They will accordingly pay to the Bond Insurer the amount of such principal and interest, with interest thereon as provided in the transaction documents and the Bonds, but only from the sources and in the manner provided therein for the payment of principal of and interest on the Certificates to holders, and will otherwise treat the Bond Insurer as the owner of such rights to the amount of such principal and interest.

(i) Additional Payments. The Board agrees unconditionally that it will pay or reimburse the Bond Insurer on demand any and all reasonable charges, fees, costs, losses, liabilities and expenses that the Bond Insurer may pay or incur, including, but not limited to, fees and expenses of the Bond 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 Security Documents ("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 Bond Insurer spent in connection with the actions described in the preceding sentence. The Board 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 Bond Insurer until the date the Bond Insurer is paid in full.

Notwithstanding anything in the Trust Agreement to the contrary, the Issuer agrees to pay to the Bond Insurer (i) a sum equal to the total of all amounts paid by the Bond Insurer under the Bond Insurance Policy ("Policy Payment"); and (ii) interest on such Policy Payments from the date paid by the Bond Insurer until payment thereof in full by the Issuer, payable to the Bond Insurer at the Late Payment Rate per annum (collectively, "Reimbursement Amounts") compounded semi-annually. The Issuer hereby covenants and agrees that the Reimbursement Amounts are secured by a lien on and pledge of the Lease Payments and payable from such Lease Payments on a parity with debt service due on the Certificates.

(j) Project Fund. Unless the Bond Insurer otherwise directs, upon the occurrence and continuance of an Event of Default or an event which with notice or lapse of time would constitute an Event of Default, amounts on deposit in the Construction Fund shall not be disbursed, but shall instead be applied to the payment of debt service or redemption price of the Bonds.

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

(l) The Bond Insurer shall be entitled to pay principal or interest on the Certificates that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Board (as such terms are defined in the Bond Insurance Policy) and any amounts due on the Certificates as a result of acceleration of the maturity thereof in accordance with the Trust Agreement whether or not the Bond Insurer has received a claim upon the Bond Insurance Policy.]

ASSIGNMENT AGREEMENT

The Corporation and the Trustee will enter into the Assignment Agreement under which the Corporation assigns and sets over to the Trustee, for the benefit of the Owners of the Certificates, all of the Corporation's rights under the Site Lease and the Lease Agreement (subject to certain exceptions), including the right of the Corporation to receive and collect Lease Payments, its right to receive and collect proceeds of condemnation and insurance awards and the right to exercise rights and remedies of the Corporation in the Lease Agreement to enforce payments of amounts thereunder. The Trustee accepts such assignment for the purpose of securing such payments due to and rights of the Owners of the Certificates, subject to the provisions of the Trust Agreement.

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE BOARD OF EDUCATION
FOR FISCAL YEAR ENDED JUNE 30, 2018

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TULARE COUNTY OFFICE OF EDUCATION

AUDIT REPORT

JUNE 30, 2018

San Diego

Los Angeles

San Francisco Bay Area

christy white associates

A PROFESSIONAL ACCOUNTANCY CORPORATION

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY INFORMATION

OTHER INDEPENDENT AUDITORS' REPORTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FINANCIAL SECTION

christy white associates
A PROFESSIONAL ACCOUNTANCY CORPORATION

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
Tulare County Office of Education
Visalia, 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 Tulare County Office of Education, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Tulare County Office of Education'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 Tulare County Office of Education, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 10 to the financial statements, in 2018 Tulare County Office of Education 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 net OPEB liability and related ratios, schedules of proportionate share of net pension liability, and schedules of County Office 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 Tulare County Office of Education'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 13, 2018 on our consideration of Tulare County Office of Education'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 Tulare County Office of Education'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 Tulare County Office of Education's internal control over financial reporting and compliance.

Christy White Associates

San Diego, California
December 13, 2018

TULARE COUNTY OFFICE OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

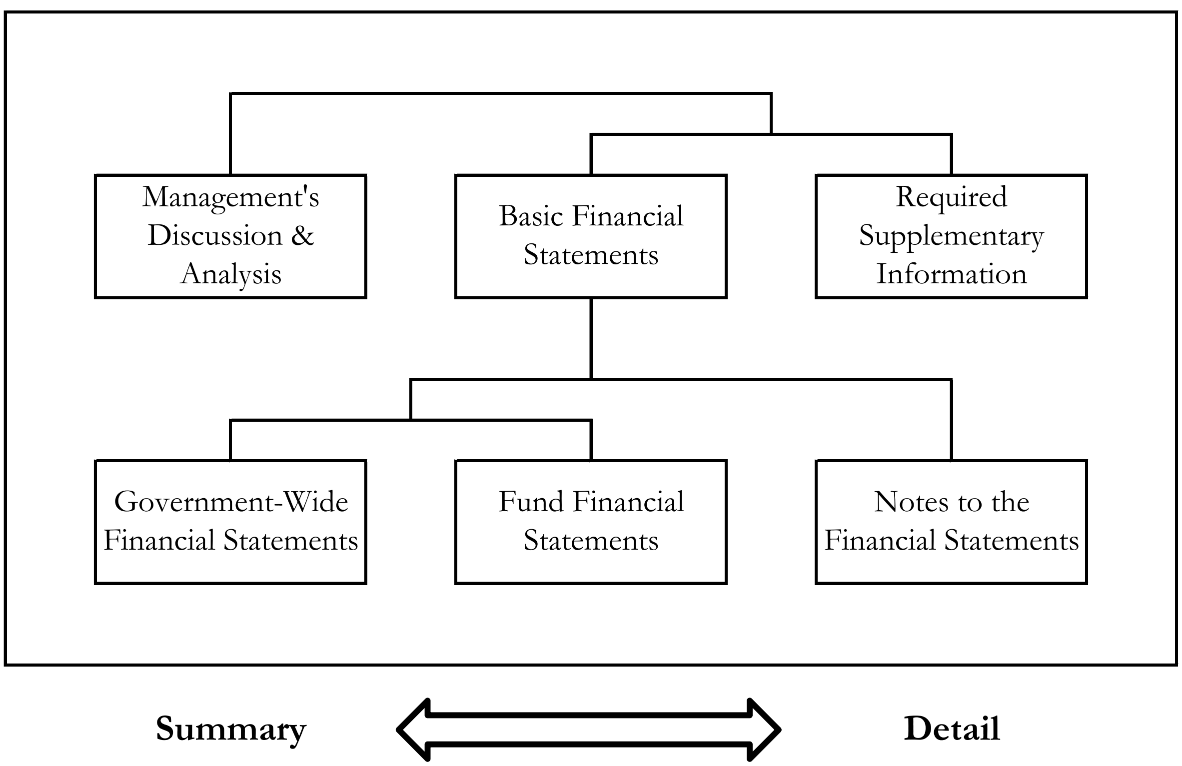
Our discussion and analysis of Tulare County Office of Education's (County Office of Education) financial performance provides an overview of the County Office of Education's financial activities for the fiscal year ended June 30, 2018. It should be read in conjunction with the County Office of Education's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The County Office of Education's total net position was $36,283,576 at June 30, 2018. This was a decrease of $1,152,477 from the prior year after restatement.
- Overall revenues were $221,624,646 which was exceeded by expenses of $222,777,123.

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 County Office of Education. 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 County Office of Education 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 County Office of Education's programs.

  - **Fiduciary Funds** report balances for which the County Office of Education 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 County Office of Education 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 County Office of Education's net position and how it has changed. Net position is one way to measure the County Office of Education's financial health or position. Over time, increases or decreases in the County Office of Education's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the County Office of Education include governmental activities. All of the County Office of Education's basic services are included here, such as regular education, 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 County Office of Education's net position was $36,283,576 at June 30, 2018, as reflected in the table below. Of this amount, $(51,371,169) 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	$104,215,186	$111,014,851	$ (6,799,665)
Capital assets	89,964,109	91,109,865	(1,145,756)
Total Assets	194,179,295	202,124,716	(7,945,421)
DEFERRED OUTFLOWS OF RESOURCES	41,915,225	27,506,100	14,409,125
LIABILITIES			
Current liabilities	33,359,583	39,698,932	(6,339,349)
Long-term liabilities	161,618,729	127,633,753	33,984,976
Total Liabilities	194,978,312	167,332,685	27,645,627
DEFERRED INFLOWS OF RESOURCES	4,832,632	4,256,355	576,277
NET POSITION			
Net investment in capital assets	55,005,936	55,699,865	(693,929)
Restricted	32,648,809	32,394,020	254,789
Unrestricted	(51,371,169)	(30,052,109)	(21,319,060)
Total Net Position	$ 36,283,576	$ 58,041,776	$ (21,758,200)

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

The results of this year's operations for the County Office of Education as a whole are reported in the Statement of Activities. The table below takes the information from the Statement and rearranges it 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	$ 16,301,898	$ 16,254,143	$ 47,755
Operating grants and contributions	168,983,698	160,192,620	8,791,078
Capital grants and contributions	5,093	8,373	(3,280)
General revenues			
Property taxes	8,755,747	8,231,340	524,407
Unrestricted federal and state aid	19,403,029	18,394,550	1,008,479
Other	8,175,181	12,576,824	(4,401,643)
Total Revenues	221,624,646	215,657,850	5,966,796
EXPENSES			
Instruction	58,429,073	57,916,523	512,550
Instruction-related services	37,378,412	35,373,274	2,005,138
Pupil services	37,424,051	36,772,574	651,477
General administration	13,015,320	12,063,418	951,902
Plant services	7,264,016	7,144,558	119,458
Ancillary and community services	28,764,708	25,032,538	3,732,170
Debt service	1,785,976	1,805,012	(19,036)
Other outgo	38,715,567	37,734,883	980,684
Total Expenses	222,777,123	213,842,780	8,934,343
Change in net position	(1,152,477)	1,815,070	(2,967,547)
Net Position - Beginning, as Restated*	37,436,053	56,226,706	(18,790,653)
Net Position - Ending	$ 36,283,576	$ 58,041,776	$ (21,758,200)

** 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 net cost of all our governmental activities this year was $37,486,434 (refer to the table below). The amount that our taxpayers ultimately financed for these activities through taxes was only $8,755,747 because a portion of the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

	Net Cost of Services	
	2018	2017
Instruction	$ 10,720,566	$ 10,607,454
Instruction-related services	13,696,024	13,453,009
Pupil services	508,146	2,794,458
General administration	4,174,472	3,255,912
Plant services	3,350,214	3,295,002
Ancillary and community services	1,619,790	1,720,619
Debt service	1,785,976	1,805,012
Transfers to other agencies	1,631,246	456,178
Total Expenses	$ 37,486,434	$ 37,387,644

FINANCIAL ANALYSIS OF THE COUNTY OFFICE OF EDUCATION'S MAJOR FUNDS

The financial performance of the County Office of Education as a whole is reflected in its governmental funds as well. As the County Office of Education completed this year, its governmental funds reported a combined fund balance of $71,928,776, which is greater than last year's ending fund balance of $71,155,120. The County Office of Education's County School Service Fund had $1,648,619 more in operating revenues than expenditures before transfers for the year ended June 30, 2018. The Special Education Pass-Through Fund had operating expenditures equal to operating revenues for the year ended June 30, 2018. The Child Development Fund had $235,780 less in operating expenditures than revenues 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 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 County Office of Education'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 County Office of Education had invested $89,964,109 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2018	2017	Net Change
CAPITAL ASSETS			
Land	$ 8,531,623	$ 8,531,623	$ -
Construction in progress	181,442	11,261	170,181
Land improvements	3,000,013	2,954,476	45,537
Buildings & improvements	106,680,217	105,739,336	940,881
Furniture & equipment	4,561,100	3,981,518	579,582
Accumulated depreciation	(32,990,286)	(30,108,349)	(2,881,937)
Total Capital Assets	$ 89,964,109	$ 91,109,865	$ (1,145,756)

Long-Term Debt

At year-end, the County Office of Education had $161,618,729 in long-term debt, an increase of $15,077,589 from the prior year after restatement. (More detailed information about the County Office of Education's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities		
	2018	2017	Net Change
LONG-TERM LIABILITIES			
Total certificates of participation	$ 34,660,000	$ 35,410,000	$ (750,000)
Compensated absences	1,632,432	1,873,075	(240,643)
Net OPEB liability*	17,060,810	18,907,387	(1,846,577)
Net pension liability	109,040,487	91,100,678	17,939,809
Less: current portion of long-term debt	(775,000)	(750,000)	(25,000)
Total Long-term Liabilities	$161,618,729	$146,541,140	$ 15,077,589

**Net OPEB liability for 2017 was restated in order to record the County Office's net 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 County Office of Education 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 County Office of Education 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 County Office of Education participates in state employee pensions plans, PERS and STRS, and both are underfunded. The County Office of Education'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 County Office of Education. 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 county office of education to lose operating revenues without necessarily permitting the county office of education to make adjustments in fixed operating costs.

All of these factors were considered in preparing the County Office of Education's budget for the 2018-19 fiscal year.

CONTACTING THE COUNTY OFFICE OF EDUCATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the County Office of Education's finances and to show the County Office of Education's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Director of Internal Business Services, Tulare County Office of Education, 6200 South Mooney Blvd., Visalia, CA 93277.

TULARE COUNTY OFFICE OF EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2018

		Governmental Activities
ASSETS		
Cash and investments	$	80,835,368
Accounts receivable		23,316,472
Inventory		46,722
Prepaid expenses		16,624
Capital assets, not depreciated		8,713,065
Capital assets, net of accumulated depreciation		81,251,044
Total Assets		194,179,295
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions		41,915,225
Total Deferred Outflows of Resources		41,915,225
LIABILITIES		
Deficit cash		19,739
Accrued liabilities		29,285,645
Unearned revenue		3,279,199
Long-term liabilities, current portion		775,000
Long-term liabilities, non-current portion		161,618,729
Total Liabilities		194,978,312
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions		4,374,000
Deferred inflows related to OPEB		458,632
Total Deferred Inflows of Resources		4,832,632
NET POSITION		
Net investment in capital assets		55,005,936
Restricted:		
Capital projects		252,782
Educational programs		32,375,476
All others		20,551
Unrestricted		(51,371,169)
Total Net Position	$	36,283,576

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

TULARE COUNTY OFFICE OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
Function/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
GOVERNMENTAL ACTIVITIES					
Instruction	$ 58,429,073	$ 4,379,070	$ 43,324,344	$ 5,093	$ (10,720,566)
Instruction-related services					
Instructional supervision and administration	27,664,616	1,341,084	15,744,167	-	(10,579,365)
Instructional library, media, and technology	2,041,935	38,901	229,746	-	(1,773,288)
School site administration	7,671,861	418,249	5,910,241	-	(1,343,371)
Pupil services					
Home-to-school transportation	5,560,186	-	15,159	-	(5,545,027)
Food services	2,523,220	39,792	1,978,628	-	(504,800)
All other pupil services	29,340,645	5,790,278	29,092,048	-	5,541,681
General administration					
Centralized data processing	3,258,963	-	-	-	(3,258,963)
All other general administration	9,756,357	618,641	8,222,207	-	(915,509)
Plant services	7,264,016	200,101	3,713,701	-	(3,350,214)
Ancillary services	12,014,449	174,709	10,267,218	-	(1,572,522)
Community services	16,750,259	164,652	16,538,339	-	(47,268)
Interest on long-term debt	1,785,976	-	-	-	(1,785,976)
Other outgo	38,715,567	3,136,421	33,947,900	-	(1,631,246)
Total Governmental Activities	$ 222,777,123	$ 16,301,898	$ 168,983,698	$ 5,093	(37,486,434)
	General revenues				
	Taxes and subventions				
	Property taxes, levied for general purposes				8,534,974
	Property taxes, levied for other specific purposes				220,773
	Federal and state aid not restricted for specific purposes				19,403,029
	Interest and investment earnings				109,995
	Interagency revenues				1,276,452
	Miscellaneous				6,788,734
	Subtotal, General Revenue				36,333,957
	CHANGE IN NET POSITION				(1,152,477)
	Net Position - Beginning, as Restated				37,436,053
	Net Position - Ending				$ 36,283,576

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

TULARE COUNTY OFFICE OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	County School Service Fund	Special Education Pass-Through Fund	Child Development Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	$ 64,699,770	$ 11,583,213	$ 1,260,348	$ 3,292,037	$ 80,835,368
Accounts receivable	14,500,694	5,078,106	3,593,489	144,183	23,316,472
Stores inventory	26,711	-	16,750	3,261	46,722
Prepaid expenditures	8,964	-	7,660	-	16,624
Total Assets	$ 79,236,139	$ 16,661,319	$ 4,878,247	$ 3,439,481	$ 104,215,186
LIABILITIES					
Deficit cash	$ -	$ -	$ -	$ 19,739	$ 19,739
Accrued liabilities	9,814,492	16,660,283	2,389,204	123,493	28,987,472
Unearned revenue	1,873,276	1,036	1,271,692	133,195	3,279,199
Total Liabilities	11,687,768	16,661,319	3,660,896	276,427	32,286,410
FUND BALANCES					
Nonspendable	40,675	-	24,410	3,261	68,346
Restricted	28,295,804	-	1,192,941	3,160,064	32,648,809
Unassigned	39,211,892	-	-	(271)	39,211,621
Total Fund Balances	67,548,371	-	1,217,351	3,163,054	71,928,776
Total Liabilities and Fund Balances	$ 79,236,139	$ 16,661,319	$ 4,878,247	$ 3,439,481	$ 104,215,186

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

TULARE COUNTY OFFICE OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total Fund Balance - Governmental Funds			$	71,928,776
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	$	122,954,395		
Accumulated depreciation		(32,990,286)		89,964,109
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:				(298,173)
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 certificates of participation	$	34,660,000		
Compensated absences		1,632,432		
Net OPEB liability		17,060,810		
Net pension liability		109,040,487		(162,393,729)
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	$	41,915,225		
Deferred inflows of resources related to pensions		(4,374,000)		37,541,225
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.				(458,632)
Total Net Position - Governmental Activities			$	36,283,576

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

TULARE COUNTY OFFICE OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	County School Service Fund	Special Education Pass-Through Fund	Child Development Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	$ 22,317,385	$ -	$ -	$ 4,450,683	$ 26,768,068
Federal sources	19,069,210	16,158,225	28,404,220	505,573	64,137,228
Other state sources	53,042,641	22,396,573	19,386,075	659,853	95,485,142
Other local sources	36,814,272	-	257,122	43,103	37,114,497
Total Revenues	131,243,508	38,554,798	48,047,417	5,659,212	223,504,935
EXPENDITURES					
Current					
Instruction	47,733,194	-	8,257,903	3,143,007	59,134,104
Instruction-related services					
Instructional supervision and administration	22,497,676	-	4,231,973	552,640	27,282,289
Instructional library, media, and technology	1,981,129	-	-	-	1,981,129
School site administration	5,219,694	-	1,367,246	954,675	7,541,615
Pupil services					
Home-to-school transportation	5,047,684	-	-	-	5,047,684
Food services	63,353	-	1,673,305	901,055	2,637,713
All other pupil services	18,001,952	-	10,477,912	367,435	28,847,299
General administration					
Centralized data processing	3,328,558	-	-	-	3,328,558
All other general administration	6,233,947	-	3,405,761	48,878	9,688,586
Plant services	3,975,159	-	2,325,447	556,478	6,857,084
Facilities acquisition and maintenance	629,549	-	444,266	89,092	1,162,907
Ancillary services	11,261,848	-	-	-	11,261,848
Community services	1,080,108	-	15,625,750	-	16,705,858
Transfers to other agencies	-	38,554,798	2,074	156,695	38,713,567
Debt service					
Principal	750,000	-	-	-	750,000
Interest and other	1,791,038	-	-	-	1,791,038
Total Expenditures	129,594,889	38,554,798	47,811,637	6,769,955	222,731,279
Excess (Deficiency) of Revenues					
Over Expenditures	1,648,619	-	235,780	(1,110,743)	773,656
Other Financing Sources (Uses)					
Transfers in	27,652	-	-	683,334	710,986
Transfers out	(596,307)	-	-	(114,679)	(710,986)
Net Financing Sources (Uses)	(568,655)	-	-	568,655	-
NET CHANGE IN FUND BALANCE	1,079,964	-	235,780	(542,088)	773,656
Fund Balance - Beginning	66,468,407	-	981,571	3,705,142	71,155,120
Fund Balance - Ending	$ 67,548,371	$ -	$ 1,217,351	$ 3,163,054	$ 71,928,776

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

TULARE COUNTY OFFICE OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Net Change in Fund Balances - Governmental Funds			$	773,656
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:	$	1,736,181		
Depreciation expense:		(2,881,937)		(1,145,756)
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:				750,000
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:				3,062
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:				240,643
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:				1,874,247
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:				(3,648,329)
Change in Net Position of Governmental Activities			$	(1,152,477)

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

TULARE COUNTY OFFICE OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Trust Funds		Agency Funds	
	Retiree Benefit Fund	Private-Purpose Trust Fund	Schools Payroll Withholding Fund	Check Clearing UBOC Fund
ASSETS				
Cash and investments	$ 11,057,015	$ 48,702	$ 10,454,618	$ 19,373,202
Total Assets	11,057,015	48,702	$ 10,454,618	$ 19,373,202
LIABILITIES				
Due to other agencies	-	-	$ 10,454,618	$ 19,373,202
Total Liabilities	-	-	$ 10,454,618	$ 19,373,202
NET POSITION				
Restricted	11,057,015	48,702		
Total Net Position	$ 11,057,015	$ 48,702		

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

TULARE COUNTY OFFICE OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Trust Funds	
	Retiree Benefit Fund	Private-Purpose Trust Fund
ADDITIONS		
Contributions	$ 450,000	$ -
Investment earnings	168,945	-
Other	-	48,702
Total Additions	618,945	48,702
DEDUCTIONS		
Other trust activities	1,398,281	-
Total Deductions	1,398,281	-
CHANGE IN NET POSITION	(779,336)	48,702
Net Position - Beginning	11,836,351	-
Net Position - Ending	$ 11,057,015	$ 48,702

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Tulare County Office of Education (the "County Office of Education") 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 County Office of Education 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 County Office of Education 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 County Office of Education consists of all funds, departments and agencies that are not legally separate from the County Office of Education. For the County Office of Education, this includes general operations and student-related activities.

La Sierra High School and University Preparatory High School (Charter Schools) are California Public Schools chartered by the County Office. The financial activities of the Charter Schools have been included in these financial statements.

B. Component Units

Component units are legally separate organizations for which the County Office of Education is financially accountable. Component units may also include organizations that are fiscally dependent on the County Office of Education in that the County Office of Education 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 County Office of Education is not financially accountable but the nature and significance of the organization's relationship with the County Office of Education is such that exclusion would cause the County Office of Education's financial statements to be misleading or incomplete. The County Office of Education 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 County Office of Education). 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 County Office of Education'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 County Office of Education.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Fund Financial Statements. The fund financial statements provide information about the County Office of Education's funds, including its fiduciary funds. Separate statements for each fund category – governmental 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 child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Fiduciary funds are used to account for assets held by the County Office of Education in a trustee or agency capacity for others that cannot be used to support the County Office of Education's own programs.

Major Governmental Funds

County School Service Fund: The County School Service Fund is the main operating fund of the County Office of Education. 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 County Office of Education's activities are reported in the County School Service Fund unless there is a compelling reason to account for an activity in another fund. A County Office of Education may have only one County School Service Fund.

Special Education Pass-Through Fund: This fund is used by the Administrative Unit (AU) of a multi-LEA Special Education Local Plan Area (SELPA) to account for Special Education revenue passed through to other member LEAs.

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 County Office of Education 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).

Non-Major Governmental Funds

Special Revenue 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 County Office of Education maintains the following special revenue funds:

Charter Schools Special Revenue Fund: This fund may be used by authorizing County Offices of Education to account separately for the activities of County Office of Education-operated charter schools that would otherwise be reported in the authorizing County Office of Education's county school service fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Special Revenue Funds (continued):

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 County Office's food service program (*Education Code Sections* 38091 and 38100).

Forest Reserve Fund: This fund exists to account separately for federal forest reserve funds received by offices of county superintendents for distribution to school County Offices of Education and community college County Offices of Education (*Education Code Section* 2300; *Government Code Section* 29484).

Foundation Special Revenue Fund: This fund is used to account for resources received from gifts or bequests pursuant to *Education Code Section* 41031 under which both earnings and principal may be used for purposes that support the County Office's own programs and where there is a formal trust agreement with the donor.

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).

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.).

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 County Office of Education'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. The County Office has three agency funds; the Schools Payroll Withholding Fund, the Check Clearing UBOC Fund, and the Supplemental Revenue Augmentation Fund. The balance of the Supplemental Revenue Augmentation Fund was zero at June 30, 2017.

Retiree Benefit Fund: This fund exists to account separately for amounts held in trust from salary reduction agreements, other irrevocable contributions for employees' retirement benefit payments, or both.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus

Government-Wide and Fiduciary Financial Statements

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide 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.

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 County Offices of Education 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 County Office of Education as collectible within one year.

Non-exchange transactions, in which the County Office of Education 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 County Office of Education must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the County Office of Education on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

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 County Office of Education prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the County Office of Education 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.

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 County Office of Education'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 County Office of Education'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.

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 County Office of Education maintains a capitalization threshold of $15,000 for Building and Improvement Items. A threshold of $5,000 is used for all other categories. The County Office of Education 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
Land	N/A
Buildings	50 years
Portable Structures	25 years
Building Improvements	25 years
Land Improvements	20 years
HVAC Systems	20 years
Roofing	20 years
Outdoor Equipment	20 years
Furniture and Accessories	20 years
Machinery and Tools	15 years
Kitchen/Appliance/Custodial Equipment	15 years
Science and Engineering Equipment	10 years
Hospital Equipment	10 years
Business Machines	10 years
Communication Equipment	10 years
Audio Visual Equipment	10 years
Athletic Equipment	10 years
Licensed Vehicles	8 years
Computer Equipment	5 years
Computer Software	5 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.

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)

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 County Office of Education. The County Office of Education'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.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net 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	July 1, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 through June 30, 2017

Gains and losses related to changes in net 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.

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 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.

Deferred Issuance Costs, Premiums, and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the 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 County Office of Education 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 County Office of Education 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.

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.

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

Fund balance is divided into five classifications based primarily on the extent to which the County Office of Education 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.

Unassigned - In the County School Service 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 County School Service Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The County Office of Education 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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 County Office of Education 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. For purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

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 County Office of Education. Local property tax revenues are recorded when received.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 County Office of Education 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 County Office of Education 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 County Office of Education 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 County Office of Education 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 County Office of Education has not determined the impact on the financial statements.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Activities	Fiduciary Funds
Investment in county treasury	$ 80,490,512	$ 29,876,522
SISC GASB 45 Trust A	-	11,057,015
Cash on hand and in banks	273,974	-
Cash with fiscal agent	11,826	-
Cash in revolving fund	5,000	-
Other investments	54,056	-
Total cash and investments	$ 80,835,368	$ 40,933,537

B. Policies and Practices

The County Office of Education 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 County Office of Education maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section* 41001. The Tulare 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 County Office of Education's investment in the pool is based upon the County Office of Education'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 a fiscal agent – The County Office of Education maintain cash balances with Wilmington Trust related to its Certificates of Participation.

Investments – The County Office of Education maintains an investment with Variable Annuity Life Insurance Company (VALIC) for the Deferred Compensation Plan Fund (Agency Fund).

NOTE 2 – CASH AND INVESTMENTS (continued)

C. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest County Office of Education 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 County Office of Education manages its exposure to interest rate risk by investing in the County Treasury. The County Office of Education maintains a pooled investment with the County Treasury with a fair value of approximately $106,310,695 and an amortized book value of $106,484,899. The average weighted maturity for this pool is 786 days. The County Office's investments in the Self-Insured Schools of California (SISC) trust do not have an average weighted maturity.

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 County Office of Education's deposits may not be returned to it. The County Office of Education 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 County Office of Education's bank balance was not exposed to custodial credit risk.

G. Fair Value

The County Office of Education (COE) 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 COE's own data. The COE should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the COE are not available to other market participants.

Uncategorized - Investments in the Tulare County Treasury Investment Pool and Variable Annuity Life Insurance Company (VALIC) are not measured using the input levels above because the COE'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 County Office of Education's fair value measurements at June 30, 2018 were as follows for governmental activities:

	Inputs Level 2	Uncategorized
Investment in county treasury	$ -	$ 90,516,408
Investment in VALIC	-	54,056
Corporate issues	249,375	-
Total fair market value of investments	$ 249,375	$ 90,570,464

NOTE 3 – ACCOUNTS RECEIVABLE

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

	County School Service Fund	Special Education Pass-Through Fund	Child Development Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government					
Categorical aid	$ 6,200,107	$ 5,078,106	$ 481,381	$ 43,631	$ 11,803,225
State Government					
Categorical aid	6,320,555	-	855,135	80,846	7,256,536
Lottery	24,085	-	-	19,276	43,361
Local Government					
Other local sources	1,955,947	-	2,256,973	430	4,213,350
Total	$ 14,500,694	$ 5,078,106	$ 3,593,489	$ 144,183	$ 23,316,472

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	$ 8,531,623	$ -	$ -	$ 8,531,623
Construction in progress	11,261	170,181	-	181,442
Total Capital Assets not Being Depreciated	8,542,884	170,181	-	8,713,065
Capital assets being depreciated				
Land improvements	2,954,476	45,537	-	3,000,013
Buildings & improvements	105,739,336	940,881	-	106,680,217
Furniture & equipment	3,981,518	579,582	-	4,561,100
Total Capital Assets Being Depreciated	112,675,330	1,566,000	-	114,241,330
Less Accumulated Depreciation				
Land improvements	2,130,415	85,690	-	2,216,105
Buildings & improvements	25,210,477	2,495,341	-	27,705,818
Furniture & equipment	2,767,457	300,906	-	3,068,363
Total Accumulated Depreciation	30,108,349	2,881,937	-	32,990,286
Governmental Activities				
Capital Assets, net	$ 91,109,865	$ (1,145,756)	$ -	$ 89,964,109

NOTE 4 – CAPITAL ASSETS (continued)

Depreciation expense was allocated to the following governmental functions as follows:

Instruction	$	264,589
Instructional supervision and administration		711,595
Instructional library, media and technology		29,993
School site administration		75,793
Home-to-school transportation		512,502
Food services		116,132
All other pupil services		99,882
Ancillary services		661,618
All other general administration		465
Centralized data processing		71,029
Plant services		338,339
Total	$	2,881,937

NOTE 5 – INTERFUND TRANSACTIONS

Operating Transfers

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

	Interfund Transfers In		
Interfund Transfers Out	**County School Service Fund**	**Non-Major Governmental Funds**	**Total**
County School Service Fund	$ -	$ 596,307	$ 596,307
Non-Major Governmental Funds	27,652	87,027	27,652
Total Interfund Transfers	$ 27,652	$ 683,334	$ 710,986

Transfer from the County School Service Fund to the Cafeteria Fund to support the food service program.	$	560,000
Transfer from the Charter Schools Special Revenue Fund to the Cafeteria Fund to support the food service program.		87,027
Transfer from the General Fund to the Charter Schools Special Revenue Fund to contribute to charters and nursing services.		36,307
Transfer from the Forest Reserve Fund to the County School Service Fund for apportionment to Tulare County Office of Education.		27,652
Total	$	710,986

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2018 consisted of the following:

	County School Service Fund	Special Education Pass-Through Fund	Child Development Fund	Non-Major Governmental Funds	Entity-Wide	Total Governmental Activities
Payroll	$ 1,174,990	$ -	$ 98,054	$ 18,229	$ -	$ 1,291,273
Vendors payable	8,639,502	16,660,283	2,291,150	105,264	-	27,696,199
Unmatured interest	-	-	-	-	298,173	298,173
Total	$ 9,814,492	$ 16,660,283	$ 2,389,204	$ 123,493	$ 298,173	$ 29,285,645

NOTE 7 – UNEARNED REVENUE

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

	County School Service Fund	Special Education Pass-Through Fund	Child Development Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal sources	$ 20,683	$ 1,036	$ 133,278	$ -	$ 154,997
State categorical sources	82,560	-	675,017	124,129	881,706
Local sources	1,770,033	-	463,397	9,066	2,242,496
Total	$ 1,873,276	$ 1,036	$ 1,271,692	$ 133,195	$ 3,279,199

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					
Certificates of participation	$ 35,410,000	$ -	$ 750,000	$ 34,660,000	$ 775,000
Compensated absences	1,873,075	-	240,643	1,632,432	-
Net OPEB liability	18,907,387	-	1,846,577	17,060,810	-
Net pension liability	91,100,678	17,939,809	-	109,040,487	-
Total	$ 147,291,140	$ 17,939,809	$ 2,837,220	$ 162,393,729	$ 775,000

- Payments on the certificates of participation are made in the County School Service Fund.
- Payments for compensated absences are typically liquidated in the County School Service Fund and the non-major governmental funds.

NOTE 8 – LONG-TERM DEBT (continued)

A. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2018 amounted to $1,632,432. This amount is included as part of long-term liabilities in the government-wide financial statements.

B. Certificates of Participation

On September 12, 2013, the County Office Education issued $39,000,000 in certificates of participation to build facilities. The outstanding debt of the County Office of Education, at June 30, 2018, is as follows:

Year Ended June 30,	Principal	Interest	Total
2019	$ 775,000	$ 1,766,537	$ 2,541,537
2020	800,000	1,743,287	2,543,287
2021	825,000	1,718,288	2,543,288
2022	850,000	1,689,413	2,539,413
2023	880,000	1,658,600	2,538,600
2024 - 2028	5,000,000	7,704,488	12,704,488
2029 - 2033	6,370,000	6,331,906	12,701,906
2034 - 2038	8,305,000	4,404,125	12,709,125
2039 - 2043	10,855,000	1,855,150	12,710,150
Total	$ 34,660,000	$ 28,871,794	$ 63,531,794

C. Net Pension Liability

The County Office of Education's beginning net pension liability was $91,100,678 and increased by $17,939,809 during the year ended June 30, 2018. The ending net pension liability at June 30, 2018 was $109,040,487. See Note 11 for additional information regarding the net pension liability.

D. Other Postemployment Benefits

The County Office of Education's restated beginning net OPEB liability was $18,907,387 and decreased by $1,846,577 during the year ended June 30, 2018. The ending net OPEB liability at June 30, 2018 was $17,060,810. See Note 10 for additional information regarding the net OPEB liability.

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2018:

	County School Service Fund	Child Development Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable				
Revolving cash	$ 5,000	$ -	$ -	$ 5,000
Stores inventory	26,711	16,750	3,261	46,722
Prepaid expenditures	8,964	7,660	-	16,624
Total non-spendable	40,675	24,410	3,261	68,346
Restricted				
Educational programs	28,295,804	1,192,941	2,886,731	32,375,476
Capital projects	-	-	252,782	252,782
All others	-	-	20,551	20,551
Total restricted	28,295,804	1,192,941	3,160,064	32,648,809
Unassigned				
Reserve for economic uncertainties	3,000,000	-	-	3,000,000
Remaining unassigned	36,211,892	-	(271)	36,211,621
Total unassigned	39,211,892	-	(271)	39,211,621
Total	$ 67,548,371	$ 1,217,351	$ 3,163,054	$ 71,928,776

The County Office of Education 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 County's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than four percent of County School Service Fund expenditures and other financing uses.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

The Tulare County Office of Education's defined benefit OPEB plan, Tulare County Office of Education Retiree Benefit Plan (the Plan) is described below. The County Office of Education maintains a program which pays part or all of monthly medical insurance premiums on behalf of retired former employees, provided that the employee has satisfied certain requirements. These are all purchases on a pooled basis through the Self-Insured Schools of California (SISC). The County Office of Education participates in the Self-Insured Schools of California (SISC) GASB 45 Trust A. Trust A was established to provide governmental agencies in the state of California a mechanism for pre-funding Other Post-Employment Benefits (OPEB) liabilities. SISC issues a separate Financial Report and Schedules of Changes in Fiduciary Net Position by Employer that are prepared in accordance with accounting principles generally accepted in the United States of America. Copies of the Self-Insured Schools of California GASB 45 Trust A financial report may be obtained from the Self-Insured Schools of California – 2000 "K" Street, Bakersfield, CA 93303-1847.

B. OPEB Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately-issued SISC III Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained by contacting the County Office of Education.

C. Benefits Provided

The eligibility requirements and benefits provided by the Plan are as follows:

The Office contributes toward post-retirement benefits for employees who retire after meeting certain age and service requirements. The Office pays 100% of medical, dental and vision premiums up to a certain age, except as otherwise described below:

Certificated employees hired before July 1 2006 who retire after age 55 with at least 15 years of TCOE service or 20 years of California public service (CA service) receive benefits until age 65. Certificated employees who retire after age 60 with at least 15 years of TCOE service or 20 years of CA service receive benefits until age 70.

Certificated employees hired after June 30 2006 who retire after age 60 with at least 20 years of TCOE service receive benefits until age 65.

Classified employees hired before July 1 2006 who retire after age 55 with at least 15 years of TCOE service or 20 years of CA service receive benefits until age 65. Benefits are pro-rated if employee works less than 6 hours per day.

Classified employees hired after June 30 2006 who retire after age 55 with at least 20 years of TCOE service receive benefits until age 65. Benefits are pro-rated if employee works less than 6 hours per day.

Child care employees (including management) who retire after age 60 with at least 20 years of TCOE service receive benefits until age 65. 100% of premiums are paid, subject to an annual cap of $13,875 (if hired before November 1 1989) or $13,395 (if hired after October 31 1989).

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

C. Benefits Provided (continued)

Certificated management employees (except for child care) hired before July 1 2016 who retire after age 55 with at least 15 years of TCOE service receive benefits until age 65. If at least age 60 with at least 23 years of CA service (including 8 years of TCOE service), retiree will receive benefits until age 70. If at least age 60 with at least 30 years of CA service (including 8 years of TCOE service), the retiree may continue coverage until age 75 by paying 50% of premiums.

Classified management employees (except for child care) hired before July 1 2016 who retire after age 55 with at least 15 years of TCOE service or 20 years of CA service receive benefits until age 65. If at least age 58 with at least 23 years of CA service (including 8 years of TCOE service), or at least age 55 with at least 30 years of TCOE service, the retiree may continue coverage until age 75 by paying 50% of premiums.

Certificated or classified management employees hired after June 30 2006 who retire after age 55 with at least 15 years of TCOE service receive benefits until age 65.

Disability retirement: Any employee with PERS or STRS coverage who becomes disabled after the sum of age and service is at least 80 s entitled to payment of premiums until age 65.

Retirees may continue coverage after the end age by paying all required premiums.

D. Contributions

The contribution requirements of Plan members and the Tulare County Office of Education are established and may be amended by the Tulare County Office of Education and the California School Employees Association #428 and the local California Service Employees Association. There are assets accumulated in the SISC OPEB Trust trust that meets the criteria in paragraph 4 of GASB Statement 75.

E. Plan Membership

Membership of the Plan consisted of the following:

	Number of participants
Inactive employees receiving benefits	151
Participating active employees	1,200
Total number of participants*	1,351

*As of the July 1, 2017 valuation date

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

F. Net OPEB Liability

The components of the net OPEB liability of the County Office of Education at June 30, 2018, were as follows:

Total OPEB liability	$28,524,942
Plan fiduciary net position	(11,836,251)
County Office's net OPEB liability	$16,688,691
Plan fiduciary net position as a percentage of total OPEB liability	41.49%

G. Investments

Investment Policy
The County Office of Education 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.

Concentrations
The Trust does not have investments in any single issuer that represent 5 percent or more of the Plan's fiduciary net position or total investments.

Rate of Return
For the year ended, June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 8.39 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

H. Actuarial Assumptions and Other Inputs

The net 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	3.00%
Salary increases	5.50%
Healthcare cost trend rates	8.00%

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

H. Actuarial Assumptions and Other Inputs (continued)

Non-economic assumptions:

Mortality:

Certificated	2016 CalSTRS Valuation for certificated employees
Classified	2014 CalPERS OPEB Assumptions Model for classified employees

Retirement rates:

Certificated	2016 CalSTRS Valuation for certificated employees
Classified	2014 CalPERS OPEB Assumptions Model for non-certificated employees

The actuarial assumptions used in the June 30, 2017 valuation were based on a review of plan experience during the period July 1, 2016 to June 30, 2017.

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.

The long-term expected rate of return on OPEB 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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017 are summarized in the following table:

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

I. Changes in Net OPEB Liability

	June 30, 2018
Total OPEB Liability	
Service Cost	$ 1,030,588
Interest on total OPEB liability	1,764,563
Benefits payments	(2,834,662)
Net change in total OPEB liability	(39,511)
Total OPEB liability - beginning	28,564,453
Total OPEB liability - ending (a)	$ 28,524,942
Plan fiduciary net position	
Contributions - employer	$ 3,377,594
Net investment income	1,227,724
Benefit payments	(2,834,662)
Administrative expenses	(5,339)
Net change in plan fiduciary net position	1,765,317
Plan fiduciary net position - beginning	10,071,034
Plan fiduciary net position - ending (b)	$ 11,836,351
County Office's net OPEB liability - ending (a) - (b)	$ 16,688,591
Plan fiduciary net position as a percentage of the total OPEB liability	41.5%
Covered payroll	$ 78,218,592
County Office's net OPEB liability (asset) as a percentage of covered payroll	21.34%

The Tulare County Office of Education 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.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

J. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Tulare County Office of Education, as well as what the County Office of Education's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.50 percent) or one percentage point higher (7.50 percent) than the current discount rate:

	1% Decrease (5.5%)	Valuation Discount Rate (6.5%)	1% Increase (7.5%)
Net OPEB liability	$ 19,282,377	$ 16,688,591	$ 14,385,375

K. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the Tulare County Office of Education, as well as what the County Office of Education's net 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%)
Net OPEB liability	$ 14,328,446	$ 16,688,591	$ 19,371,388

L. OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the Tulare County Office of Education recognized OPEB expense of $114,656. At June 30, 2018, the Tulare County Office of Education reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	$ 458,624
	$ 458,624

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

L. OPEB Expense and Deferred Inflows of Resources Related to OPEB (continued)

Other 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	$ 114,656
2020	114,656
2021	114,656
2022	114,656
	$ 458,624

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 net 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 County Office of Education 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	$ 51,394,577	$ 16,130,570	$ 3,309,683	$ 11,169,818
PERS Pension	57,645,910	25,784,655	1,064,317	49,853,799
Total	$ 109,040,487	$ 41,915,225	$ 4,374,000	$ 61,023,617

A. California State Teachers' Retirement System (CalSTRS)

Plan Description
The County Office of Education 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 County Office of Education 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 County Office of Education were $5,174,818 for the year ended June 30, 2018.

On-Behalf Payments

The County Office of Education was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state County School Service Fund contributions of approximately $2,754,165 to CalSTRS.

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

At June 30, 2018, the County Office of Education reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the County Office of Education. The amount recognized by the County Office of Education 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 County Office of Education were as follows:

County Office's proportionate share of the net pension liability	$	51,394,577
State's proportionate share of the net pension liability associated with the County Office		30,404,846
Total	$	81,799,423

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 County Office of Education's proportion of the net pension liability was based on a projection of the County Office of Education's long-term share of contributions to the pension plan relative to the projected contributions of all participating agencies, actuarially determined. At June 30, 2017, the County Office of Education's proportion was 0.056 percent, which was a decrease of 0.001 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

For the year ended June 30, 2018, the County Office of Education recognized pension expense of $5,283,263. In addition, the County Office of Education recognized pension expense and revenue of $873,876 for support provided by the State. At June 30, 2018, the County Office of Education 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	$ -	$ 1,368,781
Differences between expected and actual experience	190,062	896,405
Changes in assumptions	9,521,445	-
Changes in proportion and differences between County Office contributions and proportionate share of contributions	1,244,245	1,044,497
County Office contributions subsequent to the measurement date	5,174,818	-
	$ 16,130,570	$ 3,309,683

The $5,174,818 reported as deferred outflows of resources related to pensions resulting from County Office of Education 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	$ 1,929,646	$ 1,539,185
2020	1,929,646	(461,011)
2021	1,929,646	277,314
2022	1,929,647	1,618,379
2023	1,618,585	295,614
2024	1,618,582	40,202
	$ 10,955,752	$ 3,309,683

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 County Office of Education's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the County Office of Education's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the County Office of Education'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%)
County Office's proportionate share of the net pension liability	$ 75,463,556	$ 51,394,577	$ 31,860,970

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. California Public Employees' Retirement System (CalPERS)

Plan Description

The County Office of Education 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 County Office of Education 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 County Office of Education were $7,500,687 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 County Office of Education reported a liability of $57,645,910 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 County Office of Education's proportion of the net pension liability was based on a projection of the County Office of Education's long-term share of contributions to the pension plan relative to the projected contributions of all participating agencies, actuarially determined. At June 30, 2017, the County Office of Education's proportion was 0.241 percent, which was an increase of 0.012 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 County Office of Education recognized pension expense of $11,040,571. At June 30, 2018, the County Office of Education 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	$ 1,994,154	$ -
Differences between expected and actual experience	2,065,215	-
Changes in assumptions	8,420,092	678,709
Changes in proportion and differences between County Office contributions and proportionate share of contributions	5,804,507	385,608
County Office contributions subsequent to the measurement date	7,500,687	-
	$ 25,784,655	$ 1,064,317

The $7,500,687 reported as deferred outflows of resources related to pensions resulting from County Office of Education 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	$ 6,505,162	$ 1,064,317
2020	7,596,422	-
2021	5,274,383	-
2022	(1,091,999)	-
	$ 18,283,968	$ 1,064,317

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 County Office of Education's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the County Office of Education's proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the County Office of Education'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%)
County Office's proportionate share of the net pension liability	$ 84,815,606	$ 57,645,910	$ 35,106,372

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 County Office of Education 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 County School Service 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 County Office of Education at June 30, 2018.

B. Litigation

The County Office of Education 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 County Office of Education at June 30, 2018.

C. Operating Leases

The County Office of Education has entered into various operating leases for land, buildings and equipment with lease terms in excess of one year. These agreements contain no purchase options. Future minimum lease payments are as follows:

Year Ended June 30,	Lease Payment
2018	$ 590,809
2019	332,445
2020	63,913
2021	14,473
Total	$ 1,001,640

NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The County Office of Education participates in five joint powers agreement (JPA) entities, Self-Insured Schools of California III (SISC III), the School Employee's Trust of Tulare County (SET-TC), the Tulare County Schools Insurance Group (TCSIG), the Tulare County Schools Self-Insurance Authority (TCSSIA), and the Northern California Regional Liability Excess Fund (NorCal ReLiEF). The County pays an annual premium to each entity for its workers' compensation, property liability coverage and health and welfare benefits. The relationship is such that the JPAs are not component units of the County Office of Education for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the County Office of Education are included in these financial statements. Audited financial statements are available from the respective entities.

NOTE 14 – RESTATEMENT OF NET POSITION

The beginning net position of Governmental Activities has been restated in order to record the County Office of Education's net 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	$ 58,041,776
Restatement	(20,605,723)
Net Position - Beginning, as Restated	$ 37,436,053

NOTE 15 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A. Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* the County Office of Education recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the County Office of Education 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 $41,915,225 and total deferred inflows related to pensions was $4,374,000.

B. Other Postemployment Benefits

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* the County Office of Education recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the County Office of Education -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 inflows related to OPEB were $458,632.

NOTE 16 – SUBSEQUENT EVENTS

A. Purchased Property

On September 14, 2018, the County Office of Education purchased property in the amount of $241,350 for the Scicon UC Merced Field Station.

B. Investment Account Closed

In September 2018, the American Funds investment account for Scicon had all funds withdrawn and the account was closed and placed into another investment account established at the same time.

REQUIRED SUPPLEMENTARY INFORMATION

TULARE COUNTY OFFICE OF EDUCATION
COUNTY SCHOOL SERVICE 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	$ 21,136,518	$ 22,317,385	$ 22,317,385	$ -
Federal sources	18,184,826	19,074,222	19,069,210	(5,012)
Other state sources	52,885,032	53,048,638	53,042,641	(5,997)
Other local sources	34,424,104	36,821,687	36,814,272	(7,415)
Total Revenues	126,630,480	131,261,932	131,243,508	(18,424)
EXPENDITURES				
Certificated salaries	31,373,065	32,586,009	32,586,006	3
Classified salaries	33,163,776	34,166,785	34,166,776	9
Employee benefits	33,035,382	33,172,133	33,172,090	43
Books and supplies	2,730,401	2,603,657	2,603,669	(12)
Services and other operating expenditures	25,938,790	26,964,152	26,964,162	(10)
Capital outlay	144,157	1,022,886	1,022,886	-
Other outgo				
Excluding transfers of indirect costs	2,539,036	2,539,038	2,539,038	-
Transfers of indirect costs	(3,350,599)	(3,454,638)	(3,454,638)	-
Total Expenditures	125,574,008	129,600,022	129,599,989	33
Excess (Deficiency) of Revenues				
Over Expenditures	1,056,472	1,661,910	1,643,519	(18,391)
Other Financing Sources (Uses)				
Transfers in	-	27,652	27,652	-
Transfers out	(672,274)	(596,307)	(596,307)	-
Net Financing Sources (Uses)	(672,274)	(568,655)	(568,655)	-
NET CHANGE IN FUND BALANCE	384,198	1,093,255	1,074,864	(18,391)
Fund Balance - Beginning	66,468,407	66,473,507	66,473,507	-
Fund Balance - Ending	$ 66,852,605	$ 67,566,762	$ 67,548,371	$ (18,391)

* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- Actual amounts reported in this schedule are for the County School Services Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects and the Special Reserve Fund for Postemployment Benefits, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

See accompanying note to required supplementary information.

TULARE COUNTY OFFICE OF EDUCATION
SPECIAL EDUCATION PASS-THROUGH FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
REVENUES				
Federal sources	$ 15,667,732	$ 16,158,225	$ 16,158,225	$ -
Other state sources	19,520,531	22,396,573	22,396,573	-
Total Revenues	35,188,263	38,554,798	38,554,798	-
EXPENDITURES				
Other outgo				
Excluding transfers of indirect costs	35,188,263	38,554,798	38,554,798	-
Total Expenditures	35,188,263	38,554,798	38,554,798	-
NET CHANGE IN FUND BALANCE	-	-	-	-
Fund Balance - Beginning	2	-	-	-
Fund Balance - Ending	$ 2	$ -	$ -	$ -

See accompanying note to required supplementary information.

TULARE COUNTY OFFICE OF EDUCATION
CHILD DEVELOPMENT FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
REVENUES				
Federal sources	$ 25,858,311	$ 28,404,221	$ 28,404,220	$ (1)
Other state sources	19,919,930	19,386,076	19,386,075	(1)
Other local sources	310,000	257,033	257,122	89
Total Revenues	46,088,241	48,047,330	48,047,417	87
EXPENDITURES				
Certificated salaries	3,392,151	3,137,051	3,137,054	(3)
Classified salaries	10,295,499	11,090,747	11,090,746	1
Employee benefits	9,490,128	9,548,330	9,548,360	(30)
Books and supplies	1,810,852	1,592,251	1,592,253	(2)
Services and other operating expenditures	17,813,962	18,494,011	18,493,803	208
Capital outlay	-	541,586	541,586	-
Other outgo				
Excluding transfers of indirect costs	-	2,074	2,074	-
Transfers of indirect costs	3,297,038	3,405,763	3,405,761	2
Total Expenditures	46,099,630	47,811,813	47,811,637	176
NET CHANGE IN FUND BALANCE	(11,389)	235,517	235,780	263
Fund Balance - Beginning	981,573	981,571	981,571	-
Fund Balance - Ending	$ 970,184	$ 1,217,088	$ 1,217,351	$ 263

See accompanying note to required supplementary information.

TULARE COUNTY OFFICE OF EDUCATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018
Total OPEB Liability	
Service Cost	$ 1,030,588
Interest on total OPEB liability	1,764,563
Benefits payments	(2,834,662)
Net change in total OPEB liability	(39,511)
Total OPEB liability - beginning	28,564,453
Total OPEB liability - ending (a)	$ 28,524,942
Plan fiduciary net position	
Contributions - employer	$ 3,377,594
Net investment income	1,227,724
Benefit payments	(2,834,662)
Administrative expenses	(5,339)
Net change in plan fiduciary net position	1,765,317
Plan fiduciary net position - beginning	10,071,034
Plan fiduciary net position - ending (b)	$ 11,836,351
County Office's net OPEB liability - ending (a) - (b)	$ 16,688,591
Plan fiduciary net position as a percentage of the total OPEB liability	41.5%
Covered payroll	$ 78,218,592
County Office's net OPEB liability (asset) as a percentage of covered payroll	21.34%

See accompanying note to required supplementary information.

TULARE COUNTY OFFICE OF EDUCATION
SCHEDULE OF INVESTMENT RETURNS - OPEB
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018
Annual money-weighted rate of return, net of investment expense	8.21%

See accompanying note to required supplementary information.

TULARE COUNTY OFFICE OF EDUCATION
SCHEDULE OF THE COUNTY OFFICE OF EDUCATION'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
County Office's proportion of the net pension liability	0.056%	0.057%	0.059%	0.056%
County Office's proportionate share of the net pension liability	$ 51,394,577	$ 45,781,586	$ 39,492,301	$ 32,815,082
State's proportionate share of the net pension liability associated with the County Office	30,404,846	26,066,477	20,887,018	19,670,267
Total	$ 81,799,423	$ 71,848,063	$ 60,379,319	$ 52,485,349
County Office's covered payroll	$ 34,514,801	$ 31,746,728	$ 27,448,388	$ 25,011,406
County Office's proportionate share of the net pension liability as a percentage of its covered payroll	148.9%	144.2%	143.9%	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.

TULARE COUNTY OFFICE OF EDUCATION
SCHEDULE OF THE COUNTY OFFICE'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
County Office's proportion of the net pension liability	0.241%	0.229%	0.228%	0.251%
County Office's proportionate share of the net pension liability	$ 57,645,910	$ 45,319,092	$ 33,611,080	$ 28,544,175
County Office's covered payroll	$ 39,720,621	$ 35,962,777	$ 33,503,333	$ 26,394,573
County Office's proportionate share of the net pension liability as a percentage of its covered payroll	145.1%	126.0%	100.3%	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.

TULARE COUNTY OFFICE OF EDUCATION
SCHEDULE OF COUNTY OFFICE OF EDUCATION CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	$ 5,174,818	$ 4,202,147	$ 3,413,436	$ 2,759,941
Contributions in relation to the contractually required contribution*	(5,174,818)	(4,202,147)	(3,413,436)	(2,759,941)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
County Office's covered payroll	$ 37,198,931	$ 34,514,801	$ 31,746,728	$ 27,448,388
Contributions as a percentage of covered payroll	13.91%	12.17%	10.75%	10.06%

*Amounts do not include on-behalf contributions

See accompanying note to required supplementary information.

TULARE COUNTY OFFICE OF EDUCATION
SCHEDULE OF COUNTY OFFICE OF EDUCATION CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	$ 7,500,687	$ 6,435,634	$ 5,174,815	$ 4,884,970
Contributions in relation to the contractually required contribution	(7,500,687)	(6,435,634)	(5,174,815)	(4,884,970)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
County Office's covered payroll	$ 42,582,174	$ 39,720,621	$ 35,962,777	$ 33,503,333
Contributions as a percentage of covered payroll	17.61%	16.20%	14.39%	14.58%

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 County School Service 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 County Office of Education'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 Net 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 net OPEB liability, and the components of the net OPEB liability and related ratios, including the OPEB plan's fiduciary net position as a percentage of the total OPEB liability, and the net OPEB liability as a percentage of covered-employee payroll.

Schedule of OPEB Investment Returns
This schedule presents information on the annual money weighted rate of return on OPEB plan investments. In future years, as data becomes available, ten years of information will be presented.

Schedule of the County Office of Education'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 County Office of Education's proportion (percentage) of the collective net pension liability, the County Office of Education's proportionate share (amount) of the collective net pension liability, the County Office of Education's covered payroll, the County Office of Education'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 County Office of Education 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 County Office of Education'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 County Office of Education'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 County Office of Education's covered payroll.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2018, the County Office of Education incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

	Expenditures and Other Uses		
	Budget	**Actual**	**Excess**
County School Service Fund			
Books and supplies	$ 2,603,657	$ 2,603,669	$ 12
Services and other operating expenditure	$ 26,964,152	$ 26,964,162	$ 10

SUPPLEMENTARY INFORMATION

TULARE COUNTY OFFICE OF EDUCATION
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	Federal Expenditures	Expenditures to Subrecipients
U. S. DEPARTMENT OF EDUCATION:				
Passed through California Department of Education:				
Title I				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	$ 478,167	$ -
Title I, Part A, Program Improvement LEA Corrective Action, Moderate Performance Problems	84.010	14956	36,012	-
Title I, Part D, Local Delinquent Programs	84.010	14357	623,259	-
Subtotal Title I			1,137,438	-
Title I, Part C, Migrant Ed (Regular and Summer)	84.011	14326	6,472,877	-
Title I, Part C, Education of Migratory Children (MSIX Data Quality Grants)	84.144G	*	3,430	-
Title II, Part A, Teacher Quality	84.367	14341	10,678	-
Title III, Limited English Proficient (LEP) Student Program	84.365	14346	51,355	-
Title III, Technical Assistance	84.365	14967	605,619	-
Title IV				
Title IV, 21st Century Community Learning Centers (CCLC) Technical Assistance	84.287	14350	146,237	-
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14349	1,325,074	-
21st Century Community Learning Centers - ASP Contract	84.287C	14535	57,264	-
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14681	353,838	-
Title IV, Part E	84.287	*	167,650	-
Subtotal Title IV			2,050,063	-
Special Education Cluster				
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	15,338,050	13,764,880
IDEA Mental Health Allocation Plan, Part B, Sec 611	84.027A	14468	912,299	-
Part B, Preschool Grants	84.173	13430	1,155,463	-
IDEA Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	2,429,060	2,389,060
IDEA Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	4,285	4,285
Preschool Staff Development	84.173A	13431	18,822	-
Subtotal Special Education Cluster			19,857,979	16,158,225
IDEA Early Intervention Grants, Part C	84.181	23761	210,109	-
CCDF Race to the Top - Early Learning Challenge (RTT-ELC)	84.412	15181	32,638	-
Bullying & School Violence Advocacy	84.UNKNOWN	*	116,170	-
ESSA: Title IX, Part A, McKinney-Vento Homeless Assistance Grants	84.196	*	33,874	-
Direct Award				
Safe & Drug-Free Schools & Communities - Taking Action on School Climate	84.184G	*	716,771	-
Total U. S. Department of Education			31,299,001	16,158,225
U. S. DEPARTMENT OF AGRICULTURE:				
Passed through California Department of Education:				
Child Nutrition Cluster				
National School Lunch Program	10.555	13391	294,998	-
Subtotal Child Nutrition Cluster			294,998	-
CA Community Transformtion Initiative	10.561	*	282,736	-
Child & Adult Care Food Program	10.558	13394	925,799	-
Forest Reserve Funds	10.665	10044	184,347	-
Total U. S. Department of Agriculture			1,687,880	-

(Continued on next page)

See accompanying note to supplementary information.

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying	Federal Expenditures	Expenditures to Subrecipients
U.S. DEPARTMENT OF TRANSPORTATION:				
Passed through Office of Traffic and Safety:				
National Priority Safety Programs	20.616	*	445,529	-
Total U. S. Department of Transportation			445,529	-
U.S. DEPARTMENT OF INTERIOR:				
Passed through California Department of Education:				
Flood Control Funds	15.UNKNOWN	*	3,217	-
Total U. S. Department of Interior			3,217	-
U.S. DEPARTMENT OF JUSTICE:				
Passed through Tulare County Sherrif's Department:				
Justice Assistance Grant (JAG)	16.738	*	55,914	-
Total U. S. Department of Justice			55,914	-
U.S. DEPARTMENT OF LABOR:				
Passed through Workforce Investment Board:				
Workforce Investment Act - Youth Activities	17.259	*	419,846	-
Total U. S. Department of Labor			419,846	-
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:				
Direct Award				
Americorps Planning Grant	94.006	*	5,270	-
Total Corporation for National and Community Service			5,270	-
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
Passed through California Department of Education:				
Child Care and Development Block Grant				
Child Development: Federal Alternative Payment (CAPP)	93.596	13694	2,974,651	-
Federal General (CCTR) and State Preschool (CSPP)	93.596	13609	310,051	-
Local Planning Councils	93.575	13946	56,570	-
Child Development: Federal Alternative Payment, Stage 3 (C3AP)	93.575	13881	2,256,559	-
Child Development: Federal Alternative Payment, Stage 2	93.575	14178	2,018,628	-
Infant/Toddler Child Care Resource Contracts	93.575	13942	371,222	-
Subtotal Child Care and Development Block Grant			7,987,681	-
Head Start	93.600	10016	19,525,017	-
Passed through Tulare County HHSA:				
MOVE Program	93.558	*	23,522	-
Welfare to Work Partnership	93.558	*	419,750	-
Passed through California Department of Alcohol & Drug Programs:				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	*	626,723	-
Direct Award				
Drug-Free Communities Support Program	93.276	*	97,134	-
Passed through California Department of Health Services:				
Medicaid				
Medi-Cal Special Education	93.778	10060	3,000	-
Medi-Cal Health	93.778	10060	61,335	
Medi-Cal Family Service	93.778	10060	1,348	-
Medi-Cal Billing Option	93.778	10060	64,383	
Subtotal Medicaid			130,066	-
Total U. S. Department of Health & Human Services			28,809,893	-
SOCIAL SECURITY ADMINISTRATION				
Direct Award				
Ticket to Work Program	96.008	*	765,996	-
Total Social Security Administration			765,996	-
Total Federal Expenditures			$ 63,492,546	$ 16,158,225

See accompanying note to supplementary information.

TULARE COUNTY OFFICE OF EDUCATION
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2018

	Second Period Report	Annual Report
	3F9AB8D3	**009C0CA5**
COUNTY OFFICE OF EDUCATION		
TK/K through Third		
Special Education - Special Day Class	172.77	175.00
Extended Year Special Education - Nonpublic Schools	4.74	4.36
Total TK/K through Third	177.51	179.36
Fourth through Sixth		
Special Education - Special Day Class	205.27	196.81
Extended Year Special Education - Nonpublic Schools	6.19	5.75
Community Day School	-	8.08
Total Fourth through Sixth	211.46	210.64
Seventh through Eighth		
Special Education - Special Day Class	160.47	162.51
Extended Year Special Education - Nonpublic Schools	3.68	3.34
Community Day School	0.85	0.88
Total Seventh through Eighth	165.00	166.73
Ninth through Twelfth		
Special Education - Special Day Class	317.84	320.14
Extended Year Special Education - Nonpublic Schools	8.72	7.70
Community Day School	6.73	6.58
Total Ninth through Twelfth	333.29	334.42
TOTAL COUNTY OFFICE OF EDUCATION	887.26	891.15

	Second Period Report	Annual Report
	AF736B77	**C4583316**
COUNTY OFFICE OF EDUCATION		
ELEMENTARY		
Juvenile halls, homes and camps	2.41	4.12
Probation referred, on probation or parole, expelled	1.28	1.68
Total Elementary	3.69	5.80
SECONDARY		
Juvenile halls, homes and camps	156.59	148.82
Probation referred, on probation or parole, expelled	39.36	40.62
Total Secondary	195.95	189.44
TOTAL	199.64	195.24

See accompanying note to supplementary information.

Charter Schools

	Second Period Report	Annual Report
	93A9C87E	0A193C38
UNIVERSITY PREPARATORY HIGH SCHOOL		
Ninth through Twelfth		
Classroom-based ADA	231.07	229.62
Total Ninth through Twelfth	231.07	229.62
TOTAL CHARTER SCHOOL*	231.07	229.62

**University Preparatory High School had no Non Classroom-Based ADA for the year ended June 30, 2018.*

	Second Period Report	Annual Report
	A9E1A275	20A3F106
LA SIERRA MILITARY ACADEMY		
Seventh through Eighth		
Classroom-based ADA	71.64	70.20
Non Classroom-based ADA	1.92	2.00
Total Seventh through Eighth	73.56	72.20
Ninth through Twelfth		
Classroom-based ADA	130.49	127.68
Non Classroom-based ADA	21.88	21.92
Total Ninth through Twelfth	152.37	149.60
TOTAL CHARTER SCHOOL	225.93	221.80

See accompanying note to supplementary information.

Charter Schools

La Sierra Military Academy

Grade Level	Minutes Requirement	2017-18 Actual Minutes	Number of Days	Status
Grade 7	54,000	70,005	180	Complied
Grade 8	54,000	70,005	180	Complied
Grade 9	64,800	72,021	180	Complied
Grade 10	64,800	72,021	180	Complied
Grade 11	64,800	72,021	180	Complied
Grade 12	64,800	72,021	180	Complied

University Preparatory High School

Grade Level	Minutes Requirement	2017-18 Actual Minutes	Number of Days	Status
Grade 9	64,800	66,220	180	Complied
Grade 10	64,800	66,220	180	Complied
Grade 11	64,800	66,220	180	Complied
Grade 12	64,800	66,220	180	Complied

See accompanying note to supplementary information.

TULARE COUNTY OFFICE OF EDUCATION
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

	2019 (Budget)	2018	2017	2016
County School Service Fund - Budgetary Basis**				
Revenues And Other Financing Sources	$ 132,850,785	$ 131,271,160	$ 126,574,483	$ 126,173,225
Expenditures And Other Financing Uses	134,328,973	130,196,296	123,447,747	125,632,522
Net change in Fund Balance	$ (1,478,188)	$ 1,074,864	$ 3,126,736	$ 540,703
Ending Fund Balance	$ 65,353,750	$ 67,548,371	$ 66,468,407	$ 63,341,671
Available Reserves*	$ 38,771,971	$ 39,211,892	$ 38,688,301	$ 37,660,389
Available Reserves As A Percentage Of Outgo	28.86%	30.12%	31.34%	29.98%
Long-term Debt	$ 161,618,729	$ 162,393,729	$ 128,383,753	$ 110,921,973
Average Daily Attendance At P-2	887	887	881	883

The County School Service Fund balance has increased by $4,206,700 over the past two years. The fiscal year 2018-19 budget projects a decrease of $1,478,188. For a County Office of Education (COE) of this size, the State recommends available reserves of at least 4% of County School Service Fund expenditures, transfers out, and other uses (total outgo).

The COE has incurred operating surpluses in two of the past three years and anticipates incurring an operating surplus during the 2018-19 fiscal year. Total long-term obligations have increased by $51,471,756 over the past two years.

Average daily attendance has increased by 4 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 County School Service Fund.

See accompanying note to supplementary information.

TULARE COUNTY OFFICE OF EDUCATION
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

	Retiree Benefits Fund
June 30, 2018, annual financial and budget report fund balance	$ -
Adjustments and reclassifications:	
Increase (decrease) in total fund balances:	
Increase in cash to record SISC GASB 45 Trust A	11,057,015
Net adjustments and reclassifications	11,057,015
June 30, 2018, audited financial statement fund balance	$ 11,057,015

See accompanying note to supplementary information.

TULARE COUNTY OFFICE OF EDUCATION
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2018

Charter #	Charter School	Status	Included in Audit Report
0341	La Sierra Military Academy	Active	Yes
1076	University Preparatory High School	Active	Yes
0395	Eleanor Roosevelt Community Learning Center	Active	No
1293	Valley Life Charter School	Active	No

See accompanying note to supplementary information.

TULARE COUNTY OFFICE OF EDUCATION
COMBINING BALANCE SHEET
JUNE 30, 2018

	Charter Schools Fund	Cafeteria Fund	Forest Reserve Fund	Foundation Special Revenue Fund	County School Facilities Fund	Non-Major Governmental Funds
ASSETS						
Cash and investments	$ 1,533,345	$ -	$ 65,352	$ 1,440,558	$ 252,782	$ 3,292,037
Accounts receivable	100,552	43,631	-	-	-	144,183
Stores inventory	-	3,261	-	-	-	3,261
Total Assets	$ 1,633,897	$ 46,892	$ 65,352	$ 1,440,558	$ 252,782	$ 3,439,481
LIABILITIES						
Deficit cash	$ -	$ 19,739	$ -	$ -	$ -	$ 19,739
Accrued liabilities	54,529	3,341	65,623	-	-	123,493
Unearned revenue	133,195	-	-	-	-	133,195
Total Liabilities	187,724	23,080	65,623	-	-	276,427
FUND BALANCES						
Non-spendable	-	3,261	-	-	-	3,261
Restricted	1,446,173	20,551	-	1,440,558	252,782	3,160,064
Unassigned	-	-	(271)	-	-	(271)
Total Fund Balances	1,446,173	23,812	(271)	1,440,558	252,782	3,163,054
Total Liabilities and Fund Balance	$ 1,633,897	$ 46,892	$ 65,352	$ 1,440,558	$ 252,782	$ 3,439,481

See accompanying note to supplementary information.

TULARE COUNTY OFFICE OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	Charter Schools Fund	Cafeteria Fund	Forest Reserve Fund	Foundation Special Revenue Fund	County School Facilities Fund	Non-Major Governmental Funds
REVENUES						
LCFF sources	$ 4,450,683	$ -	$ -	$ -	$ -	$ 4,450,683
Federal sources	20,562	301,149	183,862	-	-	505,573
Other state sources	635,511	24,342	-	-	-	659,853
Other local sources	2,440	31,422	(176)	7,241	2,176	43,103
Total Revenues	5,109,196	356,913	183,686	7,241	2,176	5,659,212
EXPENDITURES						
Current						
Instruction	3,143,007	-	-	-	-	3,143,007
Instruction-related services						
Instructional supervision and administration	52,640	-	-	500,000	-	552,640
School site administration	954,675	-	-	-	-	954,675
Pupil services						
Food services	-	901,055	-	-	-	901,055
All other pupil services	367,435	-	-	-	-	367,435
General administration						
All other general administration	-	48,878	-	-	-	48,878
Plant services	519,041	37,437	-	-	-	556,478
Facilities acquisition and maintenance	11,921	-	-	-	77,171	89,092
Transfers to other agencies	-	-	156,695	-	-	156,695
Total Expenditures	5,048,719	987,370	156,695	500,000	77,171	6,769,955
Excess (Deficiency) of Revenues Over Expenditures	60,477	(630,457)	26,991	(492,759)	(74,995)	(1,110,743)
Other Financing Sources (Uses)						
Transfers in	36,307	647,027	-	-	-	683,334
Transfers out	(87,027)	-	(27,652)	-	-	(114,679)
Net Financing Sources (Uses)	(50,720)	647,027	(27,652)	-	-	568,655
NET CHANGE IN FUND BALANCE	9,757	16,570	(661)	(492,759)	(74,995)	(542,088)
Fund Balance - Beginning	1,436,416	7,242	390	1,933,317	327,777	3,705,142
Fund Balance - Ending	$ 1,446,173	$ 23,812	$ (271)	$ 1,440,558	$ 252,782	$ 3,163,054

See accompanying note to supplementary information.

TULARE COUNTY OFFICE OF EDUCATION
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2018

The beginnings of the Tulare County Office of Education occurred on May 3, 1852 whereby the County Assessor served as the ex officio Superintendent of Schools. In 1854 the first County Superintendent of Schools was appointed by the County Board of Supervisors. Many legislative changes occurred over the next 100 years. From 1893 to 1956 the County Boards of Education were composed of an elected County Superintendent and four members appointed by the Board of Supervisors. The present form of organization of the County Board of Education was established in 1956. Other functions were transferred from the Board of Supervisors to the County Board of Education in 1967 and on July 1, 1971 the fiscal responsibility for the operation of the office was transferred to the County Superintendent and the County Board of Education.

The County Office of Education operates Kindergarten through Grade 12 education programs throughout the County for Special Education, Juvenile Hall, Community Schools, Charter Schools and the Scicon Outdoor Education Program. The County Office of Education also operates an extensive network of Child Program Centers throughout the County. In all, the County Office of Education operates more than 150 locations.

ELECTED OFFICIAL

Member	Office	Term Expires
Jim Vidak	County Superintendent	January 2019

COUNTY BOARD OF EDUCATION

Member	Office	Term Expires
Chris Reed	President	November 2020
Judy Coble	Vice President	November 2018
Joe Enea	Member	November 2020
Patricia Hillman	Member	November 2018
Debby Holguin	Member	November 2020
Tom Link	Member	November 2020
Celia Maldonado-Arroyo	Member	November 2018

COUNTY OFFICE OF EDUCATION ADMINISTRATORS

Craig Wheaton, Ed. D.
Deputy Superintendent, Administrative Services

Julie Berk
Assistant Superintendent, Student Support Services

Charlene Stringham
Assistant Superintendent, Instructional Services

Tammy Bradford
Assistant Superintendent, Special Services

See accompanying note to supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the County Office of Education 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 County Office of Education passes-through certain Federal assistance received to other governments (subrecipients). The subrecipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under Uniform Guidance, the County Office of Education is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements, and that performance goals are achieved.

The County Office of Education has not elected to use the 10 percent de minimis indirect cost rate.

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		$ 64,137,228
Ticket to Work Program	96.008	(62,832)
National Priority Safety Programs	20.616	(1,488)
Title III, Limited English Proficient (LEP) Student Program	84.365	(4,842)
Medi-Cal Special Education	93.778	204,636
Medi-Cal Family Service	93.778	4,500
Medi-Cal Health	93.778	1,486
Drug-Free Communities Support Program	93.276	(165)
Title I, Part A, Program Improvement LEA Corrective Action, Moderate Performance Problems	84.010	57,055
Title I, Part C, Migrant Ed (Regular and Summer)	84.011	(179,939)
CCDF Race to the Top - Early Learning Challenge (RTT-ELC)	84.412	(10)
IDEA Early Intervention Grants, Part C	84.181	(367)
Medi-Cal Billing Option	93.778	(658,476)
Infant/Toddler Child Care Resource Contracts	93.575	(23,933)
Child Development: Federal Alternative Payment, Stage 3 (C3AP)	93.575	19,693
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		$ 63,492,546

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the County Office of Education. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to county offices of education. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time – Charter Schools

This schedule presents information on the amount of instructional time offered by the respective charter schools sponsored by the County Office of Education and whether the charter schools complied with the provisions of *Education Code Sections* 46200 through 46208. During the year ended June 30, 2018, the charter schools participated in the Longer Day incentive funding program. As of June 30, 2018, the charter schools had not yet met its target funding.

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the County Office of Education, and displays information for each Charter School on whether or not the Charter School is included in the County Office of Education audit.

Combining Statements – Non-Major Funds

These statements provide information on the County Office of Education’s non-major funds.

Local Education Agency Organization Structure

This schedule provides information about the County Office of Education's boundaries and schools operated, members of the governing board, and members of the administration.

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
Tulare County Office of Education
Visalia, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tulare County Office of Education, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Tulare County Office of Education's basic financial statements, and have issued our report thereon dated December 13, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tulare County Office of Education'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 Tulare County Office of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of Tulare County Office of Education'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 Tulare County Office of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 13, 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
Tulare County Office of Education
Visalia, California

Report on Compliance for Each Major Federal Program

We have audited Tulare County Office of Education'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 Tulare County Office of Education's major federal programs for the year ended June 30, 2018. Tulare County Office of Education'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 Tulare County Office of Education'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 Tulare County Office of Education'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 Tulare County Office of Education's compliance.

Opinion on Each Major Federal Program

In our opinion, Tulare County Office of Education 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 Tulare County Office of Education 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 Tulare County Office of Education'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 Tulare County Office of Education's internal control over compliance.

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

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

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

Christy White Associates

San Diego, California
December 13, 2018

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REPORT ON STATE COMPLIANCE

Independent Auditors' Report

Governing Board
Tulare County Office of Education
Visalia, California

Report on State Compliance

We have audited Tulare County Office of Education'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 by Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on each of Tulare County Office of Education'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 Tulare County Office of Education'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 by 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 Tulare County Office of Education'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 Tulare County Office of Education's compliance with those requirements.

Opinion on State Compliance

In our opinion, Tulare County Office of Education 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.

Procedures Performed

In connection with the audit referred to above, we selected and tested transactions and records to determine Tulare County Office of Education'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	Not Applicable
Independent Study	Not Applicable
Continuation Education	Not Applicable
Instructional Time	Not Applicable
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Not Applicable
Classroom Teacher Salaries	Not Applicable
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Yes
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Not Applicable
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Educator Effectiveness	Yes
California Clean Energy Jobs Act	No

(Continued on the next 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	Yes
Mode of Instruction; for charter schools	Yes
Nonclassroom-Based Instruction/Independent Study; for charter schools	Yes
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Yes
Annual Instructional Minutes – Classroom Based; for charter schools	Yes
Charter School Facility Grant Program	Yes

We did not test California Clean Energy Jobs Act because there were no expenditures related to this program as of June 30, 2018.

Christy White Associates

San Diego, California
December 13, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

TULARE COUNTY OFFICE OF EDUCATION
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
84.011	Title I, Part C, Migrant Ed (Regular & Summer)
84.027, 84.027A, 84.173, 84.287, 84.287C	Special Education Cluster
93.596, 93.575	Child Care and Development Block Grant
93.600	Head Start

Dollar threshold used to distinguish between Type A and Type B programs:	$ 1,902,095
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	No
Significant deficiency(ies) identified?	None Reported
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 or 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 or questioned costs for the year ended June 30, 2018.

TULARE COUNTY OFFICE OF EDUCATION
STATE 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

There were no state award findings or questioned costs for the year ended June 30, 2018.

FINDING #2017-001: ATTENDANCE (10000)

Criteria: In accordance with California Education Code Section 44809 and California Code of Regulations, Title 5, Section 401, the California Department of Education is required to approve the forms and procedures that constitute the County Office of Education's attendance accounting system. The approved attendance reporting system must be used to claim Average Daily Attendance on the Report of School County Office Attendance. The County Office of Education's attendance accounting system requires that the certificated teacher who is instructing the students verify all attendance information on their attendance reports and sign the reports each week. The attendance records should be properly stored to ensure that the records are available to support attendance day claimed.

Condition: During out tests over state compliance of attendance, we found that La Sierra Military Academy was not following their attendance reporting procedures as the teachers were not signing the attendance reports weekly. Based on our review, it was determined that there were no questioned costs or losses of attendance as all teacher rosters were approved prior to the fiscal year end.

Cause: Internal controls not in place to ensure that teachers sign attendance reports weekly.

Effect: Without strengthening internal controls over attendance reporting, average daily attendance (ADA) may not be accurately reported to the California Department of Education (CDE).

ADA Impact: There is no financial impact as all teacher rosters were approved prior to the fiscal year end.

Recommendation: We recommend the County Office of Education maintains written records of attendance that are prepared daily and signed weekly by the teacher instructing the student. The records should be properly stored to ensure that records are available to support attendance days claimed.

County Office of Education Response: La Sierra Military Academy has implemented steps to follow to ensure all attendance reports are signed on a weekly basis.

Current Status: Implemented.

FINDING #2017-002: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNT (40000)

Criteria: Students classified as free or reduced price meal eligible (FRPM) (who are not directly certified) 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: 1 of 60 students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who was classified as FRPM did not have proper supporting documentation to support their designation. Upon review of the rest of the County Office of Education's FRPM eligible population who changed status during the income verification process, we determined that this was the only ineligible student.

Cause: Clerical oversight.

Effect: The County Office of Education is not in compliance with State requirements.

Context: 1 of 504 students reported in the County Office of Education's Unduplicated Pupil Count did not have proper supporting documentation to support their FRPM designation.

FINDING #2017-002: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNT (40000) (continued)

Questioned Cost: $12,996, as calculated below.

UPP Audit Adjustment					
1	Total Adjusted Enrollment from the UPP exhibit as of P-2				897
2	Total Adjusted Unduplicated Pupil Count from the UPP exhibit as of P-2				504
3	Audit Adjustment - Number of Enrollment				
4	Audit Adjustment - Number of Unduplicated Pupil Count				(1)
5	Revised Adjusted Enrollment				897
6	Revised Adjusted Unduplicated Pupil Count				503
7	UPP calculated as of P-2				0.5619
8	Revised UPP for audit finding				0.5608
9	**Charter Schools Only:** Determinative School District Concentration Cap				
10	Revised UPP adjusted for Concentration Cap				**0.5608**
LCFF Target Supplemental Grant Funding Audit Adjustment		**TK/K–3**	**4–6**	**7–8**	**9–12**
9	Supplemental and Concentration Grant ADA	694.33	510.59	332.16	679.53
10	Adjusted Base Grant per ADA	$7,083	$7,189	$7,403	$8,578
11	Target Supplemental Grant Funding calculated as of P-2				$1,896,588
12	Revised Target Supplemental Grant Funding for audit finding				$1,892,875
13	Target Supplemental Grant Funding audit adjustment				**($3,713)**
LCFF Target Concentration Grant Funding Audit Adjustment					
14	Target Concentration Grant Funding calculated as of P-2				$100,416
15	Revised Target Concentration Grant Funding for audit finding				$91,133
16	Target Concentration Grant Funding audit adjustment				**($9,283)**
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at LCFF Target					
18	Total Target Supplemental and Concentration audit adjustment				**($12,996)**

Recommendation: We recommend that the County Office of Education ensure that all students listed as FRPM in the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report have proper documentation to support their CALPADS designation.

County Office of Education Response: A reconciliation process will be implemented to ensure we have proper documentation to support the information reported in CALPADS.

Current Status: Implemented.

FINDING #2017-003: SCHOOL ACCOUNTABILITY REPORT CARDS (72000)

Criteria: School Accountability Report Cards (SARCs), prepared on annual basis for each school site within the County Office of Education 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).

Condition: During testing of a representative sample of 2015-16 SARC posted in 2016-17, the following issues were noted regarding facilities conditions:

Tulare Community Court Schools

- The FIT form for the Occupational Training Program did not match what was reported in the SARC report for the interior category. The FIT form reported FAIR and SARC Report is GOOD.

Special Education

- SARC Report did not match the FIT Forms for the school sites LB Hill Learning Center and Yettem. LB Hill Center's FIT Form report for the structural category is reported as POOR but shows as GOOD on the SARC report. Yettem's Fit form report for the structural category is FAIR but is reported in SARC as being in GOOD condition.

Effect: The SARCs were not accurate.

Cause: Clerical error in posting the SARC.

Questioned Cost: Not applicable.

Recommendation: We recommend that the County Office of Education implement a process to accurately compile information included in the most recently prepared FITs.

County Office of Education Response: A review process has been implemented to ensure information on the FIT form is accurately reported on the SARC.

Current Status: Implemented.

APPENDIX C

GENERAL INFORMATION ABOUT THE COUNTY OF TULARE

*The following information concerning the County of Tulare (the "**County**") is included only for the purpose of supplying general information regarding the area of the Board of Education. The Certificates are not a debt of the the County, the State or any of its political subdivisions (other than the Board of Education), and none of the County, the State or any of its political subdivisions (other than the Board of Education) is liable therefor.*

General

Founded in 1852, the County of Tulare is located in California's San Joaquin Valley, a large agriculturally rich basin that runs through the center of the State. The County is the second top agricultural producing county in the nation. It is surrounded by Fresno County to the north, Inyo County to the east, Kern County to the south and Kings County to the west. Almost half the entire county area is devoted to national parks and forests, including the famous Sequoia and Kings Canyon National Parks, Inyo and Sequoia National Forests. These natural resources provide year-round recreational opportunities for hiking, fishing, skiing and camping.

Population

The following sets forth the population estimates within the cities in the County and the County as of January 1 for the years 2015 through 2019.

COUNTY OF TULARE
Estimated Population

	2015	2016	2017	2018	2019
Dinuba	24,044	24,528	24,735	24,918	25,328
Exeter	10,735	10,887	10,922	10,984	11,002
Farmersville	11,071	11,200	11,297	11,341	11,358
Lindsay	12,730	12,895	12,953	13,062	13,358
Porterville	56,365	59,547	59,563	60,241	60,260
Tulare	62,402	63,061	64,161	65,503	66,967
Visalia	130,746	132,563	134,207	136,403	138,207
Woodlake	7,694	7,735	7,753	7,793	7,891
Balance of County	146,723	144,594	145,114	145,101	144,741
Incorporated	315,787	322,416	325,591	330,245	334,371
County Total	**462,510**	**467,010**	**470,705**	**475,346**	**479,112**

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

Taxable Transactions

A summary of historic taxable sales within the County during the past five years in which data is available is shown in the following table. Annual figures for calendar year 2018 are not yet available.

Total taxable sales during the first quarter of calendar year 2018 in the County were reported to be $1,687,164,116, a 4.76% increase over the total taxable sales of $1,610,466,809 reported during the first quarter of calendar year 2017.

COUNTY OF TULARE
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2013	5,816	$3,746,171	8,334	$5,788,584
2014	5,869	3,902,553	8,351	6,150,669
2015(1)	3,071	3,998,589	9,284	6,275,434
2016	6,124	4,377,472	9,232	6,688,260
2017	6,005	4,810,563	9,081	7,105,732

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
Source: State Board of Equalization. Taxable Sales in California (Sales & Use Tax) for years 2013-2016. State Department of Tax and Fee Administration for year 2017.

Employment and Industry

The Board of Education is included in the Visalia-Porterville Metropolitan Statistical Area ("**MSA**"). The unemployment rate in the Tulare County was 10.0 percent in July 2019, up from a revised 9.1 percent in June 2019, and above the year-ago estimate of 9.9 percent. This compares with an unadjusted unemployment rate of 4.4 percent for California and 4.0 percent for the nation during the same period.

The following table lists employment by industry for the Visalia-Porterville MSA for the past five years.

VISALIA-PORTERVILLE MSA
(TULARE COUNTY)
Civilian Labor Force, Employment and Unemployment
(March 2018 Benchmark)

	2014	2015	2016	2017	2018
Civilian Labor Force (1)	198,200	202,200	203,400	204,800	204,600
Employment	172,100	178,700	180,700	183,500	184,900
Unemployment	26,000	23,500	22,700	21,400	19,600
Unemployment Rate	13.1%	11.6%	11.2%	10.4%	9.6%
Wage and Salary Employment: (2)					
Agriculture	34,900	39,100	38,800	38,700	39,300
Mining, Logging and Construction	4,500	4,900	5,300	5,700	6,100
Manufacturing	12,000	12,300	12,800	12,800	13,000
Wholesale Trade	3,800	3,900	4,100	4,200	4,300
Retail Trade	15,800	15,900	16,200	16,200	16,300
Trans., Warehousing and Utilities	6,400	6,900	6,900	7,300	7,400
Information	900	1,000	1,000	900	900
Financial Activities	3,900	4,000	4,100	4,100	4,000
Professional and Business Services	10,300	10,900	11,100	12,000	11,000
Educational and Health Services	13,700	13,800	14,400	15,500	16,200
Leisure and Hospitality	10,600	11,100	11,500	11,500	11,700
Other Services	3,300	3,400	3,500	3,500	3,500
Federal Government	1,000	1,000	1,000	1,000	1,100
State Government	1,700	1,700	1,800	1,800	1,700
Local Government	26,800	27,500	28,500	29,000	29,500
Total, All Industries (3)	149,600	157,600	160,900	164,100	165,900

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(3) Totals may not add due to rounding.
Source: State of California Employment Development Department.

Major Employers

The following chart presents the major employers in the County as of August 2019.

TULARE COUNTY
Major Employers
August 2019

Employer Name	Location	Industry
American	Visalia	Construction Companies
College of the Sequoias	Visalia	Junior-Community College-Tech Institutes
Eagle Mountain Casino	Porterville	Casinos
Family Tree Farms	Reedley	Farms
Haagen-Dazs Shop	Tulare	Ice Cream Parlors
Jostens	Visalia	Class Rings (mfrs)
Kd Medical Ctr	Visalia	Hospitals
KINGS Canyon National Park	Kings Cyn Nat Pk	Government Offices-Us
Land O'Lakes Indl Cheese	Tulare	Cheese Processors (mfrs)
Latino Farm Labor Svc	Visalia	Contractors
Monrovia Nursery Co	Woodlake	Nurseries-Plants Trees & Etc-Wholesale
Porterville Developmental Ctr	Porterville	Government Offices-State
Ruiz Food Products Inc	Dinuba	Mexican Food Products-Manufacturers
Saputo Cheese USA Inc	Tulare	Cheese Processors (mfrs)
Sierra View District Hospital	Porterville	Hospitals
Tulare County Child Care Prgm	Visalia	Child Care Service
Tulare County Sheriff	Visalia	Government Offices-County
Tulare High School District	Tulare	School Districts
Tulare Local Healthcare Dist	Tulare	Health Care Management
Tulare Regional Medical Ctr	Tulare	Hospitals
US Cotton Classing Office	Visalia	Government Offices-Us
Valley Labor Svc	Dinuba	Labor Contractors
Walmart	Porterville	Department Stores
Walmart Distribution Ctr	Porterville	Distribution Centers (whls)

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2019 2nd Edition.

Construction Activity

Provided below are the building permits and valuations for the County for calendar years 2014 through 2018.

COUNTY OF TULARE
Building Permit Valuation
(Valuation in Thousands of Dollars)

	2014	2015	2016	2017	2018
Permit Valuation					
New Single-family	$177,971.7	$242,048.5	$435,293.6	$246,860.6	$253,174.2
New Multi-family	23,630.4	14,041.5	13,595.9	30,428.9	36,987.8
Res. Alterations/Additions	14,034.2	14,690.6	19,569.3	14,274.9	27,136.5
Total Residential	215,636.3	270,780.6	468,458.8	291,564.4	317,298.5
New Commercial	30,522.1	30,008.4	137,763.5	50,633.2	64,998.8
New Industrial	0.0	892.0	9,571.2	4,528.3	5,639.5
New Other	51,676.9	71,771.9	125,445.8	43,334.0	57,187.4
Com. Alterations/Additions	43,259.7	46,290.8	31,746.2	59,058.3	61,637.4
Total Nonresidential	125,458.7	148,963.1	304,526.7	157,553.8	189,463.1
New Dwelling Units					
Single Family	847	1,129	1,159	1,136	1,173
Multiple Family	296	132	156	220	347
TOTAL	1,143	1,261	1,315	1,356	1,520

Source: Construction Industry Research Board, Building Permit Summary.

Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the total effective buying income for the City, the County, the State and the United States for calendar years 2015 through 2019.

COUNTY OF TULARE,
STATE OF CALIFORNIA, AND UNITED STATES
Effective Buying Income
2015 through 2019

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2015	Tulare County	$6,301,258	$36,706
	California	901,189,699	50,072
	United States	7,357,153,421	45,448
2016	Tulare County	$6,387,143	$36,155
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2017	Tulare County	$7,199,514	$40,423
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	Tulare County	$7,393,927	$41,277
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	Tulare County	$7,753,456	$43,691
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841

Source: The Neilson Company (US), Inc for years 2015 through 2018; Claritas, LLC for 2019

Transportation

Situated on Highway 99, the County offers excellent transportation access routes throughout California and the Western United States. There are 200 major carriers within 45 minutes of the City of Visalia that provide interstate trucking services. Many communities in the County offer airports for corporate service. Air service is available approximately 45 minutes north at Fresno Yosemite International Airport. San Francisco International Airport is about 3-1/2 hours driving time away.

State Routes 65 and 190 provide vehicular access to many cities throughout the State. Tulare County Area Transit offers transit services in the District and smaller communities throughout the County.

Union-Southern Pacific, Burlington Northern-Santa Fe Railroads are the San Joaquin Valley Rail companies serve Tulare County with extensive spur track, piggyback service, reciprocal switching, and refrigerated shipping.

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APPENDIX D

FORM OF OPINION OF SPECIAL COUNSEL

_________, 2019

Governing Board
Tulare County Board of Education

OPINION: $___________ 2019 Refunding Certificates of Participation (Federally Taxable) Evidencing the Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be Made by the Tulare County Board of Education

Members of the Governing Board:

We have acted as special counsel in connection with the delivery by the Tulare County Board of Education (the "Board"), of the Lease Agreement dated as of November 1, 2019 (the "Lease Agreement") between the Local Facilities Finance Corporation (the "Corporation"), as lessor, and the Board, as lessee. Pursuant to the Trust Agreement dated as of November 1, 2019 (the "Trust Agreement") between the Board, the Corporation and Wilmington Trust, National Association, as trustee thereunder (the "Trustee"), the Trustee has executed and delivered $___________ aggregate principal amount of 2019 Refunding Certificates of Participation (Federally Taxable) (the "Certificates") evidencing the direct, undivided fractional interests of the owners thereof in lease payments to be made by the Board pursuant to the Lease Agreement (the "Lease Payments") which have been assigned by the Corporation to the Trustee pursuant to the Assignment Agreement dated as of November 1, 2019 (the "Assignment Agreement") between the Corporation and the Trustee. We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Board contained in the Lease Agreement and the Trust Agreement, and in certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Board is a county office of education duly organized and validly existing under the laws of the State of California with the full power to enter into the Lease Agreement and the Trust Agreement and to perform the agreements on its part contained therein.

2. The Lease Agreement and the Trust Agreement have been duly approved by the Board and constitute valid and binding obligations of the Board enforceable against the Board in accordance with their respective terms.

3. The Certificates have been validly executed and delivered by the Trustee pursuant to the Trust Agreement and, by virtue of the assignment made pursuant to the Assignment Agreement, the owners of the Certificates are entitled to the benefits of the Lease Agreement.

4. The portion of the Lease Payments designated as and comprising interest and received by the owners of the Certificates is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Certificates.

The rights of the owners of the Certificates and the enforceability of the Certificates are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully submitted,

A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by the Tulare County Board of Education (the "Board") in connection with the execution and delivery of $___________ Tulare County Board of Education 2019 Refunding Certificates of Participation (Federally Taxable) (the "Certificates"). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of November 1, 2019, between Wilmington Trust, National Association, as trustee, the Board of Education and the Local Facilities Finance Corporation (the "Trust Agreement"). The Board of Education covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Board of Education for the benefit of the holders and beneficial owners of the Certificates and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

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

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

"*Annual Report Date*" means the date not later than nine months (currently March 31) after the end of each fiscal year of the Board of Education (currently June 30th).

"*Dissemination Agent*" shall mean Isom Advisors, A Division of Urban Futures, Inc., or any successor Dissemination Agent designated in writing by the Board of Education and which has filed with the Board of Education a written acceptance of such designation.

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

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

"*Official Statement*" means the final official statement executed by the Board of Education in connection with the delivery of the Certificates.

"*Participating Underwriter*" shall mean any of the original underwriters of the Certificates required to comply with the Rule in connection with offering of the Certificates.

"*Repository*" shall mean each National Repository and each State Repository.

"*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. Provision of Annual Reports.

(a) The Board of Education shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2020 with the report for the 2018-19 fiscal year, provide to the MSRB in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the Board of Education shall provide the Annual Report to the Dissemination Agent (if other than the Board of Education). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the Board of Education) has not received a copy of the Annual Report, the Dissemination Agent shall contact the Board of Education to determine if the Board of Education is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Board of Education may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the Board of Education's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The Board of Education shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the Board of Education hereunder.

(b) If the Board of Education does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the Board of Education shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A, with a copy to the Paying Agent and Participating Underwriter.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the Board of Education, file a report with the Board of Education, with a copy to the Paying Agent and the Participating Underwriter, certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The Board of Education's Annual Report shall contain or incorporate by reference the following:

(a) The Board of Education's audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Board of Education's audited financial statements are not available by the Annual Report Date, 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) Unless otherwise provided in the audited financial statements filed on or prior to Annual Report Date, financial information and operating data with respect to the Board of Education for the preceding fiscal year, substantially similar to that provided in the corresponding tables and charts in the Official Statement:

(i) adopted general fund budget;
(ii) average daily attendance;
(iii) outstanding debt;
(iv) information regarding total assessed valuation of taxable properties within the Board of Education;
(v) the Board of Education's revenue sources (LCFF sources, federal, state and local) for the most recent fiscal year; and
(vi) if the Board of Education is not participating in the Teeter Plan, information regarding secured tax charges and delinquencies on taxable properties within the Board of Education.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the Board of Education shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Board of Education or related public entities, which are available to the public on the MSRB's internet web site or filed with the Securities and Exchange Commission. The Board of Education shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The Board of Education shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Certificates:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

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

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security.

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

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

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

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material.

(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

(b) Whenever the Board of Education obtains knowledge of the occurrence of a Listed Event, the Board of Education shall, or shall cause the Dissemination Agent (if not the Board of Education) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event.

(c) The Board of Education acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14), and (a)(15) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The Board of Education shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the Board of Education obtains knowledge of the occurrence of any of these Listed Events, the Board of Education will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the Board of Education will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Board of Education in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Board of Education, 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 Board of Education.

(e) For purposes of Section 5(a)(15) and (16), "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The Board of Education'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 Board of Education shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The Board of Education 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 Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Board of Education. Any Dissemination Agent may resign by providing 30 days' written notice to the Board of Education and the Paying Agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Board of Education may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Certificates, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Certificates in the manner provided in the Trust Agreement for amendments to the Trust Agreement with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Certificates.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the Board of Education to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Board of Education 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 Board of Education 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 Board of Education 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 11. Default. If the Board of Education fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Board of Education to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the Board of Education to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Board of Education agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent will have no duty or obligation to review any information provided to it by the Board of Education hereunder, and shall not be deemed to be acting in any fiduciary capacity for the Board of Education, the Certificate holders or any other party. The obligations of the Board of Education under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates.

(b) The Dissemination Agent shall be paid compensation by the Board of Education for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Board of Education, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Dated: _________, 2019

TULARE COUNTY BOARD OF EDUCATION

By ________________________________

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	TULARE COUNTY BOARD OF EDUCATION
Name of Issue:	$___________ 2019 Refunding Certificates of Participation (Federally Taxable) Evidencing Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be made by the Tulare County Board of Education as the Rental for Certain Property Pursuant to a Lease Agreement with the Local Facilities Finance Corporation
Date of Issuance:	________, 2019

NOTICE IS HEREBY GIVEN NOTICE IS HEREBY GIVEN that the Board of Education has not provided an Annual Report with respect to the above-named Certificates as required by Section 10.06 of the Trust Agreement, dated as of November 1, 2019, by and among Wilmington Trust, National Association, as trustee, the Board of Education and the Local Facilities Finance Corporation. Continuing Disclosure Certificate, dated as of _________, 2019. The Board of Education anticipates that the Annual Report will be filed by _____________.

Dated:_______________

TULARE COUNTY BOARD OF EDUCATION

By _________________________________
Title: _______________________________

cc: Trustee

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Certificates, payment of principal, interest and other payments on the Certificates to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Certificates and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Certificates (the "Issuer") nor the trustee, fiscal agent or paying agent appointed with respect to the Certificates (the "Agent") take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Certificates, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Certificates"). The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Certificates, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest 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 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. 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 Direct and Indirect 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.

4. To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other 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 Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

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

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

8. Redemption proceeds, distributions, and interest payments on 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 Issuer or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, security certificates will be printed and delivered to DTC.

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

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APPENDIX G

TULARE COUNTY INVESTMENT POLICY

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TULARE COUNTY

Annual Investment Policy of the Pooled Investment Fund

FISCAL YEAR 2018/2019

Cass Cook
Auditor-Controller / Treasurer-Tax Collector

http://www.tularecounty.ca.gov/treasurertaxcollector/index.cfm/treasurer/documents/

PREFACE

This policy has been researched, prepared, and written under the direction of the Auditor-Controller/Treasurer-Tax Collector and the Chief Deputy Treasurer-Tax Collector of the County of Tulare. Each issue addressed in this policy is considered to be of timely and significant importance to the administration of the investment portfolio. While some portions of this policy are a restatement of State law, it is viewed that these restatements are integral to the purpose and flow of this policy.

The following statements are intended to ensure the achievement of the purpose, goals, and objectives of the investment strategy in an orderly, accurate manner. However, there is no guarantee that problems, errors or losses will not arise in the course of administering the investment of idle funds.

Among the obstacles and deterrents that may affect the achievement of the goals and objectives of the portfolio include but are not limited to the following: unforeseen national or international events or crises, deviation of actual cash flow from forecasted cash flow, unexpected demands on cash flow, policies made with regard to investment in local depositories, errors in data or advice used to make decisions, as well as any other unforeseen aberrations or event that may have an effect on local, national or international financial markets, economies or politics, which in turn has a decided effect upon the portfolio.

Keeping in mind the obstacles and deterrents in pursuing portfolio goals and objectives, this policy is designed to achieve a reasonable rate of return over an economic cycle, consistent with limited risk and prudent investment practices.

Approval Schedule

- County Treasury Oversight Committee
  Approved – May 3, 2018
- Tulare County Board of Supervisors
  Approved – June 26, 2018

Table of Contents

1.0 POLICY

The purpose of the Investment Policy is to facilitate the accomplishment of the County Treasurer's goals and objectives with regard to the investment of idle funds, to provide a framework to carry out the business of administering and investing the idle funds of the County Treasury, and to improve communications between everyone involved and interested in the process of investing and administering the idle funds of the County Treasury.

1.1 MAINTENANCE OF PUBLIC TRUST

The Treasurer has been entrusted with the safekeeping of public monies received from public sources. The County Treasurer shall exercise a high degree of professionalism while managing the investment portfolio, to ensure and sustain public confidence, remembering that both the investment instruments and the methods of transacting investment business are subject to public review and scrutiny.

1.2 PUBLIC INQUIRY

The County Treasurer's portfolio and related transactions are a matter of public record. All districts whose funds are deposited with the Treasurer or any member of the public may obtain a copy of the CAFR, the Treasury Annual Investment Policy, and monthly and quarterly reports including a complete listing of our holdings by visiting the County's web site under the Treasurer department..

2.0 SCOPE

The following investment policy governs the deposit, safekeeping, and investment of all funds under the control of the County Treasurer, as well as all related transactions and investment activities. It does not apply to bond funds or other assets belonging to the County of Tulare, or other affiliated public agency assets that reside outside of the County Treasury Pool. The County's Comprehensive Annual Financial Report (CAFR) identifies the fund types incorporated in the County's Investment Pool to include:

1. General Fund
2. Special Revenue Funds
3. Enterprise Funds
4. Internal Service Funds
5. Fiduciary Funds
6. Any new funds created by the Board of Supervisors

3.0 PRUDENCE

The administration of idle funds of the Tulare County Treasurer, as a fiduciary trustee, shall be performed in accordance with the prudent investor standard as stated in California Government Code §27000.3, §53600.3 and §53646:

> "When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, the county treasurer shall act with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the county and other depositors, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the county and other depositors."

Prudence shall be applied in the context of portfolio management. Investment officers and their advisors acting in accordance with written procedures and exercising due diligence, shall be relieved of personal responsibility for individual security's credit risk or market price changes; provided that deviations from expectation are reported to the Treasurer in a timely fashion and appropriate action is taken to control adverse developments.

4.0 LEGAL COMPLIANCE

All investments shall be made in accordance with the County Treasurer's Investment Policy, California Government Code §27000 et. seq., and §53600 et. seq., and any forthcoming amendments or additions to the California Government Code in relation to the investment of local agency idle funds.

5.0 PRIMARY GOALS

The Treasurer's primary goals for the investment of idle funds (the portfolio) are, in order of priority as per California Government Code §27000.5 and §53600.5:

1. **Safety** – Safety of capital shall mean the safeguarding of capital through the selection of investments and investing procedures to best protect against loss arising from default, fraud, or error. This objective will be obtained through diversification and investment in securities of high quality to minimize credit risk and loss of principal.
2. **Liquidity** – The investment portfolio shall remain sufficiently liquid to enable the Treasury Pool to meet the operating requirements of its participants which might be reasonably anticipated and shall always have the ability to convert sufficient securities in the portfolio to cash to meet contingency needs.
3. **Yield** – The investment portfolio shall be designed with the objective of attaining the highest rate of return, taking into consideration income preservation, current market conditions, the present phase of the market cycle, both present and future cash flow needs, and the other primary goals of Safety and Liquidity.

6.0 DELEGATION OF AUTHORITY

The authority to invest /reinvest is delegated for a one year period by the Board of Supervisors to the County Treasurer until revoked or the authority expires in accordance with California Government Code §27000.1, §53607. , §53601 §53635 and, the Tulare County Ordinance 1-03-2061, the County Treasurer shall be responsible for the investment of the County's funds (including the purchase, sale, or exchange of securities), the monitoring and reviewing of all investments for consistency under this investment policy.

The Treasurer shall have the responsibility to execute investment transactions on a day to day basis and shall establish a system of internal controls to regulate the investment activities. When circumstances warrant, the responsibility to execute investment transactions may be delegated to the Chief Deputy Treasurer/Tax Collector, Chief Accountant-Treasury and/or the Investment Officer. The County may engage the services of one or more external investment managers to assist in the management of the Investment portfolio in a manner consistent with the County's objectives. Such external managers may be granted discretion to purchase and sell investment securities in accordance with this Investment Policy. Each external manager assigned any portion of the portfolio must individually comply with the investment parameters established by this policy. Such managers must be registered under the Investment Advisors Act of 1940.

NO PERSON MAY ENGAGE IN AN INVESTMENT TRANSACTION EXCEPT AS PROVIDED UNDER THE LIMITS OF THIS POLICY AND THE PROCEDURES ESTABLISHED BY THE AUDITOR-CONTROLLER/TREASURER-TAX COLLECTOR.

7.0 CONFLICT OF INTEREST

The Auditor-Controller/Treasurer-Tax Collector, the Treasury Oversight Committee, and Treasury staff involved with the investment process shall not engage in any profession, trade, business or occupation which is incompatible or involves a conflict of interest with his/her duties; or which may reflect unfavorably on the County, the appointing authority, or on fellow employees.

California Government Code §27133(d) requires limits to be set on the receipt of honoraria, gifts, and gratuities from advisors, brokers, dealers, bankers, or other persons with whom the County Treasury conducts business by any member of the County Treasury Oversight Committee and shall require the completion of an annual Statement of Economic Interests by each member to be filed with the member's respective agency. This policy establishes a limit on the amount of honoraria, gifts and gratuities that a committee member may receive from a single source in a calendar year that is consistent with the Fair Political Practices Commission. This limit may be in addition to the limits set by a committee member's own agency or by state law.

As part of the Treasury Oversight Committee audit, annual compliance confirmation are sent to each committee member. Each member is requested to confirm they are or are not in compliance with Government Code §27132.1 and §27132.2 which states;

Government Code §27132.1 a member may not be employed by an entity that has contributed to a re-election campaign of the local treasurer or a member of the legislative body of the local agency in the previous three years; Government Code §27132.2 a member may not directly or indirectly raise money for the county treasurer or a member of the board of supervisors while a member of the committee.

8.0 BROKER/DEALER AND DEPOSITORY INSTITUTION RELATIONSHIPS

8.1 APPROVED LIST OF BROKER/DEALER INSTITUTIONS

The County Treasurer shall approve and maintain a list of broker/dealers and direct issuers authorized to provide investment services to the County pursuant to California Government Code §53601.5. All investments must be made with institutions that have been approved by the County Treasurer prior to investing. The County's external investment advisors may use their own list of approved broker/dealers and financial institutions for investment purposes. The advisor shall submit the list of approved broker/dealers to the County on a quarterly basis for review. The criteria for approval is described in a separate *Investment Guidelines and Procedures Manual* maintained by the Treasurer's Office.

8.2 APPROVED LIST OF DEPOSITORY INSTITUTIONS

The County Treasurer shall approve and maintain a list of depository institutions authorized to purchase Certificates of Deposit and Time Deposits. This list will be reviewed on an annual basis by the County Treasurer. An institution must meet the following criteria to be considered by the County Treasurer for deposits described in section (L) of the AUTHORIZED INVESTMENT INSTRUMENTS section of this policy:

1) The institution must be located in California.

2) The institution must have current financial information, a signed contract and waiver on file with the agency.

3) The institution must maintain a net worth to asset ratio of at least 3% and have a positive earnings record.

4) The institution must be at least 3 years old.

5) For collateralized investments, the institution must have at least $100 million in assets and collateralize their TCD's in accordance with §53651 and §53652 of the California Government Code.

6) The institution shall have received an overall rating of not less than "satisfactory" in its most recent Community Reinvestment Act evaluation.

9.0 TERMS FOR FUNDS INVESTED WITH THE POOL

California Government Code §27133(h) and §27136requires the County Treasurer to define the limits and conditions under which local agencies having their money in the Investment Pool may deposit and withdraw their funds. The Government Codes confer upon the Treasurer the final authority as to how funds for which the Treasurer is held responsible for overseeing, are to be invested. The Treasurer must take into account the current financial condition of the sum total of the Pools' agencies, the conditions of the market place, the cash flow projections as well as the potential for changes in the Pool's cash needs. The Treasurer must protect the earnings of each individual local agency in the Pool, and also see that no decision will reward a particular agency or group of agencies within the Pool at the expense of another or others within the Pool. If the Treasurer determines that a request for a withdrawal of funds for a specific or outside investment is not, in the Treasurer's opinion, in the best interest of a particular agency, or is overly detrimental to the Pool as a whole, the Treasurer must legally deny the request, or find a means of neutralizing the harm to all those affected.

9.1 FUNDS OF AGENCIES REQUIRED TO INVEST WITHIN THE POOL

Funds will be accepted at all times, in the manner prescribed, from those agencies where the County Treasurer is also the Treasurer for the local agency, or from any agencies that by statute must place their money in the County Investment Pool. Funds will earn interest based on the average daily balance apportioned on a quarterly basis.

The Treasury Pool's cash management plan provides for adequate liquidity to cover day-to-day operations of pool participants. The County Treasurer will honor all requests to withdraw funds for normal operations that are approved by the County Auditor at a one-dollar net asset value. To accommodate large withdrawals that exceed those normally associated with operations, the following written notification requirements must be followed to allow for adjustments to the liquidity position of the pool.

- Withdrawals of up to $ 5,000,000………………………24 hours
- Withdrawals of up to $10,000,000………………………48 hours
- Withdrawals of up to $10,000,001 and above ………...72 hours

Should a legislative body of a local agency determine that certain funds will not be required by the local agency for a period of at least one year, the local agency may petition the County Treasurer to invest that portion of the local agency's excess funds in a specific investment under the control of the County Treasurer. Such a petition should specifically state the nature of the funds the legislative body wishes to invest, and the reasons why the legislative body believes a specific investment is a preferable and viable alternative to the general Pools participation. Should the Treasurer determine that the request for a specific investment is valid and not overly counter-productive as to the Pool as a whole, the Treasurer will consult with the local agency's legislative body, or its appointed representative, to suggest and determine exactly what investment(s) should be purchased to fulfill the needs of the local agency. The Treasurer will then purchase the specific investment(s) upon receipt of a written resolution issued by the legislative body of the local agency, requesting the specific investment. The resolution must acknowledge that the local agency's legislative body takes full responsibility for the decision to purchase the specific investment(s), and that should conditions change requiring a sale prior to maturity of the specific investment(s), any loss that might be suffered as a result, will be solely that of the local agency, and that this loss shall not be shared by the Pool as a whole, nor by the County.

Under language added to the California Government Code §27133(h) and §27136 in 1995, it is not permissible for local agency legislative bodies, required to have their funds within the Pool, to withdraw funds from the Pool in order to invest outside the County Pool in any manner, at any time without specific permission of the Treasurer. Any such investments shall be either terminated and all funds returned to the Pool, or the securities so purchased must be transferred to the custody of the County Treasurer immediately. Upon receipt of any such securities by the Treasurer, the Treasurer shall at the Treasurer's option, place the investment in the Pool, terminate the investment at the current market value and credit the local agency with the proceeds, or place the security in the name of the local agency as a specific investment.

9.2 MONEY VOLUNTARILY INVESTED WITH THE POOL

Pursuant to Government Code §53684, the County Treasurer shall limit the amounts and set conditions under which money from local agencies, not required to have their funds in the investment Pool, may deposit and withdraw voluntarily invested funds. Funds from local agencies within the County, voluntarily wishing to participate in the Pool, will not be accepted under normal conditions unless the Treasurer is assured that these funds are in lieu of longer term investments. Such deposits are subject to withdrawal restrictions for a set minimal term as to be agreed to prior to the funds being accepted into the Pool, and may not be withdrawn at any time without a minimum of 30 days notice of "intent to withdraw".

Under normal conditions, voluntary money withdrawn from the Pool will be disbursed on a dollar for dollar basis, plus appropriate interest, but under adverse market conditions, when the Treasurer deems the withdrawal of voluntary funds would cause undue losses or significantly lower earnings for those local agencies remaining within the Pool, the Treasurer may require one or more of the following remedies:

1. Restrict the percentage of funds that may be withdrawn in any given month;
2. Restrict the rate at which the funds may be withdrawn;
3. Require the local agency withdrawing their funds to accept their funds based on the current market value of the overall Pool.

These terms will be agreed to and contracts signed prior to any voluntary money being accepted into the County Investment Pool. Such terms may exceed minimum requirements set forth in the Government Codes.

Specific investments are not normally permitted with voluntary funds, though on a cost recovery basis and under circumstances that dictate such activity, exceptions may be permitted.

9.3 INCOME APPORTIONMENT

Pursuant to Government Code §27013 ansd §53684.b, the County Treasurer calculates and records all interest earned, received, and accrued for the Investment Pool on a daily basis. The apportionment of investment earnings to the various participants in the Investment Pool is done at the end of each calendar quarter. The apportioned amount is computed as follows:

$$\text{Participating Share of Pool Income} = \frac{(\text{Fund's Avg. Daily Equity} \times \text{Pool Total Income})}{\text{Total Pool Average Daily Equity}}$$

10.0 AUTHORIZED INVESTMENT INSTRUMENTS

The following defines in detail the parameters of each approved investment type. Any instrument not expressly permitted is prohibited. Specific limitations are provided on the maximum allowable percentage per investment category and further limitations by issuer within each investment category. With the exception of insured and/or collateralized bank deposits, overnight repurchase agreements, U.S. Government securities, including its agencies and instrumentalities, and authorized pools, no more than 10% of the County's aggregate investment portfolio may be invested in securities of a single issuer. Where there is a percentage limitation for a particular category of investment, that percentage is only applicable at the time of purchase. If at the end of any quarter, any percentage in any restricted security is higher than the maximum allowed by category at time of purchase, the Treasurer shall take action within 90 days, to adjust the portfolio holdings so that the percentages are brought within the percentage limits.

A. Bonds issued by the County of Tulare, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the County of Tulare or by a department, board, agency, or authority of the County of Tulare.

B. United States Treasury bills, notes, bonds or certificates of indebtedness or those for which faith and credit of the United States are pledged for principal and interest.

C. Registered treasury notes or bonds of any of the 49 United States in addition to the State of California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 United States, in addition to the State of California. No more than 30% of the total portfolio may be invested in a combination of securities authorized by this paragraph and paragraph D, below.

D. Bonds, notes or warrants of the State of California and any local agency within California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency, or authority of the local agency. No more than 30% of the total portfolio may be invested in a combination of securities authorized by this paragraph and paragraph C, above.

E. Federal agency or United States government - sponsored enterprise obligation, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government - sponsored enterprises, per California Government Code §53601. No more than 75% of the total portfolio may be invested in Agency Securities.

F. Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as Bankers Acceptances, the short-term paper of which is rated in the highest category by a nationally recognized rating service. Purchases of Bankers Acceptances may not exceed 180 days maturity or 40 percent of the total portfolio which may be invested pursuant to this section.

G. Commercial Paper. Commercial paper (excluding Rule 144A issues) of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or paragraph (2):

   (1) The entity meets the following criteria: (A) Is organized and operating in the United States as a general corporation. (B) Has total assets in excess of five hundred million dollars ($500,000,000). (C) Has debt other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or higher by a nationally recognized statistical-rating organization.

   (2) The entity meets the following criteria: (A) Is organized within the United States as a special purpose corporation, trust, or limited liability company. (B) Has program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond. (C) Has commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical-rating organization.

   Purchases of eligible commercial paper shall not exceed 270 days maturity nor represent more than 5 percent of the outstanding paper of an issuing corporation. Purchases of commercial paper may not exceed 40 percent of the County's total portfolio. (California Government Code §53635)

H. Negotiable Certificates of Deposit (California Government Code §53601.(i)) issued by a nationally or state-chartered bank or a savings association or federal association or a state or federal credit union or a federally-licensed or state-licensed branch of a foreign bank; provided that the senior debt obligations of the issuing institution are rated in a rating category of "A" or its equivalent or better by a nationally recognizing rating service. Purchases of negotiable certificates of deposit may not exceed 30 percent of the total portfolio which may be invested pursuant to this section. For the purpose of this section, negotiable certificates of deposit do not come within Article 2 of Chapter 4 of Part 1 of Division 2 of Title 5 of the Government code, except that the amount so invested shall be subject to the limitations of §53638.

I. Authorized by California Government Code §53601 and/or §53635.

(1) Investment in Repurchase Agreements or Reverse Repurchase Agreements of any securities authorized by California Government Code §53601 & §53635.

(2) Investment in Repurchase Agreements may be made on any investment authorized in California Government Code §53601 and §53635 when the term of the agreement does not exceed one year. The market value of securities that underlay a repurchase agreement shall be valued at 102 percent or greater of the funds borrowed against those securities and the value shall be adjusted no less than quarterly. Since the market value of the underlying securities is subject to daily fluctuation, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102 percent no later than the next business day. No more than 50% of the total portfolio may be invested in overnight repurchase agreements.

(3) Reverse Repurchase Agreements may be utilized only when the following conditions are met: The security to be sold on Reverse Repurchase Agreement has been owned and fully paid for by the County of Tulare for a minimum of 30 days prior to sale, and the total of all Reverse Repurchase Agreements on investments owned by the local agency does not exceed 20 percent of the base portfolio, and the agreement does not exceed a term of 92 days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of the security using a Reverse Repurchase Agreement and the final maturity date of the same security.

(4) A Reverse Repurchase Agreement may not be entered into as a means of financing or paying for the security sold on a Reverse Repurchase Agreement, but may only be entered into in order to supplement the yield on securities owned and previously paid for or to provide funds for the immediate payment of an obligation of Tulare County.

(5) Investments in Reverse Repurchase Agreements or similar investments in which the local agency sells securities prior to purchase, may only be made upon prior approval of the Board of Supervisors of the County of Tulare and are limited to no more than 20% of the total portfolio.

(6) (a) "Repurchase Agreement" means a purchase of securities by the agency pursuant to an agreement by which the counter party seller will repurchase the securities on or before a specified date and for a specified amount and the counter party will deliver the underlying securities to the agency's pool by book entry, physical delivery, or by third party custodial agreement. The transfer of underlying securities to the counter party bank's customer book-entry account may be used for book-entry delivery.

(b) "Securities", for the purpose of repurchase, means securities of the same issuer, description, issue date, and maturity.

(c) "Reverse Repurchase Agreement" means a sale of securities by the County Treasury pursuant to an agreement by which the agency will repurchase the securities on or before a specified date, and includes other comparable agreements.

(d) The base value of the County Treasury Pools portfolio shall be that dollar amount obtained by totaling all cash balances placed in the pools by all pool participants, excluding any amounts obtained through selling securities by way of Reverse Repurchase Agreements or other similar borrowing methods.

(e) The spread is the difference between the cost of funds obtained using the Reverse Repurchase agreement and the earnings obtained on the reinvestment of the funds.

J. Medium-Term Notes with a maximum of five years' maturity issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment shall be rated in a rating category of "A" or its equivalent or better by a nationally recognized rating service. Purchases of Medium-Term Notes may not exceed 30 percent of the agency's total portfolio which may be invested.

K. Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940. To be eligible for investment these companies shall either:

(1) Attain the highest ranking or highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations.

(2) Have an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market funds with assets under management in excess of five hundred million dollars ($500,000,000). The purchase price of shares of beneficial interest purchased, shall not include any commission that these companies may charge and shall not exceed 15 percent of the agency's total portfolio which may be invested pursuant to §53635 of the California Government Code.

L. FDIC insured or collateralized savings accounts, market rate accounts, certificates of deposits and other bank deposits in a state or national bank, savings association or federal association, a state or a federal credit union located in California. Any financial institution accepting County funds for deposit must comply with the requirements of Government Code §53630 et seq., including collateralization of deposits. The County may waive the collateralization requirements for any portion of the deposit that is covered by Federal Deposit Insurance. As provided by Government Code §53649, the County shall have a signed contract with each financial institution that has County funds on deposit.

M. Deposits at a commercial bank, savings bank, savings and loan association, or credit union placed through a deposit placement service that comply with the requirements under Government Code §53601.8 and §53635.8. The full amount of the principal and the interest that may be accrued during the maximum term of each certificate of deposit shall at all times be insured by Federal Deposit Insurance.

N. Local Agency Investment Fund (LAIF). The maximum balance that can be held in the fund is the maximum amount permitted by State Treasury policy.

O. Managed Investment Pool's pursuant to California Government Code §53601(p) for which shares of beneficial interest issued by a joint powers authority organized pursuant to California Government Code §6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (q), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:

(1) The adviser is registered or exempt from registration with the Securities and Exchange Commission.

(2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q), inclusive.

(3) The adviser has assets under management in excess of five hundred million dollars ($500,000,000).

P. Asset Backed Securities, Mortgage pass through securities, collateralized mortgage obligations, mortgage-backed or other pay-through bonds, equipment lease backed certificates, consumer receivable pass-through certificates, or consumer receivable backed bonds, provided that such securities :

(1) Have a maximum remaining stated final maturity of five years.

(2) Be issued by an issuer rated in a rating category of "A" or its equivalent or better for the issuer's debt as provided by a nationally recognized statistical-rating organization.

(3) Be rated in a rating category of "AA" or its equivalent or better by a nationally recognized statistical-rating organization.

(4) Purchase of securities authorized by this subdivision may not exceed an accumulative total of 20 percent of the total portfolio. Non-Federal Agency issuers under this subsection are further limited to 10% of the portfolio.

(5) Purchase of securities authorized by this section is limited to the portion of the portfolio managed by an Investment Advisor on behalf of the County Treasurer.

Q. United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category of “AA” or its equivalent or better by a nationally recognizing rating service and shall not exceed 30 percent of the total portfolio that may be invested pursuant to this section.

11.0 INELIGIBLE SECURITIES

1. Securities Lending
2. Inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages.
3. A local agency shall not invest any funds in any security that could result in zero interest accrual if held to maturity. However, a local agency may hold prohibited investments purchased prior to January 1, 1996 until their maturity dates.
4. Financial futures and options.

12.0 REVIEW AND ANALYSIS OF PROSPECTIVE INVESTMENTS

The securities held by the Treasurer must be in compliance with Section 10 Authorized Investment Instruments at the time of purchase. Because some securities may not comply with Section 10 subsequent to the date of purchase, the Treasurer shall at least quarterly review the portfolio to identify those securities that do not comply. The Treasurer report to the Board of Supervisors and to its oversight committee, major and critical incidences of noncompliance identified through the review of the portfolio.

Due to the complexity of the various investment instruments available and uncertainty of market conditions the Treasurer may seek professional advice in making investment decisions in order to optimize investment selections, subject to §1-03-2062 of the Tulare County Ordinance Code.

13.0 COMPETITIVE BIDDING

When executing a transaction, the County and its external investment advisors shall seek bids or offerings from at least three broker/dealers on the approved list.

14.0 SAFEKEEPING

As required by California Government Code §53601, §53608 and §53635 all investment instruments in a negotiable, bearer, registered, or non-registered format, shall be delivered to the County of Tulare’s custodial bank by using book entry or physical delivery. The “delivery vs. payment” purchase procedure shall be used. Securities will be held by a third party custodian designated by the Treasurer and evidenced by safekeeping receipts. No securities will be held by the broker/dealer from whom they were purchased.

15.0 POOL INVESTMENT PARAMETERS

Allowable Instruments	County Maximum % of Portfolio	Code Maximum % of Portfolio	County Maximum Maturity	Code Maximum Maturity	County % per Issuer[1]
U.S. Treasury Obligations (§53601(b))	100	100	5 Years	5 Years	100
U.S. Agency Obligations or U.S. Government Sponsored Enterprises (§53601(f))	75	100	5 Years	5 Years	100
Supranational Obligations (§53601(q))	30	30	5 Years	5 Years	10
Medium Term Notes (Corporate) (§53601(k))	30	30	5 Years	5 Years	10
Mortgage and Asset Backed Securities ((§53601(o))	20	20	5 Years	5 Years	10
Bankers' Acceptances (§53601(g))	40	40	180 Days	180 Days	10
Negotiable Certificates of Deposit (§53601(i))	30	30	5 Years	5 Years	10
Repurchase Agreement (§53601(j))	50	None	30 Days	1 Year	N/A
Reverse Repurchase Agreements (§53601(j))	20	20	92 Days	92 Days	10
Bank Time Deposits (§53630 et seq.)	30	None	3 Years	None	25
Bank Deposits – through deposit placement service (§53601.8)	30	30	3 Years	None	25
Money Market Accounts (§53630 et seq.)	50	None	N/A	None	25
Commercial Paper (§53601(h) and (§53635(a))	40	40	270 Days	270 days	10
Money Market Funds (§53601(l))	15	20	N/A	N/A	10
Obligations issued by a State or local agencies within California or any of the other 49 United States (§53601(d)(e))	30	100	5 Years	5 Years	10
Tulare County (§53601(a))	15	100	5 Years	5 Years	10
L.A.I.F. (§16429.1)	Maximum Allowed	Per State Treasury Policy	N/A	N/A	N/A
Managed Investment Pool pursuant to GC §53601(p)	50	None	N/A	N/A	N/A

[1] With the exception of insured and/or collateralized bank deposits, overnight repurchase agreements, U.S. Government securities, including its agencies and instrumentalities, and authorized pools, no more than 10% of the County's aggregate investment portfolio may be invested in securities of a single issuer. Commercial paper is further limited to 5% of the outstanding paper of the issuing corporation.

16.0 MAXIMUM MATURITIES

No investment shall be made in any security with a maturity greater than five years, unless it is approved by the Board of Supervisors no less than three months prior to investment. Some investments are restricted to terms less than five years. These maturity limitations are described in this policy. The term “maturity” in this Policy is defined as an instrument’s stated legal final redemption date. The dollar-weighted average maturity of the portfolio shall not exceed 3.5 years.

17.0 INTERNAL CONTROLS

Pursuant California Government Code §27130 thru §27137, and the Tulare County Ordinance 1-05-1070 the Board of Supervisors, in consultation with the County Treasurer has created a County Treasury Oversight Committee to promote the public interest by involving depositors in the management of their funds and by enhancing the security and investment return of their funds through the establishment of criteria for the withdrawal of funds. The County of Tulare Treasury Oversight Committee shall annually review and monitor the Investment Policy and cause an annual audit to provide internal controls by assuring the Treasurer’s compliance with the Investment Policy. Nothing in this policy shall be construed to allow the County Treasury Oversight Committee to direct individual investment decisions, select individual investment advisors, brokers or dealers, or impinge on the day-to-day operations of the County Treasury.

In compliance with §27132 of the California Government Code, the County Treasurer Oversight Committee shall consist of the following:

a) The County Auditor-Controller/Treasurer-Tax Collector
b) A representative appointed by the Board of Supervisors or his/her designee
c) The Superintendent of Schools or his designee
d) A School District designee
e) A Special District designee
f) Two members of the public with expertise, or academic background in public finance.

18.0 PERFORMANCE MEASUREMENT

The investment portfolio will be managed in accordance with the parameters specified within this policy. The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs. The investment performance objective for the portfolio shall be to earn a total rate of return which is approximately equal to or greater than the return on a portfolio/index of securities with commensurate risk. These will include the Local Agency Investment Fund (LAIF) and the average two-year Treasury note. The investment performance measurement benchmarks for the Investment Managers/Advisors shall be stated on the quarterly report based on current contractual agreements. Additional indexes may be used and presented for comparison purposes only.

19.0 REPORTING

The Treasurer provides a quarterly Investment Report to the Board of Supervisors, County Administrative Officer, the County Auditor, and the Oversight Committee, within thirty (30) days following the end of the quarter covered by the report. The quarterly investment report contains, but is not limited to, the following investment information:

A. The type of investment, name of issuer, date of maturity, par and dollar amount invested in all securities, investments, and monies;

B. A description of any funds, investments that are under the management of contracted parties;

C. The market value as of the date of the report, and the source of this valuation for any security within the Treasury or under management by contract;

D. The weighted average maturity of investments within the Treasury;

E. Purchase dates, book values, and current credit rating of issuers;

F. Yield to maturity;

G. Overall portfolio yield based on cost;

H. Statement that the portfolio is in compliance with the Investment Policy or the manner in which the portfolio is not in compliance;

I. A statement denoting the County's ability to meet its expenditure requirements for the next six months, or an explanation as to why sufficient money shall not be available.

In addition to the Quarterly reports. The Treasury also provides a monthly summary Investment Report to the Board of Supervisors, County Administrative Officer, the County Auditor, and the Oversight Committee. The monthly investment reports contains, but is not limited to, the following investment information:

A. The type of investment, name of issuer, date of maturity, par and dollar amount invested in all securities, investments, and monies;

B. A description of any funds, investments that are under the management of contracted parties;

C. The market value as of the date of the report, and the source of this valuation for any security within the Treasury or under management by contract;

D. The weighted average maturity of investments within the Treasury;

E. Purchase dates, book values, and market values;

F. Yield to maturity;

G. Statement that the portfolio is in compliance with the Investment Policy or the manner in which the portfolio is not in compliance;

20.0 INVESTMENT POLICY ADOPTION

The Tulare County Treasurer's Investment Policy Statement for the Pooled Investment Fund is presented annually to the Treasury Oversight Committee for review and to the County Board of Supervisors for approval as recommended by California Government Code §53646 and §27133 and shall remain in effect until the succeeding policy is adopted.

21.0 GLOSSARY OF INVESTMENT TERMS

AGENCIES. Shorthand market terminology for any obligation issued by *a government-sponsored entity (GSE),* or a *federally related institution*. Most obligations of GSEs are not guaranteed by the full faith and credit of the US government. Examples are:

FFCB. The Federal Farm Credit Bank System provides credit and liquidity in the agricultural industry. FFCB issues discount notes and bonds.

FHLB. The Federal Home Loan Bank provides credit and liquidity in the housing market. FHLB issues discount notes and bonds.

FHLMC. Like FHLB, the Federal Home Loan Mortgage Corporation provides credit and liquidity in the housing market. FHLMC, also called "FreddieMac" issues discount notes, bonds and mortgage pass-through securities.

FNMA. Like FHLB and FreddieMac, the Federal National Mortgage Association was established to provide credit and liquidity in the housing market. FNMA, also known as "FannieMae," issues discount notes, bonds and mortgage pass-through securities.

GNMA. The Government National Mortgage Association, known as "GinnieMae," issues mortgage pass-through securities, which are guaranteed by the full faith and credit of the US Government.

PEFCO. The Private Export Funding Corporation assists exporters. Obligations of PEFCO are not guaranteed by the full faith and credit of the US government.

TVA. The Tennessee Valley Authority provides flood control and power and promotes development in portions of the Tennessee, Ohio, and Mississippi River valleys. TVA currently issues discount notes and bonds.

ASKED. The price at which a seller offers to sell a security.

ASSET BACKED SECURITIES. Securities supported by pools of installment loans or leases or by pools of revolving lines of credit.

AVERAGE LIFE. In mortgage-related investments, including CMOs, the average time to expected receipt of principal payments, weighted by the amount of principal expected.

BANKER'S ACCEPTANCE. A money market instrument created to facilitate international trade transactions. It is highly liquid and safe because the risk of the trade transaction is transferred to the bank which "accepts" the obligation to pay the investor.

BENCHMARK. A comparison security or portfolio. A performance benchmark is a partial market index, which reflects the mix of securities allowed under a specific investment policy.

BID. The price at which a buyer offers to buy a security.

BROKER. A broker brings buyers and sellers together for a transaction for which the broker receives a commission. A broker does not sell securities from his own position.

CALLABLE. A callable security gives the issuer the option to call it from the investor prior to its maturity. The main cause of a call is a decline in interest rates. If interest rates decline since an issuer issues securities, it will likely call its current securities and reissue them at a lower rate of interest. Callable securities have reinvestment risk as the investor may receive its principal back when interest rates are lower than when the investment was initially made.

Certificate of Deposit (CD). A time deposit with a specific maturity evidenced by a certificate. Large denomination CDs may be marketable.

Certificate of Deposit Account Registry SYSTEM (CDARS). A private placement service that allows local agencies to purchase more than $250,000 in CDs from a single financial institution (must be a participating institution of CDARS) while still maintaining FDIC insurance coverage. CDARS is currently the only entity providing this service. CDARS facilitates the trading of deposits between the California institution and other participating institutions in amounts that are less than $250,000 each, so that FDIC coverage is maintained.

Collateral. Securities or cash pledged by a borrower to secure repayment of a loan or repurchase agreement. Also, securities pledged by a financial institution to secure deposits of public monies.

Collateralized Mortgage Obligations (CMO). Classes of bonds that redistribute the cash flows of mortgage securities (and whole loans) to create securities that have different levels of prepayment risk, as compared to the underlying mortgage securities.

Commercial Paper. The short-term unsecured debt of corporations.

Comprehensive Annual Financial Report (CAFR). The official annual report of the Tulare County Investment Pool. It includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed statistical sections.

Cost Yield. The annual income from an investment divided by the purchase cost. Because it does not give effect to premiums and discounts which may have been included in the purchase cost, it is an incomplete measure of return.

Coupon. The rate of return at which interest is paid on a bond.

Credit Risk. The risk that principal and/or interest on an investment will not be paid in a timely manner due to changes in the condition of the issuer.

Current Yield. The annual income from an investment divided by the current market value. Since the mathematical calculation relies on the current market value rather than the investor's cost, current yield is unrelated to the actual return the investor will earn if the security is held to maturity.

Dealer. A dealer acts as a principal in security transactions, selling securities from and buying securities for his own position.

Debenture. A bond secured only by the general credit of the issuer.

Delivery vs. Payment (DVP). A securities industry procedure whereby payment for a security must be made at the time the security is delivered to the purchaser's agent.

Derivative. Any security that has principal and/or interest payments which are subject to uncertainty (but not for reasons of default or credit risk) as to timing and/or amount, or any security which represents a component of another security which has been separated from other components ("Stripped" coupons and principal). A derivative is also defined as a financial instrument the value of which is totally or partially derived from the value of another instrument, interest rate, or index.

Discount. The difference between the par value of a bond and the cost of the bond, when the cost is below par. Some short-term securities, such as T-bills and banker's acceptances, are known as discount securities. They sell at a discount from par, and return the par value to the investor at maturity without additional interest. Other securities, which have fixed coupons, trade at a discount when the coupon rate is lower than the current market rate for securities of that maturity and/or quality.

DIVERSIFICATION. Dividing investment funds among a variety of investments to avoid excessive exposure to any one source of risk.

DURATION. The weighted average time to maturity of a bond where the weights are the present values of the future cash flows. Duration measures the price sensitivity of a bond to changes in interest rates.

FEDERAL CREDIT AGENCIES. Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC). A federal agency that insures bank deposits, currently up to $250,000 per entity.

FEDERAL FUNDS RATE. The rate of interest charged by banks for short-term loans to other banks. The Federal Reserve Bank through open-market operations establishes it.

FEDERAL HOME LOAN BANKS (FHLB). Government sponsored wholesale banks (currently 12 regional banks), which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA). FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL OPEN MARKET COMMITTEE (FOMC). Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM. The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA OR GINNIEMAE).–Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. GinnieMae securities are backed by the FHA, VA or FHA mortgages. The term "pass-throughs" is often used to describe GinnieMaes.

LIQUIDITY. The speed and ease with which an asset can be converted to cash.

Local Agency Investment Fund (LAIF). A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer's Office.

Local Government Investment Pool. Investment pools that range from the State Treasurer's Office Local Agency Investment Fund (LAIF) to county pools, to Joint Powers Authorities (JPAs). These funds are not subject to the same SEC rules applicable to money market mutual funds.

Market Risk. The risk that the value of securities will fluctuate with changes in overall market conditions or interest rates.

Market Value. The price at which a security can be traded.

Marking to Market. The process of posting current market values for securities in a portfolio.

Master Repurchase Agreement. A written contract covering all future transactions between the parties to repurchase—reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller borrower.

Maturity. The final date upon which the principal of a security becomes due and payable.

Medium Term Notes. Unsecured, investment-grade senior debt securities of major corporations which are sold in relatively small amounts on either a continuous or an intermittent basis. MTNs are highly flexible debt instruments that can be structured to respond to market opportunities or to investor preferences.

Money Market. The market in which short-term debt instruments (T-bills, discount notes, commercial paper, and banker's acceptances) are issued and traded.

Mortgage Pass-Through Securities. A securitized participation in the interest and principal cash flows from a specified pool of mortgages. Principal and interest payments made on the mortgages are passed through to the holder of the security.

Municipal Securities. Securities issued by state and local agencies to finance capital and operating expenses.

Mutual Fund. An entity which pools the funds of investors and invests those funds in a set of securities which is specifically defined in the fund's prospectus. Mutual funds can be invested in various types of domestic and/or international stocks, bonds, and money market instruments, as set forth in the individual fund's prospectus. For most large, institutional investors, the costs associated with investing in mutual funds are higher than the investor can obtain through an individually managed portfolio.

Nationally Recognized Statistical Rating Organization (NRSRO).
A credit rating agency that the Securities and Exchange Commission in the United States uses for regulatory purposes. Credit rating agencies provide assessments of an investment's risk. The issuers of investments, especially debt securities, pay credit rating agencies to provide them with ratings. The three most prominent NRSROs are Fitch, S&P, and Moody's.

Negotiable CD. A short-term debt instrument that pays interest and is issued by a bank, savings or federal association, state or federal credit union, or state-licensed branch of a foreign bank. Negotiable CDs are traded in a secondary market and are payable upon order to the bearer or initial depositor (investor).

Offer. The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

Open Market Operations. Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

Portfolio. Collection of securities held by an investor.

Premium. The difference between the par value of a bond and the cost of the bond, when the cost is above par.

Primary Dealer. A financial institution (1) that is a trading counterparty with the Federal Reserve in its execution of market operations to carry out U.S. monetary policy, and (2) that participates for statistical reporting purposes in compiling data on activity in the U.S. Government securities market.

Prudent Person (Prudent Investor) Rule. A standard of responsibility which applies to fiduciaries. In California, the rule is stated as "Investments shall be managed with the care, skill, prudence and diligence, under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters, would use in the conduct of an enterprise of like character and with like aims to accomplish similar purposes."

Qualified Public Depositories. A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

Rate of Return. The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

Realized Yield. The change in value of the portfolio due to interest received and interest earned and realized gains and losses. It does not give effect to changes in market value on securities, which have not been sold from the portfolio.

Repurchase Agreement (REPO). Short-term purchases of securities with a simultaneous agreement to sell the securities back at a higher price. From the seller's point of view, the same transaction is a reverse repurchase agreement.

Reverse Repurchase Agreement (Reverse REPO). A reverse-repurchase agreement (reverse repo) involves an investor borrowing cash from a financial institution in exchange for securities. The investor agrees to repurchase the securities at a specified date for the same cash value plus an agreed upon interest rate. Although the transaction is similar to a repo, the purpose of entering into a reverse repo is quite different. While a repo is a straightforward investment of public funds, the reverse repo is a borrowing.

Safekeeping. A service to bank customers whereby securities are held by the bank in the customer's name.

Secondary Market. A market made for the purchase and sale of outstanding issues following the initial distribution.

Securities & Exchange Commission (SEC). Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SEC Rule 15(C)3-1: See Uniform Net Capital Rule.

Structured Note. A complex, fixed income instrument, which pays interest, based on a formula tied to other interest rates, commodities or indices. Examples include inverse floating rate notes which have coupons that increase when other interest rates are falling, and which fall when other interest rates are rising, and "dual index floaters," which pay interest based on the relationship between two other interest rates - for example, the yield on the ten-year Treasury note minus the Libor rate. Issuers of such notes lock in a reduced cost of borrowing by purchasing interest rate swap agreements.

SUPRANATIONAL. A Supranational is a multi-national organization whereby member states transcend national boundaries or interests to share in the decision making to promote economic development in the member countries.

TOTAL RATE OF RETURN. A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains, and losses in the portfolio.

U.S. TREASURY OBLIGATIONS. Securities issued by the U.S. Treasury and backed by the full faith and credit of the United States. Treasuries are considered to have no credit risk, and are the benchmark for interest rates on all other securities in the US and overseas. The Treasury issues both discounted securities and fixed coupon notes and bonds.

TREASURY BILLS. All securities issued with initial maturities of one year or less are issued as discounted instruments, and are called Treasury bills. The Treasury currently issues three- and six-month T-bills at regular weekly auctions. It also issues "cash management" bills as needed to smooth out cash flows.

TREASURY NOTES. All securities issued with initial maturities of two to ten years are called Treasury notes, and pay interest semi-annually.

TREASURY BONDS. All securities issued with initial maturities greater than ten years are called Treasury bonds. Like Treasury notes, they pay interest semi-annually.

UNIFORM NET CAPITAL RULE. Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

VOLATILITY. The rate at which security prices change with changes in general economic conditions or the general level of interest rates.

YIELD. The rate of annual income return on an investment, expressed as a percentage. (a) INCOME YIELD is obtained by dividing the current dollar income by the current market price for the security. (b) NET YIELD or YIELD TO MATURITY is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

22.0 CMTA Certification

California Municipal Treasurers Association

Investment Policy Certification

Issued on 10/20/2017

County of Tulare Treasury Department

The California Municipal Treasurers Association certifies that the investment policy of the County of Tulare Treasury Department complies with the current State statutes governing the investment practices of local government entities located within the State of California.

President

10/26/17

Date

CMTA

Over 50 Years of Excellence

County of Tulare
221 S Mooney Blvd Room 103E
Visalia, California 93291-4593

Cass Cook, CFIP
Auditor-Controller/Treasurer-Tax Collector

Paul Sampietro, Chief Deputy Treasurer-Tax Collector

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October 21 2019

TREASURER'S QUARTERLY INVESTMENT REPORT
QUARTER ENDING SEPTEMBER 30, 2019

Honorable Board of Supervisors:

This report reflects the investment activity for the quarter ending September 30, 2019 of pooled funds on deposit with the Treasurer and is in compliance with California Government Code §27000, etc., §53600, etc., Tulare County Ordinance 1-03-2061 and the Treasurer's Statement of Investment Policy dated July 2019.

INVESTMENT GOALS – The first and primary goal is SAFETY and the preservation of capital. The second goal is the continual maintenance of LIQUIDITY. Tulare County has the ability to convert sufficient securities to cash to cover the cash flow of the County and all of its investment agencies to meet any contingency needs during the next six months. The third goal in order of importance is YIELD, or earning a reasonable rate of return representative of current market conditions and the present phase of the market cycle while remaining in compliance with all state laws and the Treasurer's written investment policy.

Attached is a statement containing summaries of the portfolio composition, credit ratings, maturity distribution, portfolio master summary and other information designed to give a better understanding of the investment activity that has occurred during the quarter ending September 30, 2019.

Respectfully submitted,

Cass Cook, CFIP
Auditor-Controller/Treasurer-Tax Collector

CC/fv

Tulare County Investment Report
September 30, 2019

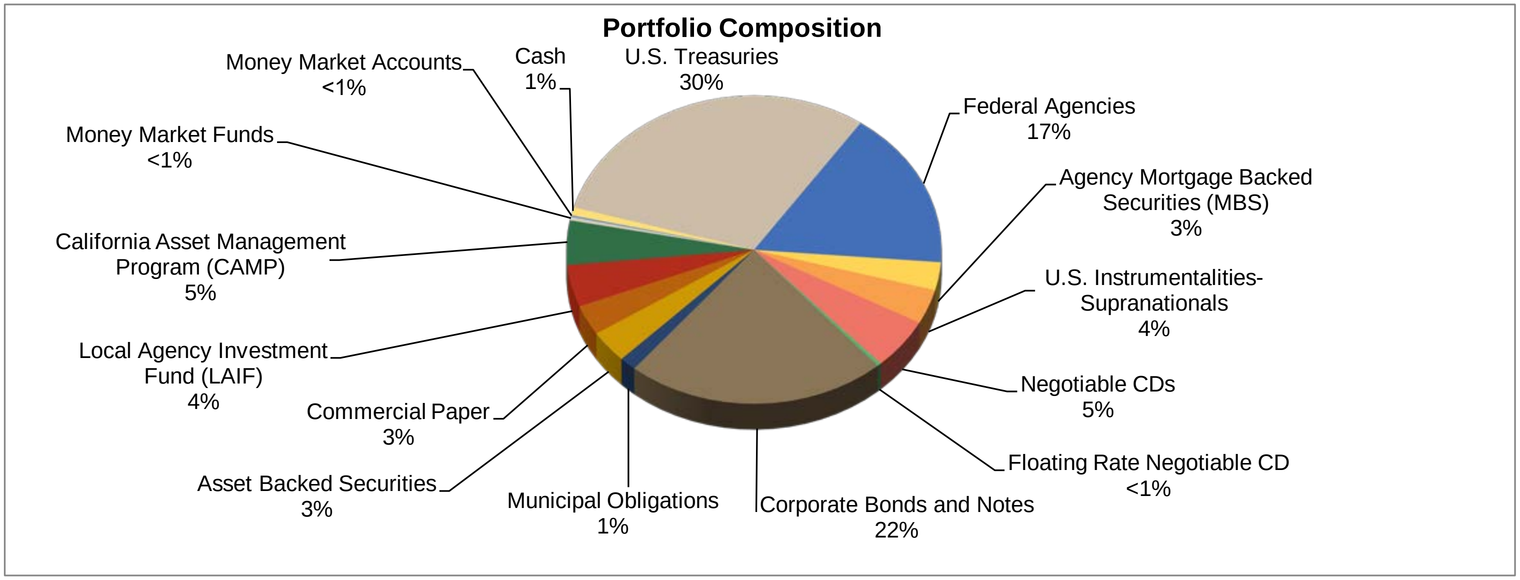
A listing of Tulare County investments is shown below.

Portfolio Composition

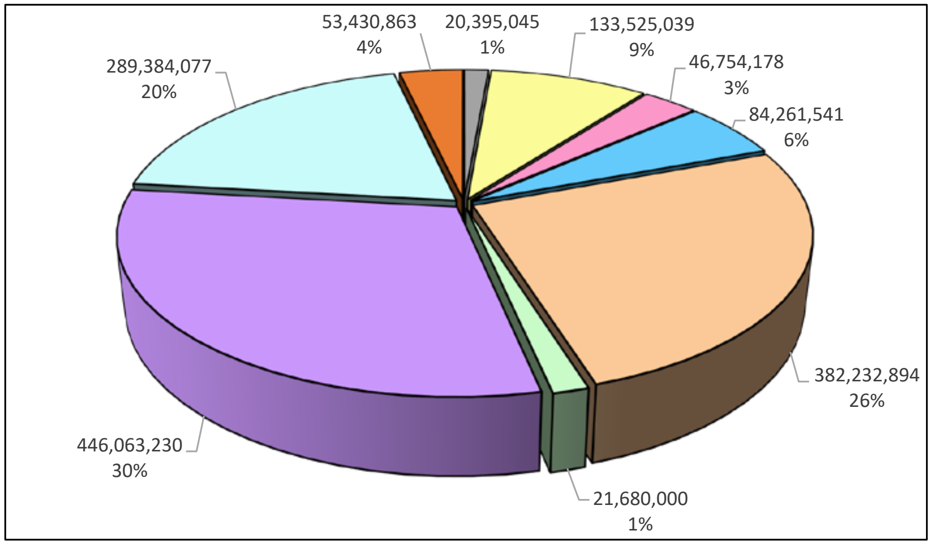
	Book Value	Market Value*	% of Portfolio**	Permitted by Policy
U.S. Treasuries	446,063,230	453,281,177	30%	100%
Federal Agencies	246,069,825	249,371,277	17%	75%
Agency Mortgage Backed Securities (MBS)	43,314,252	43,243,971	3%	75%
U.S. Instrumentalities-Supranationals	53,430,863	53,876,274	4%	30%
Negotiable CDs	79,531,541	80,140,970	5%	30%
Floating Rate Negotiable CD	4,730,000	4,739,082	<1%	30%
Corporate Bonds and Notes	332,111,111	336,664,667	22%	30%
Municipal Obligations	21,680,000	21,680,000	1%	30%
Asset Backed Securities	50,121,783	50,429,055	3%	20%
Commercial Paper	46,754,178	46,777,030	3%	40%
Local Agency Investment Fund (LAIF)	64,978,014	64,978,014	4%	$65 million
California Asset Management Program (CAMP)	68,547,025	68,547,025	5%	50%
Money Market Funds	5,528,528	5,528,528	<1%	15%
Money Market Accounts	2,361,762	2,361,762	<1%	50%
Cash	12,504,755	12,504,755	1%	100%
Total	**$1,477,726,867**	**$1,494,123,587**	**100%**	

* Market Prices were provided by the Union Bank of California.

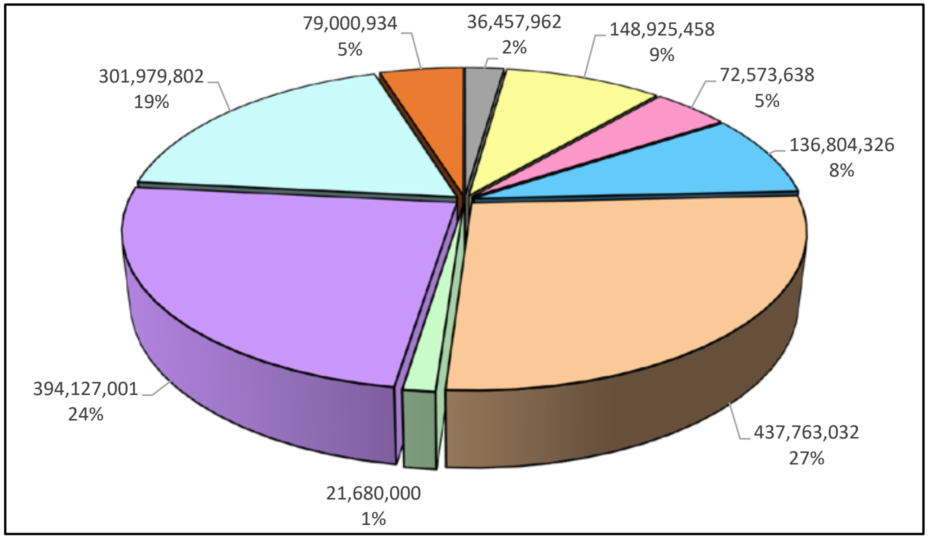
** Detail may not add to total due to rounding.



SEPTEMBER 30, 2019



JUNE 30, 2019



Security Type	Book Value	% of Total
Cash	12,504,755	0.85%
Money Market Accounts	2,361,762	0.16%
Money Market Funds	5,528,528	0.37%
LAIF Managed Pool	64,978,014	4.40%
California Asset Management Program	68,547,025	4.64%
Commercial Paper - Discount	46,754,178	3.16%
Negotiable Certificates of Deposit	79,531,541	5.38%
Negotiable CDs - Floating Rate	4,730,000	0.32%
Corporate Notes	332,111,111	22.47%
Corporate Asset Backed Securities	50,121,783	3.39%
Municipal Bonds	1,680,000	0.11%
Municpal Promissory Notes	20,000,000	1.35%
Treasury Securities	436,130,576	29.51%
Treasury Securities - Discount	9,932,654	0.67%
Agency Issues	246,069,825	16.65%
Agency Mortgage Backed Securities	43,314,252	2.93%
Supranationals	53,430,863	3.62%
	1,477,726,867	100.00%

Security Type	Book Value	% of Total
Cash	15,893,694	0.98%
Money Market Accounts	20,270,493	1.24%
Money Market Funds	293,776	0.02%
LAIF Managed Pool	62,334,185	3.83%
California Asset Management Program	86,591,273	5.31%
Commercial Paper - Discount	72,573,638	4.45%
Negotiable Certificates of Deposit	132,074,326	8.11%
Negotiable CDs - Floating Rate	4,730,000	0.29%
Corporate Notes / Bonds	378,400,521	23.22%
Corporate Asset Backed Securities	59,362,511	3.64%
Municipal Bonds	1,680,000	0.10%
Municpal Promissory Notes	20,000,000	1.23%
Treasury Securities	394,127,001	24.19%
Treasury Securities - Discount	-	0.00%
Agency Issues	263,994,412	16.20%
Agency Mortgage Backed Securities	37,985,390	2.33%
Supranationals	79,000,934	4.85%
	1,629,312,153	100.00%

The average weighted credit rating of Tulare County's portfolio is AA*.

Credit Ratings		
	Book Value	% of Portfolio
AAA	$161,190,823	11%
A-1+/A-1 (Short-Term Rating)	$82,047,827	6%
AA	$838,530,066	57%
A	$271,960,637	18%
BBB**	$21,122,888	1%
Not Rated***	$88,008,110	6%
Cash****	$14,866,518	1%
Total	**$1,477,726,867**	**100%**

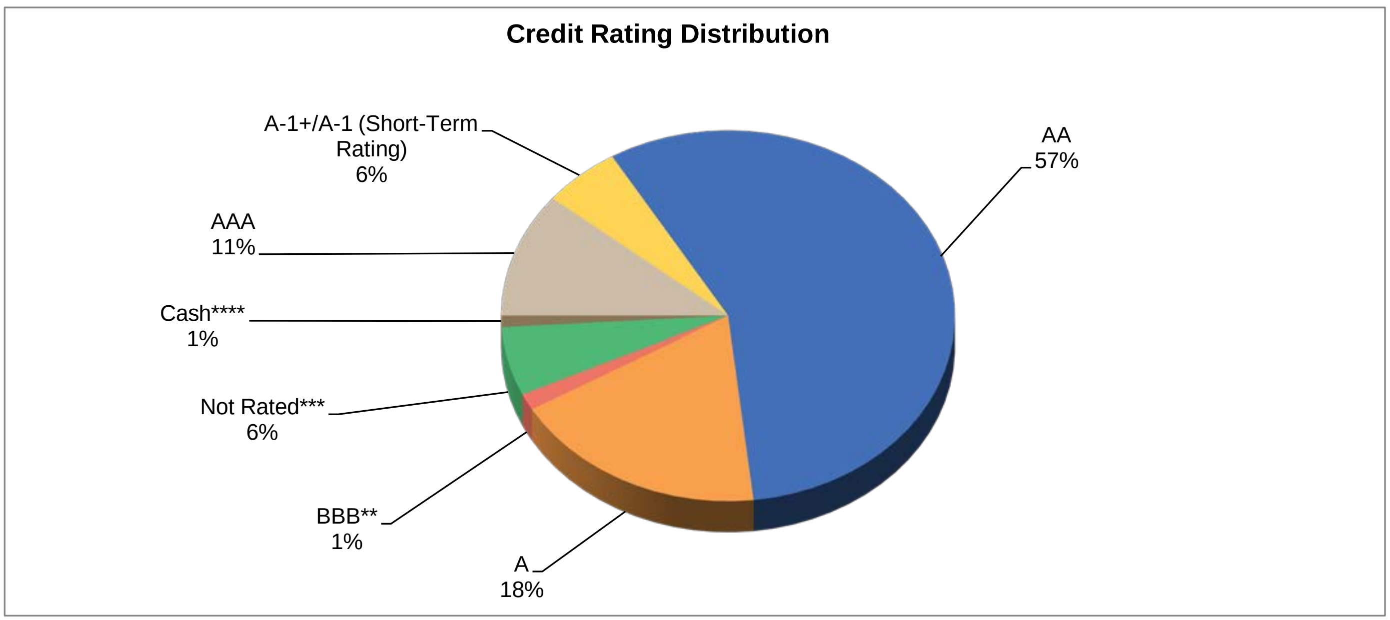
Ratings by Standard & Poor's (S&P). Includes all ratings in this category (e.g., A-, A, A+).

* Average weighted credit rating was calculated using S&P ratings. Cash/overnight securities were not included in the calculation.

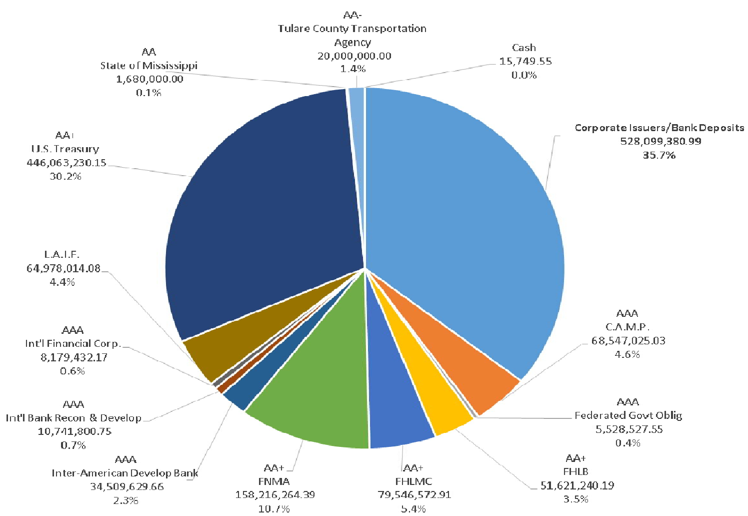
** Securities rated in the BBB category by S&P are rated A- or the equivalent or better by at least one NRSRO or were rated A- or the equivalent or better by at least one NRSRO at time of purchase.

*** The portion of the portfolio that is invested in LAIF, the State of California pooled investment fund, is not rated. The remaining portion not rated comprises individual securities with ratings of A- or the equivalent or better by at least one NRSRO.

**** Fully collateralized in accordance with California government code.



Tulare County Pool Characteristics by Issuer

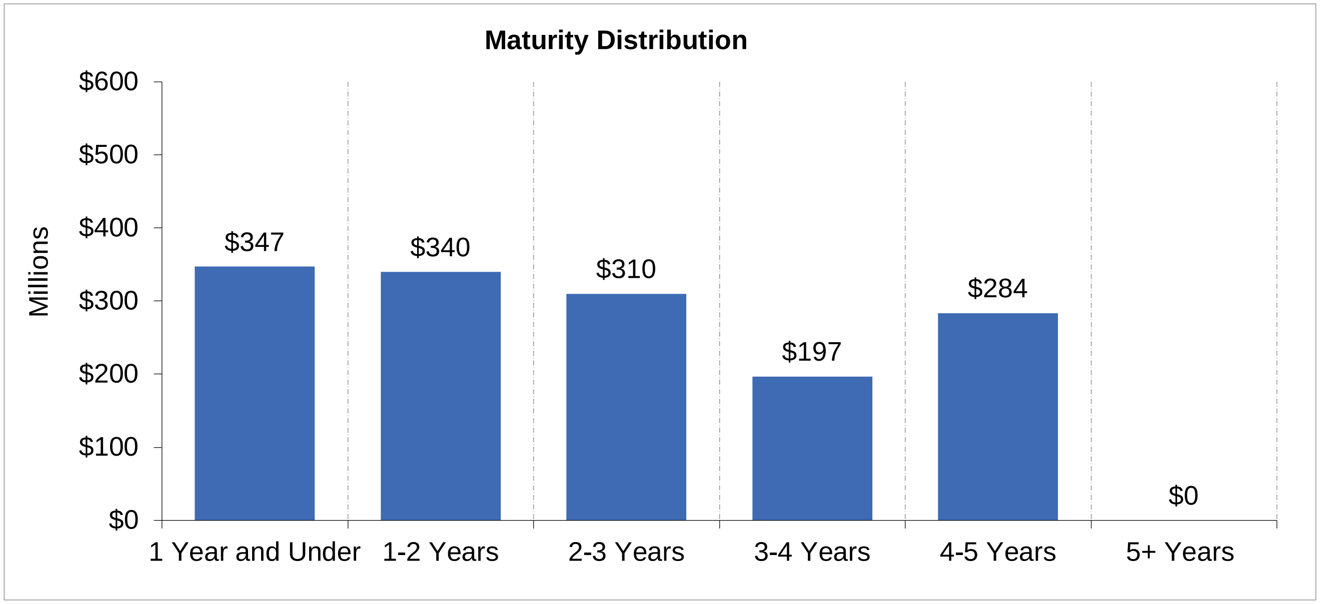


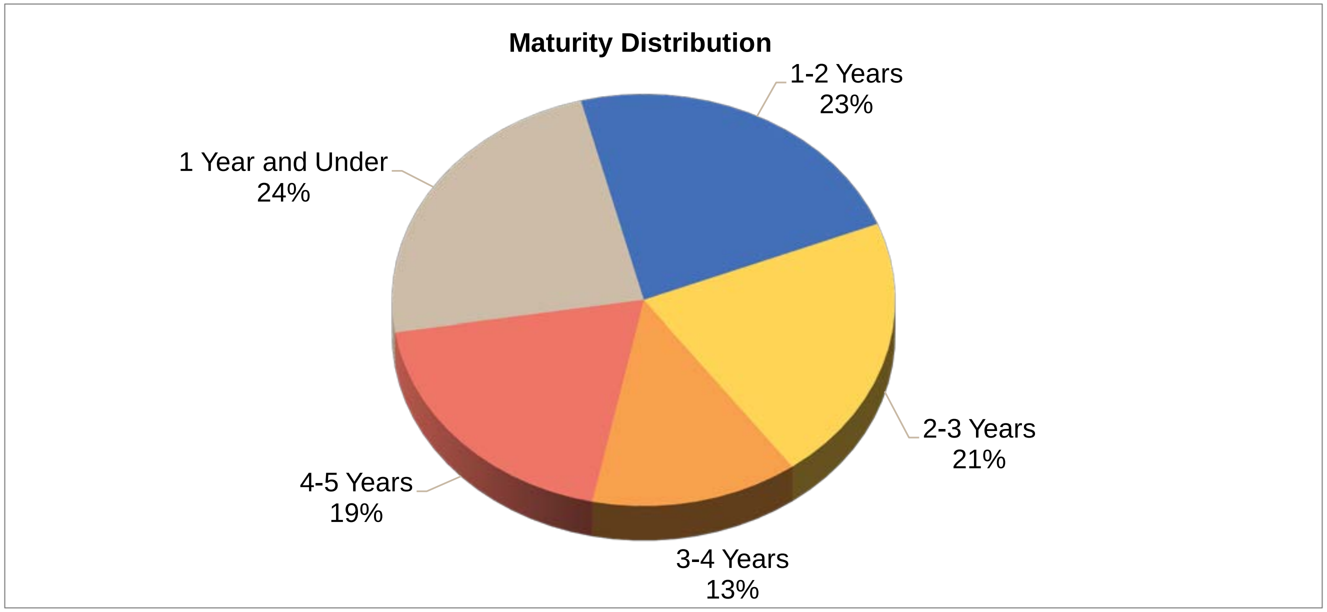
Corporate Issuers (35.7%)	Book Value	Market Value	% of Issuer		S&P Rating	WAM (in days)
Ally Auto Receivables Trust	2,047,916	2,045,736.42	0.4%		NR[2]	670
Ally Auto Receivables Trust	3,124,119	3,123,267.60	0.6%	1.0%	AAA	896
American Express Credit	6,158,193	6,172,934.80	1.2%		A-	501
American Express Credit	5,398,868	5,480,666.85	1.0%	2.2%	NR[2]	1,080
Amazon.com Inc	5,452,011	5,590,200.00	1.0%		AA-	1,240
Apple Inc.	10,100,413	10,419,700.00	1.9%		AA+	1,592
Bank of America Corp.	10,866,728	10,957,923.75	2.1%		A-	474
Bank of Montreal Chicago	10,000,000	10,084,900.00	1.9%		A-1	307
Bank of New York Mellon	16,280,173	16,523,099.25	3.1%		A	916
Bank of Nova Scotia	10,463,649	10,554,580.40	2.0%		A-1	248
Bank of the Sierra[1]	279,173	279,172.80	0.1%		CASH	1
BB&T Corporatiaon	2,769,479	2,774,570.50	0.5%		A-	489
Blackrock Inc	5,607,376	5,724,290.00	1.1%		AA-	974
Canadian Imp Bk Comm NY	4,730,000	4,739,081.60	0.9%		A-1	192
Capital One Auto Receivables	3,274,336	3,312,138.50	0.6%		AAA	1,506
Caterpillar Finl Servicve	5,472,466	5,465,819.75	1.0%		A	101
Chevron Corp	3,024,141	3,011,580.00	0.6%		AA	593
Citigroup, Inc,	5,394,843	5,454,281.25	1.0%		BBB+ [3]	799
Costco Wholesale Corp.	7,150,334	7,252,980.00	1.4%		A+	1,691
Credit Agricole CIB NY	11,775,000	11,896,635.75	2.2%		A+	549
Credit Suisse NY	4,969,067	4,975,850.00	0.9%		A-1	87
Exxon Mobile Corp.	9,286,665	9,296,418.60	1.8%		AA+	400
General Dynamics	6,973,487	7,122,570.00	1.3%		A+	588
General Electric	5,214,522	5,201,150.00	1.0%		BBB+ [4]	747
Goldman Sachs Bank USA	2,286,588	2,267,167.50	0.4%		A+	248
Goldman Sachs Group Inc	10,513,522	10,681,593.20	2.0%	2.4%	BBB+ [3]	805
Honda/American Honda	14,310,321	14,690,649.25	2.7%		A	815
Honda Auto Receivables Trust	6,296,892	6,337,932.57	1.2%		AAA	685
Honda Auto Receivables Trust	3,084,756	3,084,891.00	0.6%	4.5%	NR[2]	746
Home Depot Inc.	8,404,841	8,633,384.50	1.6%		A	937
HSBC Bank USA	16,126,613	16,161,888.55	3.1%		A	127
Hyundai Auto Receivables Trust	6,890,457	6,897,744.33	1.3%		AAA	837
IBM Corp.	16,509,590	16,660,180.00	3.1%		A	688
John Deere Owner Trust	9,491,309	9,569,943.57	1.8%		NR[2]	904
John Deere Capital Corp.	7,338,479	7,424,691.15	1.4%	3.2%	A	655
J.P. Morgan Chase	15,863,575	16,071,530.95	3.0%		A-	816
Mastercard Inc.	9,727,932	9,925,808.37	1.8%		A+	1,246
Microsoft Corp.	6,592,721	6,581,085.20	1.2%		AAA	578
Mitsubishi Intl Corp	9,967,449	9,968,700.00	1.9%		A-1	56
MUFG Bank LTD NY	5,370,000	5,457,584.70	1.0%		A	514
MUFG Union Bank - Checking[1]	12,209,833	12,209,832.87	2.3%	5.2%	CASH	1
Nissan Auto Receivables	3,007,245	3,066,353.57	0.6%		NR[2]	1,061
Nordea Bank ABP NY	11,000,000	11,012,100.00	2.1%		AA-	1,060
Oracle Corp.	13,343,123	13,502,169.30	2.5%		A+	765
PACCAR Financial Corp.	6,395,010	6,461,390.00	1.2%		A+	680
Pepsi Inc.	3,404,702	3,415,555.50	0.6%		A+	562
Pfizer Inc	8,039,740	8,233,995.75	1.5%		AA-	1,627
PNC Bank NA	7,479,620	7,557,792.00	1.4%		A	1,031
PNC Funding Corp	6,050,791	6,064,140.00	1.1%	2.6%	A-	130
Praxair, Inc.	4,905,405	4,958,604.25	0.9%		A	631
Charles Schwab Corp	5,890,438	6,108,120.00	1.1%		A	1,212
State Street Corp.	5,321,593	5,340,587.40	1.0%		A	596
Sumitomo Mitsui Bank	9,992,892	10,163,700.00	1.9%		A	381
Suncrest Bank[1]	2,361,762	2,361,762.47	0.4%		CASH	1
Swedbank NY	10,830,000	10,850,360.40	2.1%		AA-	412
Toyotal Motor Credit Corp.	31,817,663	31,832,480.00	6.0%		A-1+	94
Toyotal Motor Credit Corp.	18,062,412	18,795,005.50	3.4%		AA-	1,128
Toyota Auto Receivables Trust	7,505,883	7,510,380.13	1.4%	10.9%	AAA	809
US Bancorp	18,468,059	18,882,653.60	3.5%		A+	1,517
Walt Disney Company	18,310,631	18,288,247.05	3.5%		A	1,053
Wells Fargo & Company	9,014,573	8,990,910.00	1.7%		A-	664
Westpac Banking Corp. NY	10,100,000	10,121,109.00	1.9%		A-1+	307
	528,099,381	533,601,571	100.0%			704

Notes:

1. The deposits with MUFG Union Bank, Suncrest Bank, and Bank of the Sierra are FDIC insured and/or collateralized pursuant to California Government
2. The securities are not rated by S&P, however are rated Aaa by Moody's.
3. The securities are rated BBB+ by S&P, however are rated A3 by Moody's and/or A- by Fitch, or better.
4. The securities are rated BBB+ by all rating agencies. A the time of purhases, the securities complied with the Investment Policy requiring one single A or better rating and we continue to feel comfortable holding the securities in the portfolio.

The portfolio has a high degree of liquidity.



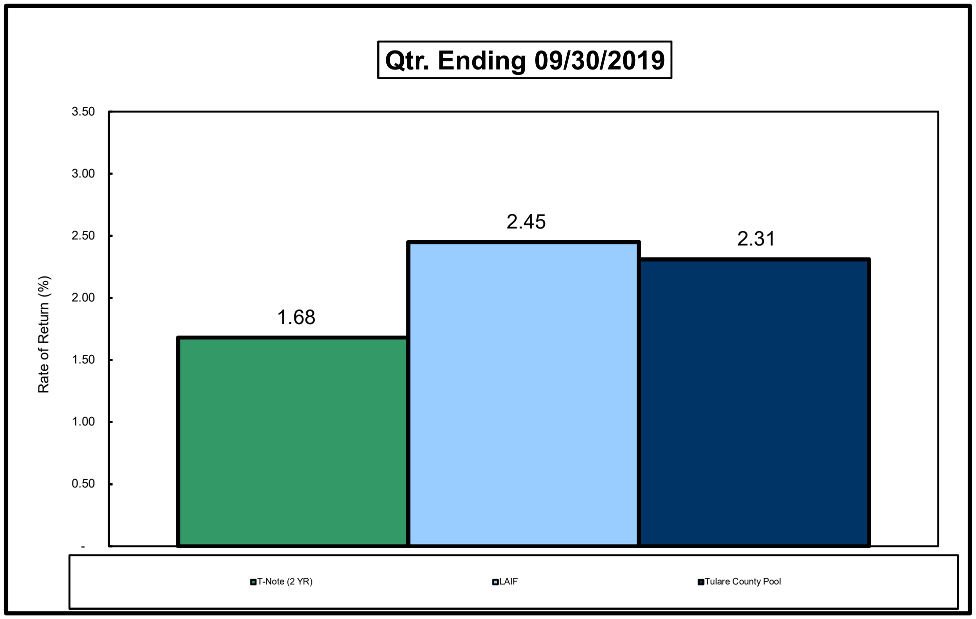


* Maturity Distribution values represent Book Valuation and are rounded to the nearest million.

OTHER PORTFOLIO CHARACTERISTICS

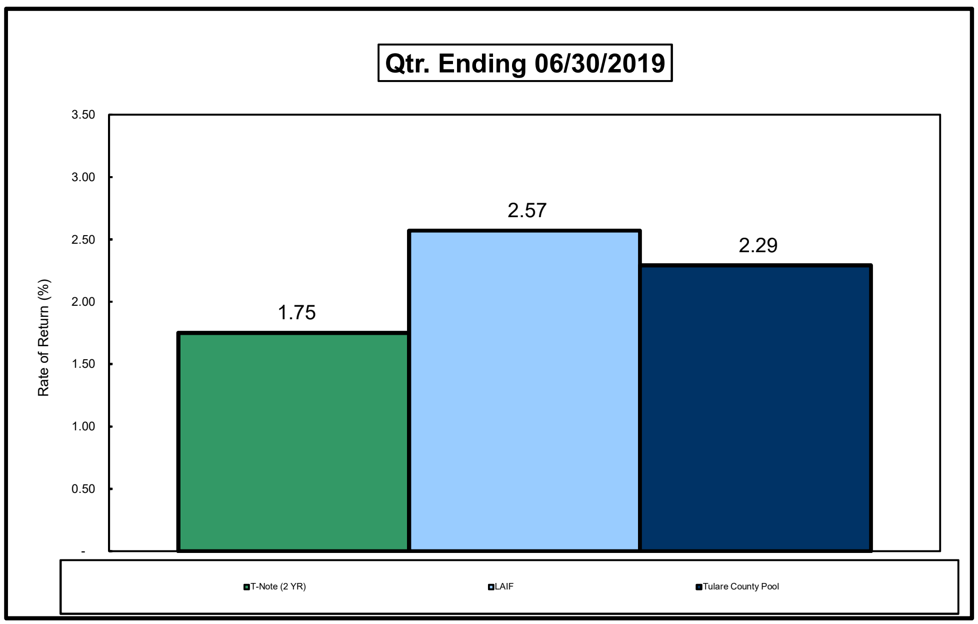
	LIQUID PORTFOLIO		PFM PORTFOLIO		TOTAL INVESTMENT POOL	
Average Daily Balance						
Month						
July 2019	$	401,344,734	$	1,160,601,058	$	1,561,945,792
August 2019	$	314,273,539	$	1,163,432,015	$	1,477,705,554
September 2019	$	254,420,398	$	1,165,636,957	$	1,420,057,355
Quarter						
Ended September 30, 2019	$	324,095,418	$	1,163,197,108	$	1,487,292,526
Fiscal Year to Date						
Ended September 30, 2019	$	324,095,418	$	1,163,197,108	$	1,487,292,526
Weighted Average Maturity as of September 30, 2019						
Average days to maturity:	151	days	992	days	815	days
Average years to maturity:			2.72	years	2.23	years
Effective Rate of Return and Earnings						
Month						
July 2019	2.57%	875,063	2.21%	2,178,398	2.30%	3,053,461
August 2019	2.60%	694,830	2.21%	2,187,588	2.30%	2,882,418
September 2019	2.55%	532,729	2.27%	2,176,047	2.32%	2,708,776
Quarter						
Ended September 30, 2019	2.57%	2,102,622	2.23%	6,542,033	2.31%	8,644,655
Treasury Fees - Quarterly					0.13%	(453,657)
September 30, 2019 -- Net of Fees					2.18%	8,190,998

TULARE COUNTY TREASURER
INVESTMENT POOL EARNINGS COMPARISON
FOR THE QUARTER ENDING SEPTEMBER 30, 2019



TULARE COUNTY TREASURER
Quarter Ending 09/30/2019

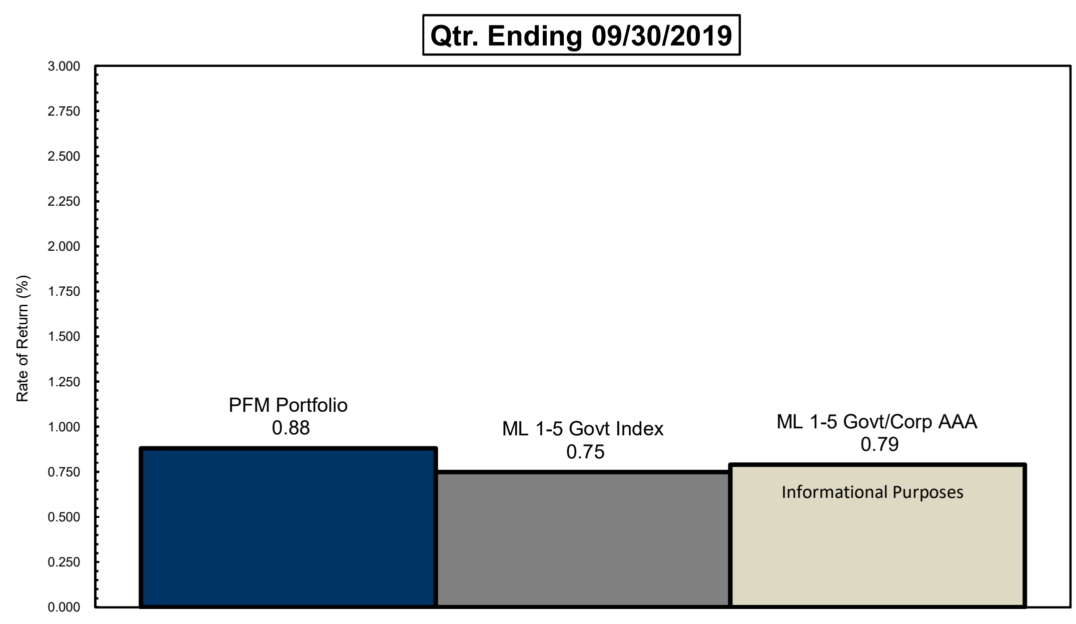
Average Daily Balance	$ 1,487,292,526
Earning for the Quarter	$ 8,644,655
Quarterly Rate of Return	2.31%
Weighted Avg. Yrs. to Maturity	2.23

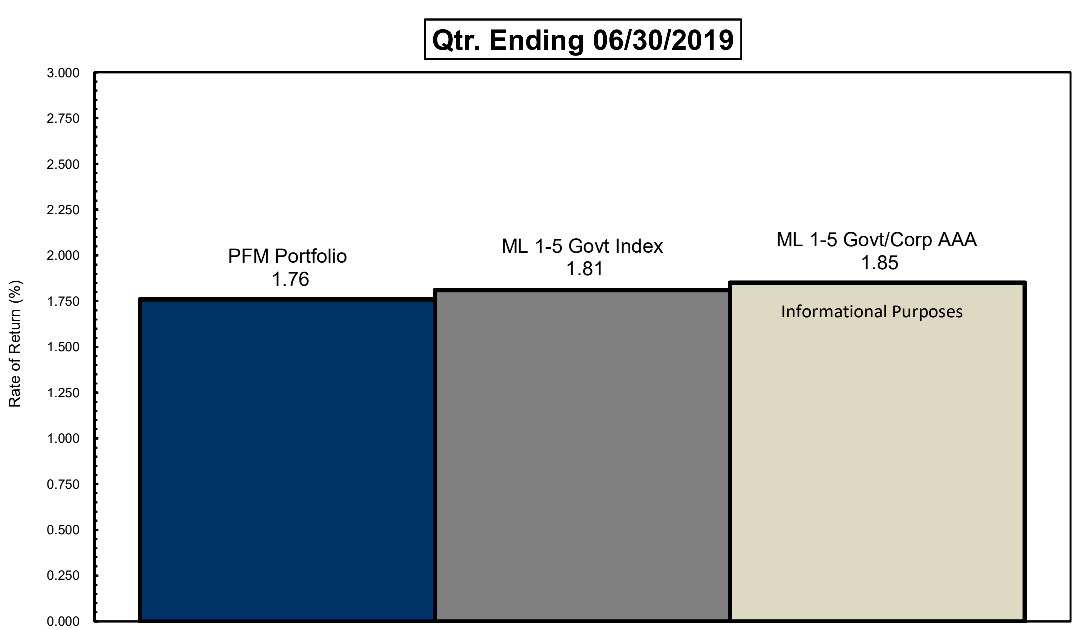


TULARE COUNTY TREASURER
Quarter Ending 06/30/2019

Average Daily Balance	$ 1,602,134,498
Earning for the Quarter	$ 9,155,159
Quarterly Rate of Return	2.29%
Weighted Avg. Yrs. to Maturity	2.01

TULARE COUNTY TREASURER
INVESTMENT ADVISORS' BENCHMARK COMPARISON
FOR THE QUARTER ENDING JUNE 30, 2019





TOTAL RETURN

Total return measures the portfolio's performance over time. It encompasses not only the income that the portfolio generated, but also any price appreciation or depreciation that the investments may have experienced. This equates the beginning value of the portfolio with the ending value, and includes interest earnings and both realized and unrealized gains and losses on the portfolio.

COMMENTS - CURRENT QUARTER

Interest rates continued their decline during the quarter ended September 30, 2019 in response to further weakness in manufacturing activity, the escalating trade conflict with China, heightened recession fears for the U.S. and global economies, and two cuts bythe Federal Reserve (the Fed) to the overnight Fed Funds Rate. The Fed followed market expectations in the third quarter as there was a rate cut at both the July and September FOMC meetings. As a result, the front end of the yield curve (less than 6 months)declined 25-30 basis points (0.25%-0.30%) and yields on intermediate-term maturity (2-5 year) U.S. Treasuries fell by 12-22 basis points (0.12%-0.22%). Long-term Treasury yields fell even more, with the 30-year Treasury bond declining more than 40 basis points (0.40%) after briefly falling below 2% for the first time in history. Because yields were sharply lower over the past quarter (and year to date), bond market returns have been exceptionally strong. Year-to-date returns were around 1.75% on cash,3% to 4% on shorter-duration strategies, 8.5% on the U.S. Bond Aggregate and over 12% on longer-term investment-grade credit.

The County's Portfolio had a strong quarter, with an unannualized return of 0.88%, beating the benchmark by 13 basis points. We continuedto maintain the Portfolio's duration in line with the benchmark because of growing certainty that the Fed would cut rates, while adding high quality securities and maintaining a well-diversified portfolio. In the government sector, U.S. Treasuries were favored as yield spreads for federal agency securities remained near historical tights. Portfolio strategy in the credit sector was to maintain corporate allocations, make purchases a bit farther out on the yield curve within the sector, and selectively take advantage of new issues, as investment-grade corporates generated attractive excess returns throughout the quarter.

PERFORMANCE REVIEW

	CURRENT QUARTER	ANNUALIZED 1 YR	3YR	07/01/2006
ML 1-5 Govt	0.75%	5.59%	1.63%	2.71%
PFM Portfolio	0.88%	5.60%	2.02%	3.02%

Tulare County Treasurer
Portfolio Management
Portfolio Summary
September 30, 2019

Tulare County
County Civic Center, Room 103E
Visalia, CA 93291
(559)636-5290

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM 365 Equiv.
Cash	12,504,755.22	12,504,755.22	12,504,755.22	0.85	1	1	0.976	0.990
Money Market Accounts	2,361,762.47	2,361,762.47	2,361,762.47	0.16	1	1	2.288	2.320
Money Market Fund	5,528,527.55	5,528,527.55	5,528,527.55	0.37	1	1	1.923	1.950
Managed Investment Pools	133,525,039.11	133,525,039.11	133,525,039.11	9.04	1	1	2.287	2.319
Commercial Paper Disc. -Amortizing	47,000,000.00	46,777,030.00	46,754,178.34	3.16	183	85	2.294	2.326
Negotiable CD's	79,540,000.00	80,140,970.25	79,531,540.77	5.38	876	477	2.687	2.724
Negotiable CDs - Floating Rate	4,730,000.00	4,739,081.60	4,730,000.00	0.32	731	192	2.832	2.871
Treasury Securities - Coupon	437,710,000.00	443,346,327.00	436,130,576.08	29.51	1,558	1,162	2.093	2.122
Agency Issues - Fixed Coupon	246,065,000.00	249,371,277.25	246,069,825.21	16.65	1,374	908	2.001	2.029
Agencies - Mortgage Backed	42,574,519.66	43,243,970.75	43,314,252.28	2.93	1,180	922	1.606	1.628
Supranationals	53,695,000.00	53,876,273.85	53,430,862.58	3.62	1,101	564	2.144	2.174
Municipal Bonds	1,680,000.00	1,680,000.00	1,680,000.00	0.11	1,686	0	1.656	1.679
Corporte Notes & Bonds	331,366,000.00	336,664,666.92	332,111,111.12	22.47	1,263	854	2.540	2.576
Asset Backed	50,336,916.82	50,429,054.54	50,121,782.62	3.39	1,465	901	2.169	2.199
Promissory Notes	20,000,000.00	20,000,000.00	20,000,000.00	1.35	1,825	1,552	3.176	3.220
Treasury Discounts -Amortizing	10,000,000.00	9,934,850.00	9,932,654.07	0.67	171	131	1.885	1.911
Investments	**1,478,617,520.83**	**1,494,123,586.51**	**1,477,726,867.42**	**100.00%**	**1,155**	**794**	**2.230**	**2.261**

Total Earnings	September 30 Month Ending	Fiscal Year To Date
Current Year	2,708,776.36	8,645,134.33
Average Daily Balance	**1,420,057,354.71**	**1,487,292,525.95**
Effective Rate of Return	**2.32%**	**2.31%**

Cass Cook, CFIP
Auditor-Controller/Treasurer-Tax Collector

Reporting period 09/01/2019-09/30/2019

Run Date: 10/04/2019 - 09:36

Portfolio CNTY
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Report Ver. 7.3.6.1

LIP ACCOUNT
Portfolio Management
Portfolio Details - Investments
September 30, 2019

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Cash												
SYS0002	0002	UNION BANK - CHECKING			11,858,656.02	11,858,656.02	11,858,656.02	1.000		1.014	1	
SYS0002B	0002B	UNION BANK - CHECKING			351,176.85	351,176.85	351,176.85	1.000		1.014	1	
SYS0002A	0002A	BANK OF THE SIERRA		07/01/2019	279,172.80	279,172.80	279,172.80			0.000	1	
SYS0001	0001	CASH IN VAULT		07/01/2019	15,749.55	15,749.55	15,749.55			0.000	1	
		Subtotal and Average	**11,729,926.47**		**12,504,755.22**	**12,504,755.22**	**12,504,755.22**			**0.990**	**1**	
Money Market Accounts												
SYS5833	5833	SUNCREST BANK			2,361,762.47	2,361,762.47	2,361,762.47	2.320		2.320	1	
		Subtotal and Average	**2,361,762.47**		**2,361,762.47**	**2,361,762.47**	**2,361,762.47**			**2.320**	**1**	
Managed Investment Pools												
SYS4339-A	4339-A	CALIFORNIA ASSET MANAGEMENT PR			68,547,025.03	68,547,025.03	68,547,025.03	2.280	AAA	2.280	1	
SYS9980	9980	LOCAL AGCY INVESTMENT FD			64,978,014.08	64,978,014.08	64,978,014.08	2.360		2.360	1	
		Subtotal and Average	**55,005,039.11**		**133,525,039.11**	**133,525,039.11**	**133,525,039.11**			**2.319**	**1**	
Commercial Paper Disc. -Amortizing												
2254EBZT1	5953	CREDIT SUISSE NEW YORK		04/04/2019	5,000,000.00	4,975,850.00	4,969,066.67	2.560		2.682	87	12/27/2019
60680BY42	5983	MITSUBISHI INTL CORP		07/30/2019	5,000,000.00	4,990,650.00	4,989,941.67	2.130		2.172	34	11/04/2019
60680BZK5	5988	MITSUBISHI INTL CORP		08/16/2019	5,000,000.00	4,978,050.00	4,977,506.94	2.050		2.093	79	12/19/2019
89233HZ23	5932	TOYOTA MOTOR CREDIT CORP		03/08/2019	5,000,000.00	4,982,800.00	4,977,611.11	2.600		2.730	62	12/02/2019
89233HYT5	5946	TOYOTA MOTOR CREDIT CORP		04/01/2019	5,000,000.00	4,984,250.00	4,980,050.00	2.520		2.637	57	11/27/2019
89233HZW7	5952	TOYOTA MOTOR CREDIT CORP		04/04/2019	5,000,000.00	4,975,000.00	4,968,125.00	2.550		2.671	90	12/30/2019
89233GBK1	5992	TOYOTA MOTOR CREDIT CORP		08/29/2019	5,000,000.00	4,960,650.00	4,961,420.84	1.970		2.017	141	02/19/2020
89233GBE5	5995	TOYOTA MOTOR CREDIT CORP		09/03/2019	5,000,000.00	4,962,050.00	4,962,411.11	1.990		2.036	136	02/14/2020
89233HZP2	6003	TOYOTA MOTOR CREDIT CORP		09/30/2019	7,000,000.00	6,967,730.00	6,968,045.00	1.980		2.017	83	12/23/2019
		Subtotal and Average	**46,647,393.96**		**47,000,000.00**	**46,777,030.00**	**46,754,178.34**			**2.326**	**85**	
Treasury Securities - Coupon												
912828UF5	5980	U.S. TREASURY NOTE		07/29/2019	5,000,000.00	4,989,850.00	4,992,690.80	1.125		2.081	91	12/31/2019
912828V31	5982	U.S. TREASURY NOTE		07/30/2019	5,000,000.00	4,992,400.00	4,993,296.81	1.375		2.040	106	01/15/2020
		Subtotal and Average	**9,982,816.36**		**10,000,000.00**	**9,982,250.00**	**9,985,987.61**			**2.061**	**99**	
Agency Issues - Fixed Coupon												
3130AH6M0	6002	FED HOME LOAN BANK		09/26/2019	5,000,000.00	5,000,200.00	5,000,000.00	1.950		1.950	359	09/24/2020
3137EADM8	5888	FED. HOME LOAN MTG. CORP.		12/14/2018	5,000,000.00	4,999,850.00	4,999,804.51	1.250	AAA	2.681	1	10/02/2019
3137EADM8	5889	FED. HOME LOAN MTG. CORP.		12/14/2018	5,000,000.00	4,999,850.00	4,999,801.13	1.250	AAA	2.706	1	10/02/2019
		Subtotal and Average	**10,827,220.79**		**15,000,000.00**	**14,999,900.00**	**14,999,605.64**			**2.446**	**120**	

LIP ACCOUNT
Portfolio Management
Portfolio Details - Investments
September 30, 2019

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Supranationals												
4581X0CR7	5895	INTER-AMERICAN DEVEL BK		12/17/2018	5,000,000.00	4,997,900.00	4,997,225.84	1.250		2.701	14	10/15/2019
		Subtotal and Average	**8,338,306.33**		**5,000,000.00**	**4,997,900.00**	**4,997,225.84**			**2.701**	**14**	
Corporte Notes & Bonds												
0258M0EE5	5993	AMERICAN EXPRESS CREDIT		08/30/2019	1,155,000.00	1,155,184.80	1,155,754.04	2.200		2.044	154	03/03/2020
14912L6Y2	5986	CATERPILLAR		08/06/2019	5,465,000.00	5,465,819.75	5,472,466.49	2.100		2.152	101	01/10/2020
25468PDP8	5955	WALT DISNEY COMPANY, THE		04/05/2019	2,935,000.00	2,933,620.55	2,926,660.41	1.950		2.630	155	03/04/2020
25468PDU7	6000	WALT DISNEY COMPANY, THE		09/06/2019	5,650,000.00	5,644,406.50	5,673,196.30	1.800		1.865	248	06/05/2020
30231GAG7	5994	EXXON MOBIL CORPORATION		09/03/2019	3,000,000.00	2,998,590.00	3,000,508.20	1.912		1.872	157	03/06/2020
38148PP84	5998	GOLDMAN SACHS BANK USA		09/06/2019	2,250,000.00	2,267,167.50	2,286,588.44	3.200		1.977	248	06/05/2020
437076BQ4	5999	HOME DEPOT INC		09/06/2019	2,770,000.00	2,766,260.50	2,780,819.58	1.800		1.895	248	06/05/2020
02665WBZ3	5927	HONDA/AMERICAN HONDA		03/01/2019	5,000,000.00	4,999,950.00	4,996,458.33	2.000		2.614	43	11/13/2019
40428HPN6	5881	HSBC USA INC		12/06/2018	1,000,000.00	1,000,220.00	999,189.91	2.375		3.084	43	11/13/2019
40428HPN6	5896	HSBC USA INC		12/17/2018	1,630,000.00	1,630,358.60	1,628,472.67	2.375		3.195	43	11/13/2019
40428HPN6	5930	HSBC USA INC		03/07/2019	1,500,000.00	1,500,330.00	1,499,395.61	2.375		2.723	43	11/13/2019
40428HPR7	5935	HSBC USA INC		03/12/2019	2,015,000.00	2,017,679.95	2,011,703.51	2.350		2.740	156	03/05/2020
40428HPR7	5945	HSBC USA INC		04/01/2019	5,000,000.00	5,006,650.00	4,993,881.50	2.350		2.640	156	03/05/2020
40428HPR7	5949	HSBC USA INC		04/03/2019	5,000,000.00	5,006,650.00	4,993,969.88	2.350		2.636	156	03/05/2020
459200AG6	5879	IBM CORP.		12/05/2018	5,000,000.00	5,024,250.00	5,021,740.80	8.375		3.040	31	11/01/2019
693476BJ1	5962	PNC FUNDING CORP		04/15/2019	6,000,000.00	6,064,140.00	6,050,791.33	5.125		2.678	130	02/08/2020
		Subtotal and Average	**79,602,701.41**		**55,370,000.00**	**55,481,278.15**	**55,491,597.00**			**2.461**	**136**	
Promissory Notes												
SYS5903	5903	TULARE COUNTY TRANSPORTATION A			20,000,000.00	20,000,000.00	20,000,000.00	3.220		3.220	1,552	12/31/2023
		Subtotal and Average	**20,000,000.00**		**20,000,000.00**	**20,000,000.00**	**20,000,000.00**			**3.220**	**1,552**	
Treasury Discounts -Amortizing												
912796TF6	5987	U.S. TREASURY BILL		08/15/2019	5,000,000.00	4,966,700.00	4,964,914.84	1.871		1.942	135	02/13/2020
912796TE9	5991	U.S. TREASURY BILL		08/29/2019	5,000,000.00	4,968,150.00	4,967,739.23	1.815		1.881	128	02/06/2020
		Subtotal and Average	**9,925,231.12**		**10,000,000.00**	**9,934,850.00**	**9,932,654.07**			**1.911**	**131**	
		Total and Average	**254,420,398.01**		**310,761,556.80**	**310,564,764.95**	**310,552,805.30**			**2.341**	**151**	

PFM
Portfolio Management
Portfolio Details - Investments
September 30, 2019

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Money Market Fund												
60934N10S	3521B	FEDERATED GOVT OBLIG			5,528,527.55	5,528,527.55	5,528,527.55	1.950	AAA	1.950	1	
		Subtotal and Average	**2,430,443.36**		**5,528,527.55**	**5,528,527.55**	**5,528,527.55**			**1.950**	**1**	
Negotiable CD's												
06370REU9	5843	BANK OF MONTREAL CHICAGO		08/03/2018	10,000,000.00	10,084,900.00	10,000,000.00	3.190		3.297	307	08/03/2020
06417GU22	5826	BANK OF NOVA SCOTIA		06/07/2018	10,465,000.00	10,554,580.40	10,463,648.59	3.080		3.080	248	06/05/2020
22535CDU2	5951	CREDIT AGRICOLE CIB-NY		04/04/2019	11,775,000.00	11,896,635.75	11,775,000.00	2.830		2.869	549	04/02/2021
55379WZT6	5926	MUFG BANK LTD/NY		02/28/2019	5,370,000.00	5,457,584.70	5,370,000.00	2.970		3.053	514	02/26/2021
65558TLL7	5990	NORDEA BANK ABP NEW YORK		08/29/2019	11,000,000.00	11,012,100.00	11,000,000.00	1.850		1.871	1,060	08/26/2022
86565BPC9	5860	SUMITOMO MITSUI BANK NY		10/18/2018	10,000,000.00	10,163,700.00	9,992,892.18	3.390		3.508	381	10/16/2020
87019U6D6	5770	SWEDBANK (NEW YORK)		11/17/2017	10,830,000.00	10,850,360.40	10,830,000.00	2.270		2.300	412	11/16/2020
96121T4A3	5743	WESTPAC BANKING COPR NY		08/07/2017	10,100,000.00	10,121,109.00	10,100,000.00	2.050		2.050	307	08/03/2020
		Subtotal and Average	**79,531,189.95**		**79,540,000.00**	**80,140,970.25**	**79,531,540.77**			**2.724**	**477**	
Negotiable CDs - Floating Rate												
13606BVF0	5811	CANADIAN IMPERIAL CD		04/10/2018	4,730,000.00	4,739,081.60	4,730,000.00	2.738		2.871	192	04/10/2020
		Subtotal and Average	**4,730,000.00**		**4,730,000.00**	**4,739,081.60**	**4,730,000.00**			**2.871**	**192**	
Treasury Securities - Coupon												
912828WC0	5550	U.S. TREASURY NOTE		01/11/2016	1,085,000.00	1,084,283.90	1,085,755.50	1.750		1.683	396	10/31/2020
912828N89	5559A	U.S. TREASURY NOTE		09/01/2018	9,000,000.00	8,952,930.00	8,997,608.09	1.375		1.395	488	01/31/2021
912828B90	5576A	U.S. TREASURY NOTE		09/01/2018	6,000,000.00	6,021,120.00	6,049,215.87	2.000		1.408	516	02/28/2021
912828A42	5578	U.S. TREASURY NOTE		05/06/2016	2,820,000.00	2,826,175.80	2,844,939.40	2.000		1.218	426	11/30/2020
912828N89	5582	U.S. TREASURY NOTE		05/27/2016	10,325,000.00	10,271,000.25	10,327,301.99	1.375		1.358	488	01/31/2021
912828B90	5601A	U.S. TREASURY NOTE		09/01/2018	2,500,000.00	2,508,800.00	2,530,458.11	2.000		1.124	516	02/28/2021
912828T34	5638A	U.S. TREASURY NOTE		09/01/2018	9,850,000.00	9,749,234.50	9,781,878.74	1.125		1.480	730	09/30/2021
912828WY2	5642	U.S. TREASURY NOTE		11/23/2016	5,490,000.00	5,545,558.80	5,535,614.97	2.250		1.775	669	07/31/2021
912828D72	5644	U.S. TREASURY NOTE		12/05/2016	5,490,000.00	5,523,873.30	5,497,809.56	2.000		1.922	700	08/31/2021
912828Q78	5647	U.S. TREASURY NOTE		12/07/2016	1,085,000.00	1,079,021.65	1,078,173.96	1.375		1.790	577	04/30/2021
912828B90	5651A	U.S. TREASURY NOTE		09/01/2018	1,000,000.00	1,003,520.00	1,001,431.41	2.000		1.896	516	02/28/2021
912828F96	5656A	U.S. TREASURY NOTE		09/01/2018	9,455,000.00	9,521,090.45	9,455,980.23	2.000		1.994	761	10/31/2021
912828WN6	5658	U.S. TREASURY NOTE		01/20/2017	5,000,000.00	5,023,250.00	5,008,279.68	2.000		1.896	608	05/31/2021
912828J43	5691A	U.S. TREASURY NOTE		09/01/2018	11,425,000.00	11,461,103.00	11,324,498.10	1.750		2.130	881	02/28/2022
912828J43	5696	U.S. TREASURY NOTE		03/17/2017	15,230,000.00	15,278,126.80	15,093,246.24	1.750		2.144	881	02/28/2022
912828V72	5729	U.S. TREASURY NOTE		07/11/2017	10,375,000.00	10,432,581.25	10,365,241.55	1.875		1.917	853	01/31/2022
912828U81	5737	U.S. TREASURY NOTE		07/28/2017	5,875,000.00	5,922,763.75	5,901,482.29	2.000		1.790	822	12/31/2021
912828XG0	5746A	U.S. TREASURY NOTE		09/01/2018	11,000,000.00	11,159,390.00	11,088,009.81	2.125		1.822	1,003	06/30/2022
912828XQ8	5748	U.S. TREASURY NOTE		08/31/2017	5,000,000.00	5,057,600.00	5,036,452.82	2.000		1.730	1,034	07/31/2022

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Treasury Securities - Coupon												
912828L24	5755	U.S. TREASURY NOTE		09/29/2017	3,000,000.00	3,025,200.00	2,996,944.13	1.875		1.912	1,065	08/31/2022
912828L57	5757	U.S. TREASURY NOTE		10/06/2017	3,115,000.00	3,130,450.40	3,099,040.57	1.750		1.930	1,095	09/30/2022
912828L57	5761A	U.S. TREASURY NOTE		09/01/2018	11,000,000.00	11,054,560.00	10,926,092.80	1.750		1.984	1,095	09/30/2022
912828L57	5765	U.S. TREASURY NOTE		11/03/2017	7,390,000.00	7,426,654.40	7,331,614.02	1.750		2.028	1,095	09/30/2022
912828W89	5776	U.S. TREASURY NOTE		12/05/2017	7,700,000.00	7,752,360.00	7,658,426.96	1.875		2.102	912	03/31/2022
912828W89	5780	U.S. TREASURY NOTE		01/04/2018	8,590,000.00	8,648,412.00	8,528,084.12	1.875		2.178	912	03/31/2022
912828N30	5784A	U.S. TREASURY NOTE		09/01/2018	11,000,000.00	11,187,770.00	10,887,224.70	2.125		2.459	1,187	12/31/2022
9128283C2	5819	U.S. TREASURY NOTE		05/04/2018	14,075,000.00	14,248,263.25	13,752,821.83	2.000		2.796	1,126	10/31/2022
912828L57	5825	U.S. TREASURY NOTE		06/06/2018	10,740,000.00	10,793,270.40	10,435,587.11	1.750		2.759	1,095	09/30/2022
912828P38	5855	U.S. TREASURY NOTE		10/05/2018	18,150,000.00	18,245,650.50	17,478,963.13	1.750		2.939	1,218	01/31/2023
912828W89	5856	U.S. TREASURY NOTE		10/05/2018	11,350,000.00	11,427,180.00	11,060,638.53	1.875		2.957	912	03/31/2022
912828X47	5862	U.S. TREASURY NOTE		10/24/2018	3,955,000.00	3,981,735.80	3,846,531.33	1.875		3.002	942	04/30/2022
912828Q29	5865	U.S. TREASURY NOTE		11/07/2018	7,960,000.00	7,941,692.00	7,580,497.78	1.500		2.964	1,277	03/31/2023
912828XR6	5866	U.S. TREASURY NOTE		11/07/2018	7,750,000.00	7,779,062.50	7,517,928.86	1.750		2.942	973	05/31/2022
912828P38	5880	U.S. TREASURY NOTE		12/06/2018	12,000,000.00	12,063,240.00	11,591,649.85	1.750		2.839	1,218	01/31/2023
912828T91	5898	U.S. TREASURY NOTE		12/24/2018	3,750,000.00	3,758,062.50	3,601,354.23	1.625		2.667	1,491	10/31/2023
9128282D1	5899	U.S. TREASURY NOTE		12/24/2018	6,600,000.00	6,552,018.00	6,287,566.21	1.375		2.670	1,430	08/31/2023
912828V23	5907	U.S. TREASURY NOTE		01/09/2019	4,995,000.00	5,133,361.50	4,934,335.63	2.250		2.556	1,552	12/31/2023
912828S92	5920	U.S. TREASURY NOTE		02/12/2019	2,650,000.00	2,618,014.50	2,536,188.76	1.250		2.439	1,399	07/31/2023
912828WE6	5931	U.S. TREASURY NOTE		03/08/2019	15,575,000.00	16,302,664.00	15,713,533.71	2.750		2.519	1,506	11/15/2023
912828W48	5950	U.S. TREASURY NOTE		04/04/2019	12,900,000.00	13,206,375.00	12,807,981.99	2.125		2.297	1,612	02/29/2024
9128285D8	5969	U.S. TREASURY NOTE		05/03/2019	20,575,000.00	21,608,482.25	21,065,198.82	2.875		2.245	1,460	09/30/2023
912828X70	5972	U.S. TREASURY NOTE		06/05/2019	24,490,000.00	24,955,799.80	24,641,574.25	2.000		1.903	1,673	04/30/2024
912828V80	5975	U.S. TREASURY NOTE		06/25/2019	13,200,000.00	13,574,352.00	13,465,603.93	2.250		1.764	1,583	01/31/2024
912828XX3	5976	U.S. TREASURY NOTE		07/03/2019	22,560,000.00	22,997,889.60	22,784,848.82	2.000		1.783	1,734	06/30/2024
9128285K2	5981	U.S. TREASURY NOTE		07/30/2019	7,910,000.00	8,315,703.90	8,288,188.53	2.875		1.833	1,491	10/31/2023
9128282N9	5985	U.S. TREASURY NOTE		08/05/2019	8,950,000.00	9,178,314.50	9,086,698.21	2.125		1.799	1,765	07/31/2024
9128282U3	5996	U.S. TREASURY NOTE		09/05/2019	17,775,000.00	18,036,114.75	18,236,091.34	1.875		1.333	1,796	08/31/2024
		Subtotal and Average	**426,435,684.57**		**427,710,000.00**	**433,364,077.00**	**426,144,588.47**			**2.123**	**1,187**	
Agency Issues - Fixed Coupon												
3130A7CV5	5553A	FED HOME LOAN BANK		09/01/2018	7,740,000.00	7,699,519.80	7,731,366.12	1.375		1.457	506	02/18/2021
3130A7CV5	5603A	FED HOME LOAN BANK		09/01/2018	2,000,000.00	1,989,540.00	2,004,282.40	1.375		1.217	506	02/18/2021
3130A8QS5	5633A	FED HOME LOAN BANK		09/01/2018	9,150,000.00	9,061,336.50	9,118,356.76	1.125		1.323	652	07/14/2021
313379RB7	5747A	FED HOME LOAN BANK		09/01/2018	2,300,000.00	2,305,106.00	2,307,778.40	1.875		1.670	619	06/11/2021
3130ACE26	5749	FED HOME LOAN BANK		09/08/2017	1,935,000.00	1,926,176.40	1,932,984.13	1.375		1.483	363	09/28/2020
3130A0F70	5913	FED HOME LOAN BANK		01/31/2019	8,990,000.00	9,618,580.80	9,221,873.56	3.375		2.713	1,529	12/08/2023
3130A0F70	5917	FED HOME LOAN BANK		02/06/2019	6,110,000.00	6,537,211.20	6,279,513.88	3.375		2.664	1,529	12/08/2023

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Agency Issues - Fixed Coupon												
3130AFW94	5921	FED HOME LOAN BANK		02/15/2019	8,050,000.00	8,355,014.50	8,025,084.94	2.500		2.576	1,596	02/13/2024
3137EAEC9	5621A	FED. HOME LOAN MTG. CORP.		09/01/2018	7,250,000.00	7,175,035.00	7,223,204.27	1.125		1.328	681	08/12/2021
3137EAEJ4	5762	FED. HOME LOAN MTG. CORP.		10/26/2017	2,590,000.00	2,584,120.70	2,586,063.94	1.625		1.782	364	09/29/2020
3137EAEK1	5771A	FED. HOME LOAN MTG. CORP.		09/01/2018	3,200,000.00	3,203,296.00	3,196,868.42	1.875		1.964	413	11/17/2020
3137EAEN5	5839	FED. HOME LOAN MTG. CORP.		07/12/2018	1,090,000.00	1,134,068.70	1,085,625.56	2.750		2.866	1,357	06/19/2023
3137EAEN5	5841A	FED. HOME LOAN MTG. CORP.		09/01/2018	4,725,000.00	4,916,031.75	4,707,029.06	2.750		2.860	1,357	06/19/2023
3137EAEN5	5864	FED. HOME LOAN MTG. CORP.		11/07/2018	7,525,000.00	7,829,235.75	7,441,823.21	2.750		3.071	1,357	06/19/2023
3137EAEC9	6326A	FED. HOME LOAN MTG. CORP.		09/01/2018	2,605,000.00	2,578,064.30	2,597,669.54	1.125		1.279	681	08/12/2021
3135G0N82	3622	FED. NAT'L. MTG. ASSN.		09/02/2016	9,115,000.00	9,046,728.65	9,093,874.03	1.250		1.378	686	08/17/2021
3135G0N82	3644A	FED. NAT'L. MTG. ASSN.		09/01/2018	5,800,000.00	5,756,558.00	5,787,892.76	1.250		1.364	686	08/17/2021
3135G0F73	5548A	FED. NAT'L. MTG. ASSN.		09/01/2018	9,300,000.00	9,267,078.00	9,258,694.54	1.500		1.891	426	11/30/2020
3135G0J20	5566A	FED. NAT'L. MTG. ASSN.		09/01/2018	4,500,000.00	4,475,745.00	4,496,500.48	1.375		1.432	514	02/26/2021
3135G0J20	5577A	FED. NAT'L. MTG. ASSN.		09/01/2018	5,000,000.00	4,973,050.00	4,992,648.73	1.375		1.482	514	02/26/2021
3135G0K69	5593A	FED. NAT'L. MTG. ASSN.		09/01/2018	9,300,000.00	9,229,320.00	9,310,413.23	1.250		1.178	583	05/06/2021
3135G0H55	5596	FED. NAT'L. MTG. ASSN.		07/08/2016	5,350,000.00	5,356,152.50	5,402,775.29	1.875		1.059	454	12/28/2020
3135G0N82	5617	FED. NAT'L. MTG. ASSN.		08/19/2016	3,660,000.00	3,632,586.60	3,654,426.95	1.250		1.334	686	08/17/2021
3135G0N82	5618	FED. NAT'L. MTG. ASSN.		08/19/2016	3,440,000.00	3,414,234.40	3,435,575.46	1.250		1.321	686	08/17/2021
3135G0N82	5628A	FED. NAT'L. MTG. ASSN.		09/01/2018	4,000,000.00	3,970,040.00	3,997,631.31	1.250		1.282	686	08/17/2021
3135G0S38	5657	FED. NAT'L. MTG. ASSN.		01/20/2017	5,000,000.00	5,035,800.00	4,989,123.87	2.000		2.102	827	01/05/2022
3135G0S38	5679	FED. NAT'L. MTG. ASSN.		02/03/2017	3,370,000.00	3,394,129.20	3,365,015.21	2.000		2.069	827	01/05/2022
3135G0S38	5713A	FED. NAT'L. MTG. ASSN.		09/01/2018	10,500,000.00	10,575,180.00	10,518,481.37	2.000		1.919	827	01/05/2022
3135G0T45	5721A	FED. NAT'L. MTG. ASSN.		09/01/2018	11,040,000.00	11,115,182.40	11,039,126.38	1.875		1.878	917	04/05/2022
3135G0S38	5725	FED. NAT'L. MTG. ASSN.		06/29/2017	7,040,000.00	7,090,406.40	7,062,520.47	2.000		1.852	827	01/05/2022
3135G0T45	5726	FED. NAT'L. MTG. ASSN.		06/29/2017	7,100,000.00	7,148,351.00	7,099,438.95	1.875		1.878	917	04/05/2022
3135G0T78	5794	FED. NAT'L. MTG. ASSN.		03/05/2018	3,500,000.00	3,535,560.00	3,435,961.88	2.000		2.649	1,100	10/05/2022
3135G0T78	5795	FED. NAT'L. MTG. ASSN.		03/06/2018	2,410,000.00	2,434,485.60	2,364,151.60	2.000		2.675	1,100	10/05/2022
3135G0T94	5813A	FED. NAT'L. MTG. ASSN.		09/01/2018	10,000,000.00	10,248,500.00	9,898,013.28	2.375		2.704	1,206	01/19/2023
3135G0U35	5835A	FED. NAT'L. MTG. ASSN.		09/01/2018	1,500,000.00	1,526,595.00	1,501,284.83	2.750		2.697	630	06/22/2021
3135G0U43	5854	FED. NAT'L. MTG. ASSN.		10/04/2018	6,240,000.00	6,539,457.60	6,203,893.49	2.875		3.034	1,442	09/12/2023
3135G0U43	5875	FED. NAT'L. MTG. ASSN.		11/30/2018	7,000,000.00	7,335,930.00	6,975,276.91	2.875		2.971	1,442	09/12/2023
3135G0U43	5904	FED. NAT'L. MTG. ASSN.		12/31/2018	6,350,000.00	6,654,736.50	6,396,690.90	2.875		2.675	1,442	09/12/2023
3135G0V34	5918	FED. NAT'L. MTG. ASSN.		02/08/2019	7,005,000.00	7,269,088.50	6,982,320.17	2.500		2.580	1,588	02/05/2024
3135G0V34	5919	FED. NAT'L. MTG. ASSN.		02/11/2019	3,185,000.00	3,305,074.50	3,180,807.23	2.500		2.532	1,588	02/05/2024
3135G0V75	5989	FED. NAT'L. MTG. ASSN.		08/19/2019	5,100,000.00	5,129,070.00	5,168,156.06	1.750		1.501	1,736	07/02/2024
		Subtotal and Average	**231,068,055.72**		**231,065,000.00**	**234,371,377.25**	**231,070,219.57**			**2.002**	**959**	

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Agencies - Mortgage Backed												
3137BDDC7	5751A	FHLMC MULTIFAMILY PASS THROUGH		08/30/2018	3,030,000.00	3,069,723.30	3,154,277.34	3.130		0.092	633	06/25/2021
3137BM6P6	5753A	FHLMC MULTIFAMILY PASS THROUGH		08/30/2018	8,445,000.00	8,636,785.95	8,766,247.80	3.090		0.962	1,059	08/25/2022
3137B6ZM6	5781A	FHLMC MULTIFAMILY PASS THROUGH		08/30/2018	2,149,767.23	2,162,945.30	2,182,349.64	3.034		1.377	390	10/25/2020
3137BM6P6	5810	FHLMC MULTIFAMILY PASS THROUGH		04/09/2018	2,835,000.00	2,899,382.85	2,859,141.80	3.090		2.565	1,059	08/25/2022
3137BLUR7	5954	FHLMC MULTIFAMILY PASS THROUGH		04/05/2019	4,610,000.00	4,678,412.40	4,621,525.00	2.716		2.441	998	06/25/2022
3137BHXY8	5970	FHLMC MULTIFAMILY PASS THROUGH		05/21/2019	10,500,000.00	10,652,460.00	10,565,625.00	2.791		2.108	847	01/25/2022
3137B1BS0	5973	FHLMC MULTIFAMILY PASS THROUGH		06/17/2019	3,000,000.00	3,045,270.00	3,026,250.00	2.510		1.848	1,151	11/25/2022
3137AWQH1	6001	FHLMC MULTIFAMILY PASS THROUGH		09/09/2019	5,450,000.00	5,496,924.50	5,533,266.69	2.307		1.201	1,059	08/25/2022
3136B1XP4	5818	FED. NAT'L. MTG. ASSN.		04/30/2018	2,554,752.43	2,602,066.45	2,605,569.01	3.560		2.174	725	09/25/2021
		Subtotal and Average	**41,921,641.29**		**42,574,519.66**	**43,243,970.75**	**43,314,252.28**			**1.628**	**922**	
Supranationals												
4581X0CW6	5655A	INTER-AMERICAN DEVEL BK		09/01/2018	9,700,000.00	9,799,619.00	9,694,518.37	2.125		2.150	840	01/18/2022
4581X0CD8	5758	INTER-AMERICAN DEVEL BK		10/10/2017	10,555,000.00	10,587,614.95	10,590,111.35	2.125		1.814	405	11/09/2020
4581X0CZ9	5802A	INTER-AMERICAN DEVEL BK		09/01/2018	9,500,000.00	9,528,025.00	9,227,774.10	1.750		2.783	1,079	09/14/2022
45905UP32	5752	INTL BK RECON & DEVELOP		09/19/2017	10,750,000.00	10,726,350.00	10,741,800.75	1.562		1.645	347	09/12/2020
45950KCM0	5782A	INT'L. FINANCIAL CORP.		09/01/2018	3,875,000.00	3,897,126.25	3,869,999.96	2.250		2.351	482	01/25/2021
45950KCM0	5783	INT'L. FINANCIAL CORP.		01/25/2018	4,315,000.00	4,339,638.65	4,309,432.21	2.250		2.352	482	01/25/2021
		Subtotal and Average	**49,623,801.03**		**48,695,000.00**	**48,878,373.85**	**48,433,636.74**			**2.119**	**621**	
Municipal Bonds												
605581FZ5	5450	STATE OF MISSISSIPPI GO BOND		02/18/2015	1,680,000.00	1,680,000.00	1,680,000.00	1.679		1.679	0	10/01/2019
		Subtotal and Average	**1,680,000.00**		**1,680,000.00**	**1,680,000.00**	**1,680,000.00**			**1.679**	**0**	
Corporte Notes & Bonds												
023135AW6	5959	AMAZON.COM INC		04/11/2019	5,500,000.00	5,590,200.00	5,452,011.45	2.400		2.672	1,240	02/22/2023
037833CG3	5958	APPLE INC.		04/11/2019	10,000,000.00	10,419,700.00	10,100,413.35	3.000		2.752	1,592	02/09/2024
0258M0EB1	5734	AMERICAN EXPRESS CREDIT		07/20/2017	5,000,000.00	5,017,750.00	5,002,438.97	2.250		2.218	582	05/05/2021
06051GFW4	5764	BANK OF AMERICA CORP		11/03/2017	5,375,000.00	5,422,998.75	5,393,029.20	2.625		2.398	566	04/19/2021
06051GFT1	5849	BANK OF AMERICA CORP		09/07/2018	5,500,000.00	5,534,925.00	5,473,698.74	2.625		3.098	384	10/19/2020
05531FAZ6	5763	BB&T CORPORATION		10/26/2017	2,770,000.00	2,774,570.50	2,769,479.48	2.150		2.165	489	02/01/2021
06406FAA1	5750	BANK OF NEW YORK MELLON		09/11/2017	9,400,000.00	9,472,004.00	9,471,312.73	2.500		1.986	562	04/15/2021
06406RAJ6	5929	BANK OF NEW YORK MELLON		03/07/2019	6,725,000.00	7,051,095.25	6,808,859.99	3.450		3.101	1,410	08/11/2023
09247XAJ0	5960	Blackrock Inc		04/11/2019	5,500,000.00	5,724,290.00	5,607,375.58	3.375		2.607	974	06/01/2022
166764BG4	5602A	CHEVRON CORP		09/01/2018	3,000,000.00	3,011,580.00	3,024,141.36	2.100		1.592	593	05/16/2021
172967LC3	5772	CITIGROUP, INC		11/22/2017	5,375,000.00	5,454,281.25	5,394,843.24	2.900		2.720	799	12/08/2021
22160KAL9	5974	COSTCO WHOLESALE CORP.		06/18/2019	7,000,000.00	7,252,980.00	7,150,334.06	2.750		2.309	1,691	05/18/2024
254687FK7	5997	WALT DISNEY COMPANY, THE		09/06/2019	9,750,000.00	9,710,220.00	9,710,774.35	1.750		1.844	1,795	08/30/2024

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Corporte Notes & Bonds												
30231GAV4	5557A	EXXON MOBIL CORPORATION		09/01/2018	2,190,000.00	2,201,475.60	2,190,000.00	2.222		2.222	517	03/01/2021
30231GAV4	5580A	EXXON MOBIL CORPORATION		09/01/2018	4,075,000.00	4,096,353.00	4,096,156.64	2.222		1.845	517	03/01/2021
36962G5J9	5669	GENERAL ELECTRIC CO		01/27/2017	5,000,000.00	5,201,150.00	5,214,522.35	4.650		2.416	747	10/17/2021
369550BE7	5820A	GENERAL DYNAMICS		09/01/2018	4,000,000.00	4,070,040.00	3,985,070.37	3.000		3.243	588	05/11/2021
369550BE7	5823A	GENERAL DYNAMICS		09/01/2018	3,000,000.00	3,052,530.00	2,988,416.29	3.000		3.251	588	05/11/2021
38141GGQ1	5766	GOLDMAN SACHS GROUP INC		11/07/2017	4,860,000.00	5,121,808.20	5,088,143.78	5.250		2.533	665	07/27/2021
38141GWC4	5848	GOLDMAN SACHS GROUP INC		09/07/2018	5,500,000.00	5,559,785.00	5,425,378.15	3.000		3.567	938	04/26/2022
437076AZ5	5807	HOME DEPOT INC		04/05/2018	5,700,000.00	5,867,124.00	5,624,021.16	2.700		3.114	1,278	04/01/2023
02665WCJ8	5840A	HONDA/AMERICAN HONDA		09/01/2018	2,215,000.00	2,323,202.75	2,212,095.14	3.450		3.487	1,382	07/14/2023
02665WBG5	5852	HONDA/AMERICAN HONDA		09/07/2018	3,250,000.00	3,235,602.50	3,168,191.43	1.700		3.069	709	09/09/2021
02665WCT6	5911	HONDA/AMERICAN HONDA		01/31/2019	3,900,000.00	4,131,894.00	3,933,575.80	3.550		3.330	1,564	01/12/2024
459200JQ5	5677	IBM CORP.		01/31/2017	5,000,000.00	5,055,800.00	5,006,074.50	2.500		2.444	849	01/27/2022
44932HAC7	5775A	IBM CORP.		09/01/2018	6,550,000.00	6,580,130.00	6,481,774.56	2.200		2.576	1,073	09/08/2022
24422ETL3	5700A	JOHN DEERE CAPITAL CORP		09/01/2018	1,585,000.00	1,609,900.35	1,587,735.35	2.650		2.569	828	01/06/2022
24422ETS8	5722	JOHN DEERE CAPITAL CORP		06/22/2017	1,265,000.00	1,264,936.75	1,264,813.52	1.950		1.971	265	06/22/2020
24422ETG4	5822A	JOHN DEERE CAPITAL CORP		09/01/2018	1,155,000.00	1,187,813.55	1,130,279.72	2.800		3.479	1,252	03/06/2023
24422ESL4	7519A	JOHN DEERE CAPITAL CORP		09/01/2018	3,325,000.00	3,362,040.50	3,355,650.14	2.800		2.132	520	03/04/2021
46625HQJ2	5587	JP MORGAN CHASE		06/15/2016	6,150,000.00	6,184,501.50	6,175,465.57	2.550		2.240	517	03/01/2021
46625HQJ2	5653	JP MORGAN CHASE		01/05/2017	2,745,000.00	2,760,399.45	2,743,446.58	2.550		2.592	517	03/01/2021
48128BAB7	5789A	JP MORGAN CHASE		09/01/2018	6,000,000.00	6,108,540.00	5,961,312.87	2.972		3.183	1,202	01/15/2023
48128BAB7	5803A	JP MORGAN CHASE		09/01/2018	1,000,000.00	1,018,090.00	983,350.00	2.972		3.522	1,202	01/15/2023
57636QAF1	5718	MASTERCARD INC		05/11/2017	4,500,000.00	4,518,810.00	4,483,844.17	2.000		2.177	782	11/21/2021
57636QAB0	5961	MASTERCARD INC		04/11/2019	5,091,000.00	5,406,998.37	5,244,088.15	3.375		2.679	1,644	04/01/2024
594918BG8	5538A	MICROSOFT CORP.		09/01/2018	2,345,000.00	2,348,892.70	2,344,591.45	2.000		2.016	399	11/03/2020
594918BP8	5612A	MICROSOFT CORP		09/01/2018	3,030,000.00	3,017,304.30	3,028,821.08	1.550		1.571	677	08/08/2021
594918BP8	5613A	MICROSOFT CORP		09/01/2018	1,220,000.00	1,214,888.20	1,219,308.32	1.550		1.581	677	08/08/2021
68389XBK0	5643A	ORACLE CORP		09/01/2018	6,140,000.00	6,132,754.80	6,083,829.13	1.900		2.388	715	09/15/2021
68389XBK0	5663A	ORACLE CORP		09/01/2018	600,000.00	599,292.00	593,907.94	1.900		2.442	715	09/15/2021
68389XBK0	5664	ORACLE CORP		01/24/2017	5,000,000.00	4,994,100.00	4,949,401.32	1.900		2.450	715	09/15/2021
68389XAP0	5851	ORACLE CORP		09/07/2018	1,750,000.00	1,776,022.50	1,715,984.59	2.500		3.187	1,110	10/15/2022
69371RN44	5673A	PACCAR FINANCIAL CORP		09/01/2018	6,500,000.00	6,461,390.00	6,395,010.06	1.650		2.556	680	08/11/2021
713448DX3	5759	Pepsi Co		10/10/2017	3,405,000.00	3,415,555.50	3,404,701.76	2.000		2.006	562	04/15/2021
717081ES8	5941	PFIZER		03/28/2019	7,925,000.00	8,233,995.75	8,039,739.63	2.950		2.601	1,627	03/15/2024
69353RFE3	5738A	PNC BANK NA		09/01/2018	7,480,000.00	7,557,792.00	7,479,619.64	2.450		2.452	1,031	07/28/2022
74005PAY0	5808	Praxair Inc		04/05/2018	4,825,000.00	4,958,604.25	4,905,404.71	4.050		2.848	531	03/15/2021
808513AT2	5804A	SCHWAB CHARLES		09/01/2018	6,000,000.00	6,108,120.00	5,890,437.79	2.650		3.245	1,212	01/25/2023
857477AV5	5581A	STATE STREET CORP		09/01/2018	3,185,000.00	3,185,350.35	3,184,458.97	1.950		1.960	596	05/19/2021
857477AV5	5667A	STATE STREET CORP		09/01/2018	2,155,000.00	2,155,237.05	2,137,134.47	1.950		2.477	596	05/19/2021

PFM
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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Corporte Notes & Bonds												
89236TDP7	5796A	TOYOTA MOTOR CREDIT		09/01/2018	2,750,000.00	2,793,532.50	2,723,718.94	2.600		3.044	833	01/11/2022
89236TDP7	5821A	TOYOTA MOTOR CREDIT		09/01/2018	2,000,000.00	2,031,660.00	1,968,392.84	2.600		3.339	833	01/11/2022
89236TDP7	5830A	TOYOTA MOTOR CREDIT		09/01/2018	1,850,000.00	1,879,285.50	1,824,433.78	2.600		3.245	833	01/11/2022
89236TDP7	5850	TOYOTA MOTOR CREDIT		09/07/2018	4,250,000.00	4,317,277.50	4,199,866.94	2.600		3.149	833	01/11/2022
89236TFS9	5908	TOYOTA MOTOR CREDIT		01/10/2019	7,375,000.00	7,773,250.00	7,345,999.60	3.350		3.451	1,560	01/08/2024
91159HHP8	5666A	US BANCORP		09/01/2018	3,000,000.00	3,036,810.00	2,997,612.07	2.625		2.661	846	01/24/2022
91159HHV5	5957	US BANCORP		04/11/2019	10,000,000.00	10,518,200.00	10,204,113.73	3.375		2.868	1,588	02/05/2024
91159HHX1	5984	US BANCORP		08/05/2019	5,260,000.00	5,327,643.60	5,266,333.60	2.400		2.382	1,764	07/30/2024
949746SA0	5610	WELLS FARGO COMPANY		08/04/2016	9,000,000.00	8,990,910.00	9,014,573.02	2.100		2.006	664	07/26/2021
		Subtotal and Average	**276,578,759.89**		**275,996,000.00**	**281,183,388.77**	**276,619,514.12**			**2.599**	**998**	
Asset Backed												
02007PAC7	5678	ALLY AUTO RECEIVABLES TRUST		01/31/2017	506,920.11	506,286.46	506,875.81	1.700		1.710	623	06/15/2021
02007HAC5	5703	ALLY AUTO RECEIVABLES TRUST		03/29/2017	1,541,222.37	1,539,449.96	1,541,040.66	1.780		1.792	685	08/16/2021
02007YAC8	5773	ALLY AUTO RECEIVABLES TRUST		11/22/2017	3,124,361.13	3,123,267.60	3,124,118.68	1.990		2.002	896	03/15/2022
02587AAJ3	5832A	AMERICAN EXPRESS CREDIT ACCT		08/30/2018	5,485,000.00	5,480,666.85	5,398,868.36	1.930		2.731	1,080	09/15/2022
14042WAC4	5971	CAPITAL ONE PRIME AUTO RECEIVA		05/30/2019	3,275,000.00	3,312,138.50	3,274,336.49	2.510		2.533	1,506	11/15/2023
43814TAC6	5701	HONDA AUTO RECEIVABLES TRUST		03/28/2017	921,927.06	920,728.55	921,872.21	1.720		1.729	659	07/21/2021
43811BAC8	5724	HONDA AUTO RECEIVABLES TRUST		06/27/2017	2,914,114.47	2,908,315.38	2,913,862.40	1.680		1.690	685	08/16/2021
43813FAC7	5774	HONDA AUTO RECEIVABLES TRUST		11/29/2017	2,163,189.01	2,164,162.45	2,162,884.22	2.050		2.066	783	11/22/2021
43811BAC8	5817A	HONDA AUTO RECEIVABLES TRUST		08/30/2018	3,436,455.74	3,429,617.19	3,383,029.59	1.680		2.696	685	08/16/2021
44891EAC3	5625	HYUNDAI AUTO RECEIVABLES TRUST		09/21/2016	627,847.72	626,767.82	627,763.21	1.290		1.300	562	04/15/2021
44931PAD8	5704	HYUNDAI AUTO RECEIVABLES TRUST		03/29/2017	1,126,674.77	1,125,210.09	1,126,583.62	1.760		1.770	685	08/16/2021
44932GAD7	5745	HYUNDAI AUTO RECEIVABLES TRUST		08/16/2017	3,266,957.76	3,260,881.22	3,266,391.60	1.770		1.785	840	01/18/2022
44891KAD7	5815	HYUNDAI AUTO RECEIVABLES TRUST		04/18/2018	1,870,000.00	1,884,885.20	1,869,718.38	2.790		2.814	1,018	07/15/2022
47787XAC1	5686	JOHN DEERE OWNER TRUST		03/02/2017	395,703.15	395,331.19	395,646.80	1.780		1.794	562	04/15/2021
47788BAD6	5730A	JOHN DEERE OWNER TRUST		08/30/2018	716,038.80	714,928.94	715,986.39	1.820		1.782	745	10/15/2021
47788BAD6	5732	JOHN DEERE OWNER TRUST		07/18/2017	1,010,301.31	1,008,735.34	1,010,227.36	1.820		1.831	745	10/15/2021
47788CAC6	5793A	JOHN DEERE OWNER TRUST		08/30/2018	1,750,000.00	1,757,157.50	1,749,874.18	2.660		2.579	380	10/15/2020
47788EAC2	5842A	JOHN DEERE OWNER TRUST		08/30/2018	5,620,000.00	5,693,790.60	5,619,574.00	3.080		2.012	1,141	11/15/2022
654747AD6	5778A	NISSAN AUTO RECEIVABLES OWNERS		08/30/2018	830,833.96	829,571.09	825,543.88	1.740		2.129	685	08/16/2021
65478WAE5	5816A	NISSAN AUTO RECEIVABLES OWNERS		08/30/2018	2,248,000.00	2,236,782.48	2,181,701.56	1.380		2.817	1,204	01/17/2023
89238MAD0	5693	TOYOTA AUTO RECEIVABLES TRUST		03/15/2017	439,464.64	439,029.57	439,412.92	1.730		1.742	504	02/16/2021
89238KAD4	5769	TOYOTA AUTO RECEIVABLES TRUST		11/15/2017	3,375,000.00	3,373,312.50	3,374,688.83	1.930		1.942	840	01/18/2022
89238BAB8	5785A	TOYOTA AUTO RECEIVABLES TRUST		08/30/2018	891,904.82	891,878.06	891,813.67	2.100		2.038	380	10/15/2020
89238BAD4	5786	TOYOTA AUTO RECEIVABLES TRUST		01/29/2018	2,800,000.00	2,806,160.00	2,799,967.80	2.350		2.362	958	05/16/2022
		Subtotal and Average	**51,547,718.02**		**50,336,916.82**	**50,429,054.54**	**50,121,782.62**			**2.199**	**901**	

PFM
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September 30, 2019

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity
		Total and Average	**1,165,636,956.70**		**1,167,855,964.03**	**1,183,558,821.56**	**1,167,174,062.12**			**2.239**	**992**

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Public Financial Management, Inc.
PFM Asset Management LLC
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Market Update

QUARTERLY MARKET SUMMARY

SUMMARY

- In the third quarter, U.S. economic conditions were characterized by: (1) slowing projected growth; (2) a low unemployment rate with moderating wage gains; (3) two Fed rate cuts; (4) growing risks to the economic outlook, including escalating trade conflicts, further weakening in manufacturing, and deteriorating business confidence and investment; (5) worsening conditions abroad, including a messy Brexit and geopolitical conflicts with Iran/Saudi Arabia, Syria/Turkey and Ukraine/Russia, and; (6) U.S. presidential impeachment proceedings that created a new political wildcard.
- Bond yields fell modestly during the quarter, continuing the year-long trend. For the year, yields are down nearly 1% across the intermediate and longer-term portions of the yield curve, while shorter-term yields generally tracked the Fed's two rate cuts. Somewhat counterintuitively, despite growing uncertainty on a number of fronts, U.S. equity markets continued to rally. The S&P 500 index returned 1.7% for Q3.
- While a recession in the U.S. does not appear imminent, forecasts for economic growth continue to be pared. The global growth forecast for 2019 from the Organisation for Economic Co-operation and Development was revised down from 3.2% to 2.9%, which would mark the slowest pace in over 10 years.
- The Federal Open Market Committee cut the overnight fed funds target rate twice during the quarter – in July and again in September – to the new range of 1.75% to 2.00%. The July rate cut marked the first rate reduction since December 2008. While both cuts were well-telegraphed and characterized as "mid-cycle policy adjustments," the committee is divided on future policy action. With that said, the factors supporting the recent rate cuts remain in place, such as the weaker global growth outlook, Brexit, trade policy tensions, and lower business investment and exports.

ECONOMIC SNAPSHOT

- U.S. GDP grew 2.0% in Q2, a moderate figure expected by economist estimates, but well short of the 3.1% growth in Q1. Growth in Q2 was driven by consumer spending, accounting for 3% of the quarterly growth figure, the strongest consumption growth since 2017. Fixed investment, private inventories, and lower exports all detracted from the headline GDP. Forecasts for Q3 are generally in the 1.5% to 2.0% range.
- The U.S. labor market remained positive, although it may be showing signs of losing momentum. For example, average monthly job growth for Q3 was 157,000, well short of the 223,000 average of monthly gains in 2018. Nevertheless, the unemployment rate ticked lower to 3.5%, marking the lowest jobless figure in over 50 years.
- Inflation remains tame, but core measures have gradually drifted higher as of late. Year-over-year growth in the core Consumer Price Index (CPI) reached 2.4%, while the Fed's preferred inflation gauge, the core Personal Consumption Expenditure price index, rose to 1.8%, just a bit below the Fed's 2% target.
- U.S. manufacturing activity continued to decelerate. The ISM Manufacturing PMI survey fell to 47.8, the lowest level since 2009, an indication that the manufacturing part of the economy may be slipping into recession. Uncertainty caused by the ongoing trade war with China contributed to this slowdown.

INTEREST RATES

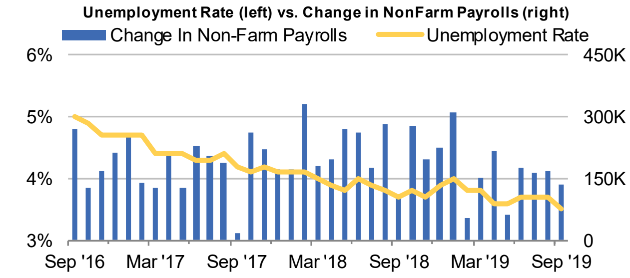
- U.S. Treasury yields across the curve continued their descent, falling for the fourth consecutive quarter. The yields on the majority of U.S. Treasury maturities ended the quarter near two-year lows. At quarter-end, the yield on a 3-month Treasury bill was 1.81%, the 2-year note was 1.62%, the 10-year note was 1.67%, and the 30-year Treasury ended Q3 at 2.11% after briefly falling below 2% for the first time ever.
- The yield curve neared the greatest level of inversion over the past 15 years in late August, as the spread between the 3-month and 10-year Treasuries reached -50 basis points (-0.50%), although it finished the quarter at -14 basis points. In response to back-to-back rate cuts at the July and September FOMC meetings, short-term yields fell, which decreased the severity of the inversion by the end of September.
- As the long-end of the yield curve declined more significantly than any other key rates during the quarter, longer-duration portfolios benefited the most. For example, the 3-month Treasury bill index generated 0.56% of total return for the quarter, while 10-year and 30-year Treasuries returned 3.18% and 9.20%, respectively. As a result of the significant decline in rates, 12-month trailing Treasury benchmarks have posted their strongest total returns in nearly twenty years.

SECTOR PERFORMANCE

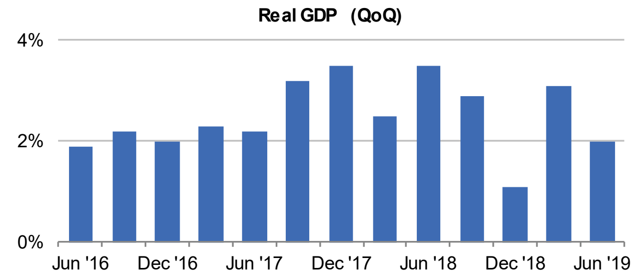
- Absolute fixed income returns were strong across the board. Diversification was a mixed bag for performance. Credit sectors boosted portfolio returns as credit markets shrugged off weaker growth prospects, resulting in tighter spreads. On the flip side, municipal debt generally underperformed as lower yields inspired a flurry of new issuance and refinancing activity that caused spreads to widen in the sector.
- Federal agency and supranational allocations generated slightly positive excess returns for the quarter even though spreads remained near all-time tights across the curve. Continuing the trend over the past several quarters, callable securities underperformed as declining yields drove increased redemption activity.
- The investment-grade corporate sector continued to be one of the best performing fixed income sectors for Q3 and YTD. Positive earnings, stable fundamentals, and easier monetary policy outweighed trade tensions and geopolitical risks during Q3. Despite one of the highest issuance months on record in September, investor demand remained strong, absorbing the new deals and resulting in spreads grinding back near YTD lows.
- AAA-rated asset backed securities were slightly additive to performance, despite modestly wider spreads. The incremental income offset the adverse effect of wider spreads and buoyed excess returns.
- Mortgage-Backed Securities (MBS) generated modest positive excess returns, although relative performance belied the volatility during Q3 and was dependent on collateral term and coupon structure. The decline in longer-term Treasury yields – which translates to increased refinancings and shorter MBS durations – weighed on the sector. Higher coupon 30-year MBS were great performers, but 15-year collateral pools posted negative excess returns. Agency-backed commercial mortgage-backed securities have been a top-of-class performer for much of 2019, as these structures are generally less sensitive to interest rate volatility and ultimately, prepayment risks.

Economic Snapshot

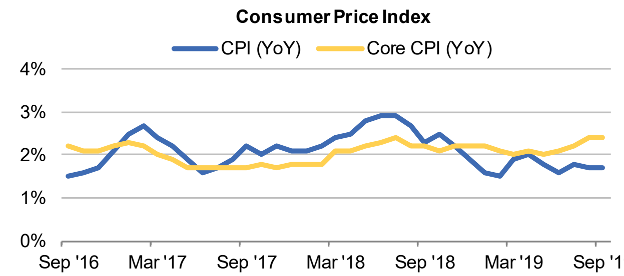
Labor Market		Latest	Jun '19	Sep '18
Unemployment Rate	Sep '19	3.5%	3.7%	3.7%
Change In Non-Farm Payrolls	Sep '19	136,000	178,000	108,000
Average Hourly Earnings (YoY)	Sep '19	2.9%	3.2%	3.0%
Personal Income (YoY)	Aug '19	4.6%	4.9%	5.4%
Initial Jobless Claims (week)	10/12/19	214,000	222,000	218,000



Growth				
Real GDP (QoQ SAAR)	2019Q2	2.0%	3.1% [1]	3.5% [2]
GDP Personal Consumption (QoQ SAAR)	2019Q2	4.6%	1.1% [1]	4.0% [2]
Retail Sales (YoY)	Sep '19	4.1%	3.3%	3.9%
ISM Manufacturing Survey (month)	Sep '19	47.8	51.7	59.5
Existing Home Sales SAAR (month)	Aug '19	5.49 mil.	5.29 mil.	5.18 mil.



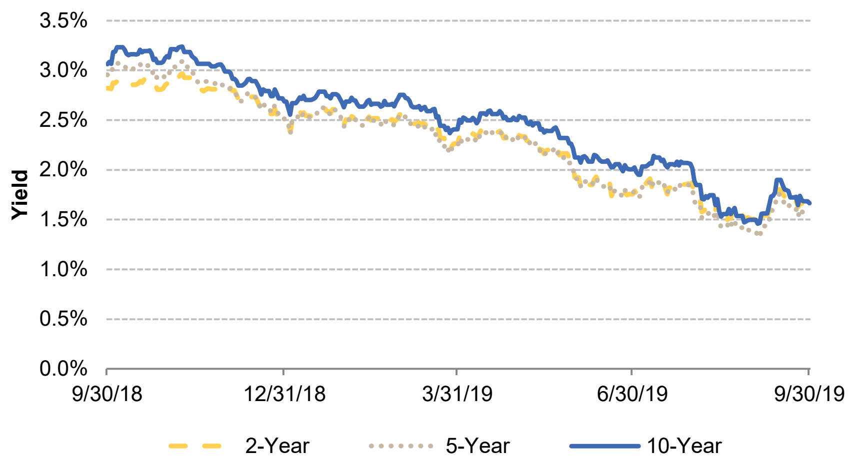
Inflation / Prices				
Personal Consumption Expenditures (YoY)	Aug '19	1.4%	1.4%	2.0%
Consumer Price Index (YoY)	Sep '19	1.7%	1.6%	2.3%
Consumer Price Index Core (YoY)	Sep '19	2.4%	2.1%	2.2%
Crude Oil Futures (WTI, per barrel)	Sep 30	$54.07	$58.47	$73.25
Gold Futures (oz.)	Sep 30	$1,466	$1,414	$1,192



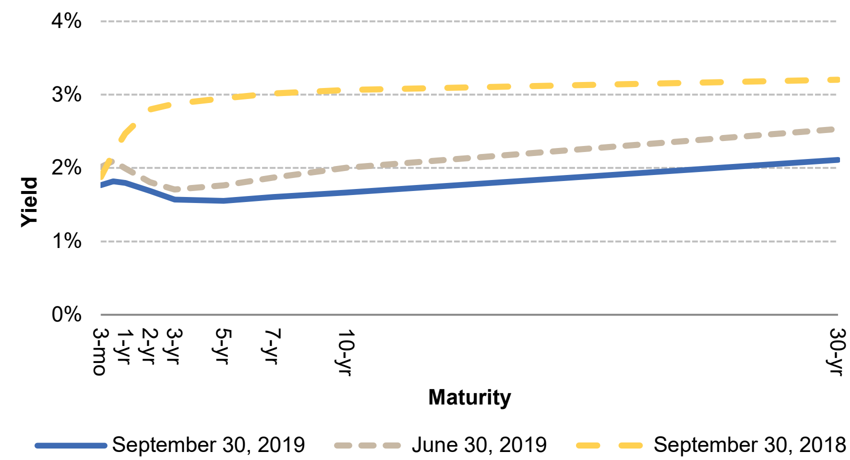
1. Data as of First Quarter 2019.
2. Data as of Second Quarter 2018.
Note: YoY = year-over-year, QoQ = quarter-over-quarter, SAAR = seasonally adjusted annual rate, WTI = West Texas Intermediate crude oil.
Source: Bloomberg.

Interest Rate Overview

U.S. Treasury Note Yields



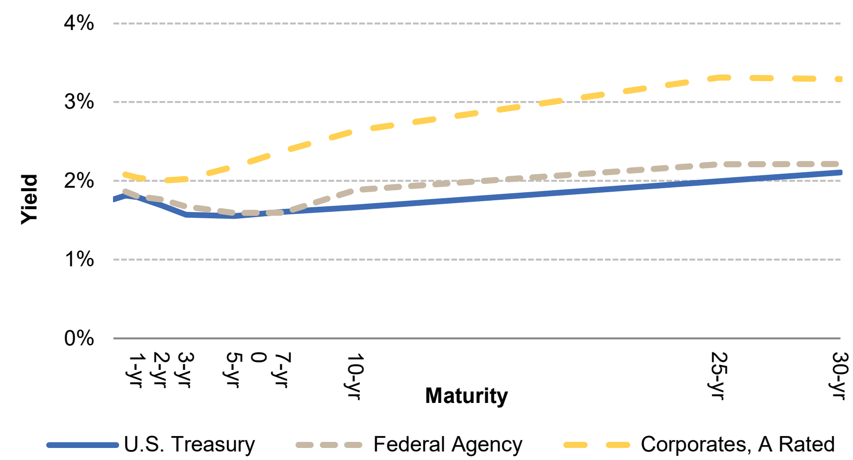
U.S. Treasury Yield Curve



U.S. Treasury Yields

Maturity	Sep '19	Jun '19	Change over Quarter	Sep '18	Change over Year
3-Month	1.82%	2.09%	(0.27%)	2.20%	(0.38%)
1-Year	1.76%	1.93%	(0.17%)	2.57%	(0.81%)
2-Year	1.62%	1.76%	(0.14%)	2.82%	(1.20%)
5-Year	1.55%	1.77%	(0.22%)	2.95%	(1.40%)
10-Year	1.67%	2.01%	(0.34%)	3.06%	(1.39%)
30-Year	2.11%	2.53%	(0.42%)	3.21%	(1.10%)

Yield Curves as of 9/30/19



Source: Bloomberg.

ICE BofAML Index Returns

	As of 9/30/19		Returns for Periods ended 9/30/19		
September 30, 2019	**Duration**	**Yield**	**3 Month**	**1 Year**	**3 Years**
1-3 Year Indices					
U.S. Treasury	1.88	1.68%	0.58%	4.36%	1.52%
Federal Agency	1.52	1.71%	0.62%	4.19%	1.66%
U.S. Corporates, A-AAA rated	1.84	2.11%	0.93%	5.11%	2.39%
Agency MBS (0 to 3 years)	3.20	2.45%	1.41%	7.58%	2.48%
Taxable Municipals	1.77	1.95%	0.95%	5.13%	2.69%
1-5 Year Indices					
U.S. Treasury	2.62	1.64%	0.75%	5.62%	1.62%
Federal Agency	1.97	1.67%	0.72%	4.77%	1.70%
U.S. Corporates, A-AAA rated	2.61	2.16%	1.11%	6.53%	2.62%
Agency MBS (0 to 5 years)	1.79	2.33%	1.32%	6.83%	1.95%
Taxable Municipals	2.22	2.22%	1.14%	5.71%	2.66%
Master Indices (Maturities 1 Year or Greater)					
U.S. Treasury	6.85	1.73%	2.51%	10.75%	2.30%
Federal Agency	4.18	1.78%	1.74%	8.07%	2.43%
U.S. Corporates, A-AAA rated	7.70	2.63%	2.97%	12.62%	4.03%
Agency MBS (0 to 30 years)	3.08	2.51%	1.44%	7.98%	2.38%
Taxable Municipals	11.11	3.00%	4.70%	17.37%	5.74%

Returns for periods greater than one year are annualized.
Source: ICE BofAML Indices.

DISCLOSURES

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APPENDIX H

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