NEW ISSUE – BOOK ENTRY ONLY

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

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

$4,170,000
RIVERSIDE UNIFIED SCHOOL DISTRICT
2019 Refunding Certificates of Participation Evidencing the Fractional Interests of the Owners Thereof in Lease Payments to be Made by the RIVERSIDE UNIFIED SCHOOL DISTRICT

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

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

The Riverside Unified School District 2019 Refunding Certificates of Participation (the "Certificates"), are being executed and delivered pursuant to a Trust Agreement, dated as of January 1, 2019 (the "Trust Agreement"), by and among U.S. Bank National Association, as trustee, the Riverside Unified School District School Facilities Corporation (the "Corporation") and the Riverside Unified School District (the "District"). The proceeds of the Certificates will be used to (i) refund the District's outstanding Refunding Certificates of Participation Series A of 2009, (ii) purchase an insurance policy for deposit into a debt service reserve fund established for the Certificates, and (iii) pay the costs related to the execution and delivery of the Certificates.

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

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

The scheduled payment of principal and interest with respect to the Certificates when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Certificates by ASSURED GUARANTY MUNICIPAL CORP.

ASSURED GUARANTY® MUNICIPAL

The Certificates are subject to extraordinary prepayment prior to their stated maturity dates as described herein. See "THE CERTIFICATES – Prepayment" herein.

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

Maturity Schedule
(see inside front cover)

The Certificates are offered when, as and if delivered and received by the Underwriter, subject to the approval as to legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, as Special Counsel and Disclosure Counsel. It is anticipated that the Certificates, in book-entry form, will be available through the facilities of The Depository Trust Company in New York, New York on or about January 29, 2019.

PiperJaffray®

The date of this Official Statement is January 10, 2019

MATURITY SCHEDULE

Base CUSIP[(1)]: 769062

$4,170,000
Riverside Unified School District
2019 Refunding Certificates of Participation

Maturity (September 1)	Principal Amount	Interest Rate	Yield	CUSIP[(1)] Suffix
2019	$380,000	3.000%	1.690%	CW8
2020	410,000	3.000	1.750	CX6
2021	425,000	4.000	1.810	CY4
2022	440,000	4.000	1.880	CZ1
2023	460,000	4.000	1.950	DA5
2024	475,000	5.000	2.060	DB3
2025	500,000	5.000	2.140	DC1
2026	525,000	5.000	2.240	DD9
2027	555,000	5.000	2.330	DE7

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(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. None of the Underwriter, the Municipal Advisor or the District is responsible for the selection, uses or correctness of the CUSIP numbers set forth herein. CUSIP numbers have been assigned by an independent company not affiliated with the District, the Municipal Advisor or the Underwriter and are included solely for the convenience of the registered owners of the applicable Certificates. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Certificates as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Certificates.

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

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

This Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

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

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

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

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

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

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

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "SECURITY AND SOURCES OF PAYMENT OF THE CERTIFICATES – Bond Insurance" herein and Appendix H - "SPECIMEN MUNICIPAL BOND INSURANCE POLICY" attached hereto.

RIVERSIDE UNIFIED SCHOOL DISTRICT

Board of Education

Dr. Angelov Farooq, *President, Trustee Area 3*
Kathy Y. Allavie, *Vice President, Trustee Area 1*
Tom Hunt, *Clerk, Trustee Area 4*
Brent Lee, *Member, Trustee Area 5*
Patricia Lock-Dawson, *Member, Trustee Area 2*

District Administration

Dr. David C. Hansen, *Superintendent*
Mays Kakish, *Chief Business Officer and Governmental Relations*
Sergio San Martin, *Assistant Superintendent, Operations*
Sandra L. Meekins, *Director of Business Services*

SPECIAL COUNSEL AND DISCLOSURE COUNSEL

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

MUNICIPAL ADVISOR

Fieldman, Rolapp & Associates, Inc.
Irvine, California

TRUSTEE

U.S. Bank National Association
Los Angeles, California

VERIFICATION AGENT

Causey Demgen & Moore P.C.
Denver, Colorado

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$4,170,000
RIVERSIDE UNIFIED SCHOOL DISTRICT
2019 Refunding Certificates of Participation
Evidencing the Fractional Interests of the
Owners Thereof in Lease Payments to be
Made by the
RIVERSIDE UNIFIED SCHOOL DISTRICT

INTRODUCTION

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

This Official Statement, which includes the cover page, inside cover, Table of Contents and appendices hereto, provides certain information concerning the sale and delivery of $4,170,000 Riverside Unified School District 2019 Refunding Certificates of Participation (the "Certificates"), evidencing the fractional interests of the Owners thereof (as hereinafter defined) in Lease Payments (as hereinafter defined) to be made by the Riverside Unified School District (the "District") pursuant to a Lease/Purchase Agreement, dated as of January 1, 2019 (the "Lease"), by and between the Riverside Unified School District School Facilities Corporation, as lessor (the "Corporation"), and the District, as lessee, for the use and possession of the real property and certain school facilities thereon known as Martin Luther King High School (the "Property").

Changes Since the Preliminary Official Statement

Since the publication of the Preliminary Official Statement on December 20, 2018, the Board (as defined herein) accepted the 2017-18 audited financial statements of the District (as defined herein) on January 15, 2019. References herein to the Board's future approval of such audited financial statements have been removed. In addition, on January 10, 2019, the Governor of the State of California released his proposed State budget for fiscal year 2019-20. The information presented under "DISTRICT FINANCIAL MATTERS – State Budget Measures" herein has been updated accordingly.

The District

Riverside Unified School District (the "District") is a unified school district encompassing an area of about 92 square miles located in the northwestern portion of Riverside County (the "County") approximately 47 miles east of the Los Angeles civic center. The District encompasses major portions of the City of Riverside. The District was established in 1963 through the unification of the Riverside City School District and the Riverside City High School District. The District operates 29 elementary schools, seven middle schools, five high schools, and nine specialty schools consisting of one adult school, one alternative school of choice, two continuation high schools, one STEM academy, one virtual school, one opportunity school, one special education school, and one preschool. The District's average daily attendance ("ADA") is projected to be 38,862 in fiscal year 2018-19, and taxable property within the District has a fiscal year 2018-19 assessed valuation of $26,187,756,284.

The District is governed by a five-member Board of Education (the "Board"), each member of which is elected by trustee area to a four-year term. The current board member's terms were extended by one year to align board member elections with even year elections. Elections for positions to the Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Board-appointed Superintendent who is responsible for the day-to-day operations and the supervision of other key personnel. Dr. David C. Hansen currently serves as the District Superintendent.

See "RIVERSIDE UNIFIED SCHOOL DISTRICT" and "DISTRICT FINANCIAL MATTERS" herein for more information regarding the District generally. The District's audited financial statements for the fiscal year ended June 30, 2018 are attached hereto as APPENDIX C and should be read in their entirety. The discussion of the District's financial history and the financial information contained herein does not purport to be complete or definitive.

Purpose of the Certificates

The proceeds of the Certificates will be used to (i) refund the District's outstanding Refunding Certificates of Participation Series A of 2009 (the "Prior Certificates"), (ii) purchase an insurance policy for deposit into a debt service reserve fund established for the Certificates, and (iii) pay the costs related to the execution and delivery of the Certificates. The Prior Certificates to be prepaid with proceeds of the Certificates are referred to herein as the "Refunded Certificates." See "REFUNDING PLAN" and "ESTIMATED SOURCES AND USES OF PROCEEDS" herein.

Security and Source of Payment of the Certificates

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

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

The Certificates evidence fractional and undivided interests in the right to receive Lease Payments and prepayments thereof to be made by the District to the Corporation under the Lease. The Lease Payments are designed to pay, when due, the principal and interest with respect to the Certificates. The District has covenanted in the Lease that it will take such action as may be necessary to include the Lease Payments and other payments due under the Lease in its annual budgets and to make the necessary annual appropriations therefor. See "SECURITY AND SOURCES OF PAYMENT OF THE CERTIFICATES – Lease Payments" herein. The District's obligation to make Lease Payments is subject to abatement in the event of the taking of, damage to or loss of use and possession of the Property. See "RISK FACTORS - Abatement" herein.

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

of the District to make Lease Payments constitutes a debt of the District, the State of California (the "State") or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Description of the Certificates

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

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

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

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

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

Prepayment. The Certificates are subject to extraordinary prepayment as further described herein.

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

Bond Insurance. The scheduled payment of principal and interest with respect to the Certificates when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the

Certificates by ASSURED GUARANTY MUNICIPAL CORP ("AGM"). See "SECURITY AND SOURCES OF PAYMENT OF THE CERTIFICATES – Bond Insurance" herein.

Tax Exemption

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

Continuing Disclosure

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

Professionals Involved in the Offering

U.S. Bank National Association, Los Angeles, California, will act as Trustee with respect to the Certificates and as Escrow Agent (defined herein) for the Refunded Certificates. Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, is acting as Special Counsel and Disclosure Counsel with respect to the Certificates and will receive compensation from the District contingent upon the sale and delivery of the Certificates. Fieldman, Rolapp & Associates, Inc., Irvine, California is acting as Municipal Advisor to the District with respect to the Certificates and will also receive compensation from the District contingent upon the sale and delivery of the Certificates. Causey Demgen & Moore P.C., Denver, Colorado, is acting as verification agent with respect to the prepayment of the Refunded Certificates.

Certificate Owners' Risks

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

Forward Looking Statements

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

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Other Information

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

Copies of the Lease, the Site Lease, the Trust Agreement and the Assignment Agreement are available, upon request, and upon payment to the District of a charge for copying, mailing and handling, from the Riverside Unified School District, 3380 14th Street, Riverside, California 92501.

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

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

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

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

Trustee after delivery of the Certificates. Capitalized terms used but not otherwise defined herein shall have the meanings assigned thereto in the Trust Agreement or the Lease.

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

REFUNDING PLAN

On May 1, 2009, the District executed and delivered the Prior Certificates, in a principal amount equal to $8,605,000. Pursuant to the Trust Agreement, the net proceeds of the Certificates, together with certain moneys transferred from certain accounts established for the Prior Certificates, will be deposited into an escrow fund (the “Escrow Fund”), created pursuant to an escrow agreement (the “Escrow Agreement”) by and between the District and U.S. Bank National Association, as escrow agent thereunder (in such capacity, the “Escrow Agent”). Such amount will be sufficient to enable the Escrow Agent to pay, on March 1, 2019 (such date being the first available optional prepayment date therefor) the principal and prepayment premium (if any) due with respect to the Refunded Certificates, as well as the interest due with respect thereto on such date. See “ESTIMATED SOURCES AND USES OF PROCEEDS” herein.

The sufficiency of the amounts on deposit in the Escrow Fund to pay the prepayment price of the Refunded Certificates will be verified by Causey Demgen & Moore P.C., as Verification Agent. As a result of the deposit and application of funds so provided in the Escrow Agreement, and assuming the accuracy of the Underwriter’s and Verification Agent’s computations, the obligation of the District to make lease payments with respect to the Refunded Certificates will be terminated.

THE PROPERTY

Pursuant to the Site Lease, the District is leasing the Property to the Corporation and leasing the Property back from the Corporation pursuant to the Lease. The Property consists of the administrative offices building situated on the Martin Luther King High School campus, which is located at 9301 Wood Road, Riverside, California 92508. The Property was built in 1999 and consists of approximately 31,073 square feet and three stories. The Property currently has a total estimated insured replacement value of approximately $6,938,000. See also “RISK FACTORS – Property Values” herein.

There are 10 permanent buildings located on the Martin Luther King High School campus consisting of approximately 282,154 square feet. However, the only leased asset under the Lease is the administrative offices building described above.

THE CERTIFICATES

General

The Certificates will be executed in the aggregate principal amount of $4,170,000. The Certificates will be dated the date of delivery (the “Date of Delivery”), and will be executed as fully registered book-entry Certificates, without coupons, in denominations of $5,000 principal amount or any integral multiple thereof, and will mature on September 1 of each year, as set forth on the inside cover page hereof.

Interest with respect to the Certificates will be payable on each Certificate Payment Date, commencing on September 1, 2019, at the rate per annum set forth on the inside cover page hereof. If a Certificate is executed: (i) as of a Certificate Payment Date, interest with respect thereto will be payable from the date thereof; (ii) after the close of business on the fifteenth day of the month preceding each Certificate Payment Date (whether or not a business day) (each, a "Record Date") and before the following Certificate Payment Date, interest with respect thereto will be payable from such following Certificate Payment Date; or (iii) prior to or on August 15, 2019, interest with respect thereto will be payable from the Date of Delivery.

Interest with respect to the Certificates will be computed on the basis of a 360-day year comprised of twelve 30-day months. Interest will be paid in lawful money of the United States of America to the Certificate Owner on the Certificate Payment Date by wire transfer to the bank and account number within the United States of America on file with the Trustee as of the Record Date. Principal and premium, if any, with respect to the Certificates will be payable upon surrender by the Owners thereof at the Principal Office of the Trustee.

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

Prepayment

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

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

Optional Prepayment. The Certificates are not subject to optional prepayment prior to their respective maturity dates.

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

Prepayment Procedures

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

Notice of such prepayment will be sent (i) by registered or certified mail, postage prepaid, telephonically confirmed facsimile transmission, overnight delivery service or other acceptable means, to the Depository on the date of mailing of notice to the Owners (provided, however, that so long as the Certificates are registered in the name of the Nominee, notice will be given in such manner as complies with the requirements of the Depository), (ii) by registered or certified mail, postage prepaid, or overnight delivery service to the national Information Services that disseminate securities redemption notices, on the date notice is mailed to the Owners, (iii) by registered or certified mail, postage prepaid, or other acceptable means, to the Corporation and the respective Owners of any Certificates designated for prepayment at their addresses appearing on the Certificate registration books, at least twenty (20) days, but not more than forty-five (45) days, prior to the prepayment date; provided that neither failure to receive such notice nor any defect in any notice so mailed will affect the sufficiency of the proceedings for the prepayment of such Certificates. Notice of prepayment will also be reported as required by the Continuing Disclosure Certificate.

"Securities Depository" means The Depository Trust Company, 55 Water Street, New York, New York 10041.

"Information Services" means the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system.

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

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

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

Additional Certificates

Under the terms of the Trust Agreement the District is authorized to sell Additional Certificates secured by Lease Payments for use and occupancy of the Property. Such Additional Certificates would be payable from legally available moneys of the District and be subject to appropriation. See "APPENDIX A - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE TRUST AGREEMENT – Additional Certificates" attached hereto.

SEMI-ANNUAL CERTIFICATE PAYMENT SCHEDULE

Lease Payments are required to be made by the District under the Lease on or before February 15 and August 15 of each year (each, a "Lease Payment Date") for the use and possession of the Property for the period commencing as of the Date of Delivery and terminating on September 1, 2027, or extended as provided in the Lease. The Lease requires that Lease Payments be deposited in the Lease Payment Fund maintained by the Trustee under the Trust Agreement (the "Lease Payment Fund"). On each Certificate Payment Date, the Trustee will withdraw from the Lease Payment Fund the aggregate amount of such Lease Payments and will apply such amounts to make principal and interest payments represented by the Certificates when due.

The following table summarizes the semi-annual Certificate payment requirements of the District.

SEMI-ANNUAL CERTIFICATE PAYMENT SCHEDULE

Date	Principal	Interest	Total Semi-Annual Payments	Total Annual Payments
9/1/2019	$380,000.00	$105,676.11	$485,676.11	$485,676.11
3/1/2020	--	84,025.00	84,025.00	--
9/1/2020	410,000.00	84,025.00	494,025.00	578,050.00
3/1/2021	--	77,875.00	77,875.00	--
9/1/2021	425,000.00	77,875.00	502,875.00	580,750.00
3/1/2022	--	69,375.00	69,375.00	--
9/1/2022	440,000.00	69,375.00	509,375.00	578,750.00
3/1/2023	--	60,575.00	60,575.00	--
9/1/2023	460,000.00	60,575.00	520,575.00	581,150.00
3/1/2024	--	51,375.00	51,375.00	--
9/1/2024	475,000.00	51,375.00	526,375.00	577,750.00
3/1/2025	--	39,500.00	39,500.00	--
9/1/2025	500,000.00	39,500.00	539,500.00	579,000.00
3/1/2026	--	27,000.00	27,000.00	--
9/1/2026	525,000.00	27,000.00	552,000.00	579,000.00
3/1/2027	--	13,875.00	13,875.00	--
9/1/2027	555,000.00	13,875.00	568,875.00	582,750.00
TOTAL	$4,170,000.00	$952,876.11	$5,122,876.11	$5,122,876.11

SECURITY AND SOURCES OF PAYMENT OF THE CERTIFICATES

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

General

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

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

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

Should the District default under the Lease, the Trustee, as assignee of the Corporation, may terminate the Lease and re-lease the Property or may retain the Lease and hold the District liable for all Lease Payments thereunder on an annual basis. Under no circumstances will the Trustee have the right to accelerate Lease Payments. The exercise of the remedies provided to the Trustee is subject to various limitations on the enforcement of remedies against public agencies. See "RISK FACTORS - No Acceleration Upon Default" herein.

Lease Payments

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

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

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

Bond Insurance

Bond Insurance Policy. Concurrently with the issuance of the Certificates, AGM will issue its Municipal Bond Insurance Policy for the Certificates (the "Policy"). The Policy guarantees the scheduled payment of principal and interest with respect to the Certificates when due as set forth in the form of the Policy included as an 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.

Assured Guaranty Municipal Corp. AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings.

On December 21, 2018, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On June 26, 2018, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On May 7, 2018, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Capitalization of AGM.

At September 30, 2018:

- The policyholders' surplus of AGM was approximately $2,203 million.

- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately $1,187 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.

- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $1,863 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the consolidated net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference.

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

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (filed by AGL with the SEC on February 23, 2018);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018 (filed by AGL with the SEC on May 4, 2018);

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2018 (filed by AGL with the SEC on August 2, 2018); and

(iv) (iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018 (filed by AGL with the SEC on November 9, 2018).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Certificates shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

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

Miscellaneous Matters.

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

Reserve Fund

A debt service reserve fund (the "Reserve Fund") is established by the Trust Agreement, and the District will maintain in the Reserve Fund an amount equal to the Reserve Requirement. With respect to the Certificates, the term "Reserve Requirement" means an amount equal to the least of (1) the maximum aggregate annual Lease Payments (in any Fiscal Year) then payable under the Lease, (2) 125% of the average annual aggregate Lease Payments (in any Fiscal Year) then payable under the Lease, or (3) 10% of the original face amount of the Certificates and/or the Additional Certificates, as applicable (less original issue discount if in excess of two percent of the stated prepayment amount at maturity). Notwithstanding the foregoing, in the event of a redemption or partial defeasance of the Certificates, the Reserve Requirement will thereafter be determined by the District and communicated to the Trustee in writing and any funds in excess of such redetermined Reserve Requirement will be utilized as set forth in the Trust Agreement. In the event of a partial prepayment or defeasance of the Certificates, a proportionate amount in the Reserve Fund (determined on the basis of the principal evidenced by Certificates to be redeemed and the original aggregate principal evidenced by the Certificates, but not in excess of the amount of funds available as a result of the re-determination of the Reserve Requirement) may be applied to the prepayment or defeasance of the Certificates as provided in the Trust Agreement.

Upon the delivery of the Certificates, the District expects to deposit into the Reserve Fund a municipal bond debt service reserve insurance policy (the "Reserve Policy") to be issued by AGM, in a face amount equal to the Reserve Requirement. The full amount available in the Reserve Fund may be used by the Trustee in the event of abatement or failure by the District to make Lease Payments with respect to the Certificates. Subject to the requirements and restrictions contained in the Trust Agreement, the District may substitute for the Reserve Policy, or any cash or other Reserve Facilities then-on deposit in the Debt Service Fund, another line of credit, letter of credit, an insurance policy, or any other comparable credit facility (each, a "Reserve Facility"), or alternatively cash, or a combination thereof, which in the aggregate makes funds available in the Reserve Fund in an amount equal to the Reserve Fund Requirement, as provided in the Trust Agreement.

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

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

The Reserve Requirement will initially be satisfied by the Reserve Policy. The premium on the Reserve Policy will be fully paid at or prior to the execution and delivery of the Certificates. The Reserve Policy will provide that, upon the later of (i) the Business Day next following the Business Day of receipt by AGM of a Notice of Nonpayment (as such term is defined in the Reserve Policy) presented by the Trustee to AGM; or (ii) the payment date with respect to the Certificates as specified in the Notice of Nonpayment, AGM will make a deposit of funds with the Trustee, or its successor, in an amount sufficient to pay principal and interest with respect to the Certificates, to the extent of amounts available under the Reserve Policy up to the Policy Limit (as such term is defined in the Reserve Policy). See also "APPENDIX A - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE TRUST AGREEMENT – Reserve Fund" herein.

Additional Payments

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

Insurance

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

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

ESTIMATED SOURCES AND USES OF PROCEEDS

The estimated uses of total proceeds, reflecting proceeds to be received from the sale of the Certificates, as well as funds in accounts previously established for the Prior Certificates, are as follows:

Sources	
Principal Amount	$4,170,000.00
Plus Original Issue Premium	483,844.45
Transfer from Prior Certificates Reserve Account[1]	719,792.35
Transfer from Prior Certificates Lease Payment Fund[1]	7,953.83
Transfer from Prior Certificates Interest Account[1]	174.56
Transfer from Prior Certificates Principal Account[1]	572.58
Total	$5,382,337.77
Uses	
Escrow Fund	$5,171,038.05
Underwriter's Discount	41,700.00
Costs of Delivery[2]	169,599.72
Total	$5,382,337.77

(1) Reflects money held by the Trustee in accounts established in connection with the Prior Certificates.
(2) Includes all initial costs of delivery, including but not limited to the legal and municipal advisory fees, printing fees, the Policy and Reserve Policy premiums, the costs and fees of the Trustee, Escrow Agent, and Verification Agent, rating agency fees, title insurance premium, and other miscellaneous costs of delivery.

RISK FACTORS

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

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

General Considerations - Security for the Certificates

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

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

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

Extraordinary Prepayment from Net Proceeds

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

Constitutional and Statutory Provisions Affecting Taxes and Appropriations

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

Abatement

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

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

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

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

Absence of Earthquake Insurance

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

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

Other Limitations on Liability

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

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

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

No Acceleration Upon Default

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

Limited Recourse on Default

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

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

Substitution of Property

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

Risks Relating to Bond Insurance

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

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

Property Values

The District has estimated the value of the real property constituting the Property. See "THE PROPERTY" herein. The estimate makes certain assumptions which could affect the estimate of the property value. If any of these assumptions are proven incorrect, there could be a negative impact on value.

The estimates as to values are merely the opinions of the District as of the date the Property was last insured. The District has not sought the opinion of any appraiser. A different opinion of such value might be rendered by an appraiser.

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

Loss of Tax Exemption

The interest represented by the Certificates could become includable in gross income for purposes of federal income taxation retroactive to the date of delivery of the Certificates as a result of acts or omissions of the District in violation of its covenants in the Trust Agreement and the Lease Agreement.

In addition, current and future legislative proposals, if enacted into law, may cause interest with respect to the Certificates to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the aggregate amount of interest on state and local government bonds that may be treated as tax-exempt by individuals.

Should such an event of taxability occur, the Certificates would not be subject to a special prepayment and would remain outstanding until maturity or until prepaid under the prepayment provisions contained in the Trust Agreement.

THE CORPORATION

The Corporation, a nonprofit public benefit corporation, was incorporated pursuant to the State Nonprofit Public Benefit Corporation Law (Title 1, Division 2, Part 2 of the California Corporation Code). The Corporation was organized for the primary purpose of facilitating and assisting the District in financing its facilities and equipment needs.

The Corporation functions as an independent entity and its policies are determined by a five-member Board of Directors (each such member, an "Officer"). The Corporation has no employees and the Officers of the Corporation receive no compensation for work or service performed as Officers. The Officers are the current members of the District's Board of Education.

The Corporation has no financial liability to the Owners of the Certificates with respect to the payment of Lease Payments by the District or with respect to the performance by the District of the other agreements and covenants the Corporation is required to perform.

DISTRICT FINANCIAL MATTERS

State Funding of Education

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

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

The following table displays the District's historical ADA and revenue limit per ADA for fiscal years 2007-08 through 2012-13.

AVERAGE DAILY ATTENDANCE AND REVENUE LIMIT
Fiscal Years 2007-08 through 2012-13
Riverside Unified School District

Fiscal Year	ADA(1)	Change	Base Revenue Limit Per ADA(2)	Deficit Revenue Limit Per ADA(2)
2007-08	41,083.47	--	$5,790.34	$5,790.34
2008-09	41,055.44	(28)	6,119.34	5,639.34
2009-10	40,887.58	(168)	6,381.34	5,210.05
2010-11	40,300.22	(587)	6,369.07	5,214.55
2011-12	40,212.91	(87)	6,499.34	5,160.35
2012-13	40,215.33	2	6,711.34	5,216.59

(1) Reflects ADA as of the second principal reporting period ("P-2 ADA"), which ends on or before the last attendance month prior to April 15 of each school year. An attendance month is equal to each four-week period of instruction beginning with the first day of school for a particular school district. Excludes students enrolled in the Charter Schools described herein.
(2) Deficit revenue limit funding, when provided for in State budgetary legislation, reduced the revenue limit allocations received by school districts by applying a deficit factor to the base revenue limit for the given fiscal year, and resulted from an insufficiency of appropriation funds in the State budget to provide for State aid owed to school districts. The State's practice of deficit revenue limit funding was most recently reinstated beginning in fiscal year 2008-09, and discontinued following the implementation of the LCFF (as defined herein) in fiscal year 2013-14.
Source: Riverside Unified School District.

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

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

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

The Base Grants for grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in early grades and the provision of career technical education in high schools. Following full implementation of the LCFF, and unless otherwise collectively bargained for, school districts serving students in grades K-3 must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site in order to continue receiving the adjustment to the K-3 Base Grant. Such school districts must also make progress towards this class size reduction goal in proportion to the growth in their funding over the implementation period. AB 97 also provides additional add-ons to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs during fiscal year 2012-13.

School districts that serve students of limited English proficiency ("EL" students), students from low income families that are eligible for free or reduced priced meals ("LI" students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI (foster youth automatically meet the eligibility requirements for free or reduced priced meals, and are therefore not discussed herein separately). AB 97 authorizes a supplemental grant add-on (each, a "Supplemental Grant") for school districts that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by such districts' percentage of unduplicated EL/LI student enrollment. School districts whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a "Concentration Grant") equal to 50% of the applicable Base Grant multiplied the percentage of such district's unduplicated EL/LI student enrollment in excess of the 55% threshold.

The following table shows a breakdown of the District's ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment for fiscal years 2013-14 through 2017-18 and projected amounts for fiscal year 2018-19.

ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Riverside Unified School District
Fiscal Years 2013-14 through 2018-19

	Average Daily Attendance[1]					Enrollment	
Fiscal Year	**K-3**	**4-6**	**7-8**	**9-12**	**Total ADA**	**Total Enrollment[2]**	**% of EL/LI Enrollment[3]**
2013-14	12,022.76	9,003.84	6,407.33	12,955.74	40,389.67	42,405	66.37%
2014-15	11,997.59	8,980.91	6,303.22	12,692.47	39,974.19	42,040	65.90
2015-16	11,710.81	9,215.34	6,160.22	12,606.96	39,693.33	41,664	65.90
2016-17	11,785.46	9,332.99	6,057.59	12,561.08	39,737.12	41,635	65.05
2017-18	11,472.34	9,291.09	6,085.86	12,358.81	39,208.10	41,099	65.79
2018-19[4]	11,374.08	9,210.11	6,031.05	12,246.86	38,862.10	40,737	65.99

(1) Reflects P-2 ADA. Excludes students enrolled in the Charter Schools described herein.
(2) Enrollment for fiscal year 2012-13 is reported as of the October report submitted to the California Basic Educational Data System ("CBEDS"). Fiscal years 2013-14 and onward reflect certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System ("CALPADS") in each school year and is used to calculate each school district's unduplicated EL/LI student enrollment. Adjustments may be made to the certified EL/LI counts by the California Department of Education. CALPADS figures generally exclude preschool and adult transitional students. Excludes students enrolled in the Charter Schools described herein.
(3) For purposes of calculating Supplemental and Concentration Grants, a school district's fiscal year 2013-14 percentage of unduplicated EL/LI students is expressed solely as a percentage of its total fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment is based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district's percentage of unduplicated EL/LI students is based on a rolling average of such district's EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years.
(4) Projected.
Source: Riverside Unified School District.

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

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

Certain school districts, known as "basic aid" districts, have allocable local property tax collections that equal or exceed such districts' total LCFF allocation, and result in the receipt of no State apportionment aid. Basic aid school districts receive only special categorical funding, which is deemed to satisfy the "basic aid" requirement of $120 per student per year guaranteed by Article IX, Section 6 of the State Constitution. The implication for basic aid districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The District does not currently qualify as basic aid, and does not expect to in future fiscal years.

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

School districts are also required to adopt local control and accountability plans ("LCAPs") disclosing annual goals for all students, as well as certain numerically significant student subgroups, to be achieved in eight areas of State priority identified by the LCFF. LCAPs may also specify additional local priorities. LCAPs must specify the actions to be taken to achieve each goal, including actions to correct identified deficiencies with regard to areas of State priority. LCAPs are required to be adopted every three years, beginning in fiscal year 2014-15, and updated annually thereafter. The State Board of Education has adopted a template LCAP for use by school districts.

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

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

The State Superintendent of Public Instruction (the "State Superintendent") is further authorized, with the approval of the State Board of Education, to intervene in the management of persistently underperforming school districts. The State Superintendent may intervene directly or assign an academic trustee to act on his or her behalf. In so doing, the State Superintendent is authorized to (i) modify a district's LCAP, (ii) impose budget revisions designed to improve student outcomes, and (iii) stay or rescind actions of the local governing board that would prevent such district from improving student outcomes; provided, however, that the State Superintendent is not authorized to rescind an action required by a local collective bargaining agreement.

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

Other Revenue Sources

Federal and Other Local Revenues. The federal government provides funding for several of the District's programs, including special education programs, programs under the Every Student Succeeds Act, and specialized programs such as Drug Free Schools, Innovative Strategies, and Vocational & Applied Technology. In addition, school districts receive additional local revenues beyond local property tax collections, which may include interest earnings, interagency services, parcel taxes, foundation revenues, developer fees, lease revenues, and other local sources.

Developer Fees. The District maintains a fund, separate and apart from the general fund, to account for developer fees levied on residential and commercial development pursuant to Education Code Section 17620 (the "Developer Fees"). Developer Fee revenue is required by statute to be expended on the construction or reconstruction of school facilities necessary to accommodate growth in student enrollment caused by development. The table below summarizes the revenues received by the District from Developer Fees from fiscal years 2013-14 through 2017-18, and a projected amount for fiscal year 2018-19.

DEVELOPER FEE COLLECTIONS
Fiscal Years 2013-14 through 2018-19
Riverside Unified School District

Fiscal Year	Developer Fees Collected
2013-14	$1,017,222
2014-15	3,109,941
2015-16	3,551,095
2016-17	4,839,054
2017-18	5,723,469
2018-19[1]	3,000,000

(1) Projected.
Source: Riverside Unified School District.

The District can make no representations that Developer Fees collected will continue to be received by the District in amounts consistent with prior years, or as currently projected.

Tax Offset and Pass-Through Revenues. The District receives tax offset revenue from the County as a part of certain redevelopment projects within the County (the "Tax Offset Revenues"). The Tax Offset Revenues received are deposited directly into the general fund of the District and offset the State apportionment received by the District. The District also receives pass-through tax increment revenue (the "Pass-Through Revenues") from the former redevelopment agencies within the District's boundaries. The Pass-Through Revenues received by the District are deposited into the District's general fund and Special Reserve for Capital Outlay Funds, and are used for capital projects and are not offset against the State apportionment received by the District. The following table shows the amount of Tax Offset Revenues and Pass-Through Revenues received by the District from fiscal years 2013-14 through 2017-18, and projected amounts for fiscal year 2018-19.

TAX OFFSET AND PASS-THROUGH REVENUES
Fiscal Years 2013-14 through 2018-19
Riverside Unified School District

Fiscal Year	Tax Offset Revenues[1]	Pass-Through Revenues[2]
2013-14	$7,783,297	$2,587,379
2014-15	9,654,045	2,936,569
2015-16	7,100,645	2,908,105
2016-17	10,716,827	3,269,604
2017-18	15,179,500	3,558,445
2018-19[3]	6,000,000	3,500,000

(1) Tax Offset Revenues received offset State apportionments received by the District.
(2) Pass-Through Revenues received do not offset State apportionments received by the District.
(3) Projected.
Source: Riverside Unified School District.

The District can make no representations that Tax Offset Revenues and Pass-Through Revenues will continue to be received by the District in amounts consistent with prior years, or as currently projected, particularly in light of the legislation eliminating redevelopment agencies. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 1A and Proposition 22" herein.

State Dissolution of Redevelopment Agencies

On December 30, 2011, the State Supreme Court issued its decision in the case of California Redevelopment Association v. Matosantos ("Matosantos"), finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all Redevelopment Agencies in the State ceased to exist as a matter of law on February 1, 2012. The Court in Matosantos also found that ABx1 27, a companion bill to ABx1 26, violated the State Constitution, as amended by Proposition 22. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 1A and Proposition 22" herein. ABx1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to K-14 school districts and county offices of education, totaling $1.7 billion statewide.

ABx1 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12) ("AB 1484"), which, together with ABx1 26, is referred to herein as the "Dissolution Act." The Dissolution Act provides that all rights, powers, duties and obligations of a redevelopment agency under the California Community Redevelopment Law that have not been repealed, restricted or revised pursuant to ABx1 26 will be vested in a successor agency, generally the county or city that authorized the creation of the redevelopment agency (each, a "Successor Agency"). All property tax revenues that would have been allocated to a redevelopment agency, less the corresponding county auditor-controller's cost to administer the allocation of property tax revenues, are now allocated to a corresponding Redevelopment Property Tax Trust Fund ("Trust Fund"), to be used for the payment of pass-through payments to local taxing entities, and thereafter to bonds of the former redevelopment agency and any "enforceable obligations" of the Successor Agency, as well as to pay certain administrative costs. The Dissolution Act defines "enforceable obligations" to include bonds, loans, legally required payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations.

Among the various types of enforceable obligations, the first priority for payment is tax allocation bonds issued by the former redevelopment agency; second is revenue bonds, which may have been issued by the host city, but only where the tax increment revenues were pledged for repayment and only where other pledged revenues are insufficient to make scheduled debt service payments; third is administrative costs of the Successor Agency, equal to at least $250,000 in any year, unless the oversight board reduces such amount for any fiscal year or a lesser amount is agreed to by the Successor Agency; then, fourth tax revenues in the Trust Fund in excess of such amounts, if any, will be allocated as residual distributions to local taxing entities in the same proportions as other tax revenues. Moreover, all unencumbered cash and other assets of former redevelopment agencies will also be allocated to local taxing entities in the same proportions as tax revenues. Notwithstanding the foregoing portion of this paragraph, the order of payment is subject to modification in the event a Successor Agency timely reports to the Controller and the Department of Finance that application of the foregoing will leave the Successor Agency with amounts insufficient to make scheduled payments on enforceable obligations. If the county auditor-controller verifies that the Successor Agency will have insufficient amounts to make scheduled payments on enforceable obligations, it shall report its findings to the Controller. If the Controller agrees there are insufficient funds to pay scheduled payments on enforceable obligations, the amount of such deficiency shall be deducted from the amount remaining to be distributed to taxing agencies, as described as the fourth distribution above, then from amounts available to the Successor Agency to defray administrative costs. In addition, if a taxing agency entered into an agreement pursuant to Health and Safety Code Section 33401 for payments from a redevelopment agency under which the payments were to be subordinated to certain obligations of the redevelopment agency, such subordination provisions shall continue to be given effect.

As noted above, the Dissolution Act expressly provides for continuation of pass-through payments to local taxing entities. Per statute, 100% of contractual and statutory two percent pass-throughs, and 56.7% of statutory pass-throughs authorized under the Community Redevelopment Law Reform Act of 1993 (AB 1290, Chapter 942, Statutes of 1993) ("AB 1290"), are restricted to educational facilities without offset against apportionments by the State. Only 43.3% of AB 1290 pass-throughs are offset against State aid so long as the affected local taxing entity uses the moneys received for land acquisition, facility construction, reconstruction, or remodeling, or deferred maintenance as provided under Education Code Section 42238(h).

ABX1 26 states that in the future, pass-throughs shall be made in the amount "which would have been received . . . had the redevelopment agency existed at that time," and that the county auditor-controller shall "determine the amount of property taxes that would have been allocated to each redevelopment agency had the redevelopment agency not been dissolved pursuant to the operation of ABX1 26 using current assessed values . . . and pursuant to statutory pass-through formulas and contractual agreements with other taxing agencies."

Successor Agencies continue to operate until all enforceable obligations have been satisfied and all remaining assets of the Successor Agency have been disposed of. AB 1484 provides that once the debt of the Successor Agency is paid off and remaining assets have been disposed of, the Successor Agency shall terminate its existence and all pass-through payment obligations shall cease.

The District can make no representations as to the extent to which its base apportionments from the State may be offset by the future receipt of residual distributions or from unencumbered cash and assets of former redevelopment agencies any other surplus property tax revenues pursuant to the Dissolution Act.

State Budget Measures

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

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

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

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

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

For fiscal year 2018-19, the 2018-19 Budget sets the minimum funding guarantee at $78.4 billion, reflecting an increase of $2.8 billion (or 3.7%) from the revised prior-year level. Fiscal year 2018-19 is projected to be a "Test 2" year, with the increase in the minimum funding guarantee attributable to a 3.67% increase in per capita personal income. With respect to K-12 education, the 2018-19 Budget sets

Proposition 98 funding at $67.9 billion, including $47.5 billion from the State general fund, reflecting an increase of $1.3 billion (or 2.7%) from the prior year. Per-pupil spending increases by $579 (or 5.2%) from the prior year, up to $11,640.

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

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

- *Low-Performing Students Block Grant* – $300 million in one-time Proposition 98 funding to provide resources to local education agencies to help certain low-performing students, with funding allocated to local education agencies based on the count of students who did not meet statewide standards in spring 2018 on assessments of reading and math and who are not foster youth, low-income students, English learners, or students with disabilities.

- *State System of Support* – An increase of $54 million in Proposition 98 funding for county offices of education to provide technical assistance to low-performing local educational agencies.

- *California Collaborative for Educational Excellence* – $12 million in ongoing Proposition 98 funding for the California Collaborative for Educational Excellence (the "Collaborative") to assist county offices of education and regional lead agencies. Additionally, the 2018-19 Budget re-appropriates $5.6 million from prior-year one-time Proposition 98 appropriations for use by the Collaborative for additional statewide trainings and technical assistance.

- *Special Education Local Plan Area (SELPA) Technical Assistance* – $10 million in Proposition 98 funding for up to ten SELPAs to assist county offices of education in providing technical assistance to school districts identified for differentiated assistance within the Statewide system of support.

- *Career Technical Education (CTE)* – $164 million in ongoing Proposition 98 funding to create a new K-12 CTE program funded through the Strong Workforce Program, which is administrated by California Community College Chancellor's Office, in consultation with the State Department of Education, as well as $150 million in ongoing Proposition 98 funding to make permanent the State's Career Technical Education Incentive Grant Program.

- *One-Time Discretionary Funding* – An increase of $1.1 billion in one-time Proposition 98 funding for school districts, charter schools and county offices of education to use at local discretion. Similar to features included in prior State budgets, these funds would offset any applicable mandate reimbursement claims for these entities.

- *Special Education, Bilingual, and STEM Teachers* – $75 million in one-time Proposition 98 funding to start new or expand existing teacher residency programs with $50 million earmarked for special education teachers and $25 million earmarked for bilingual and STEM teachers; and $50 million in one-time Proposition 98 funding to provide one-time competitive grants to local educational agencies to fund new or existing local efforts to recruit and retain special education teachers.

- *Classified School Employee Summer Assistance Program* – $50 million one-time Proposition 98 funding to provide state matching funds to classified school employees that elect to have a portion of their monthly paychecks withheld during the 2019-20 school year, supplemented by State funding, and paid during the summer recess period.

- *Classified School Employee Professional Development Block Grant Program* – $50 million one-time Proposition 98 funding for professional development opportunities for classified staff, with a priority on professional development for the implementation of school safety plans.

- *Federal Funds for Academic Enrichment* – $165 million one-time federal ESSA Title IV funding for academic enrichment, with $121 million of such funds distributed to local education agencies based on their share of existing Title I funding, and the remainder distributed competitively.

- *Charter School Facility Grant Program* – $21 million one-time and $25 million ongoing Proposition 98 funding to reflect increases in programmatic costs.

- *Kids Code After School Program* – $15 million one-time Proposition 98 funding to fund the inclusion of computer coding in after-school curriculum.

- *Fiscal Crisis and Management Assistance Team (FCMAT)* – $972,000 Proposition 98 funding to allow FCMAT provide additional assistance for fiscally distressed school districts and provide additional training for county offices of education regarding fiscal oversight of school districts.

- *Kindergarten Facilities* – $100 million one-time non-Proposition 98 funding to help school districts cover facility costs associated with converting their part-day kindergarten programs into full-day programs.

- *Proposition 51* – a total allocation of $594 million in Proposition 51 bond funds for K-12 school facility projects.

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

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

For fiscal year 2018-19, the Proposed 2019-20 Budget projects total general fund revenues and transfers of $136.9 billion and total expenditures of $144.1 billion. The State is projected to end the 2018-19 fiscal year with total available general fund reserves of $18.3 billion, including $3.9 billion in the traditional general fund reserve, $13.5 billion in the BSA and $900 million in the Safety Net Reserve Fund. For fiscal year 2019-20, the Proposed 2019-20 Budget projects total general fund revenues and transfers of $142.6 billion and authorizes expenditures of $144.2 billion. The State is projected to end the 2019-20 fiscal year with total available general fund reserves of $18.5 billion, including $2.3 billion in the traditional general fund reserve, $15.3 billion in the BSA and $900 million in the Safety Net Reserve Fund. The Governor notes that additional deposits to the BSA are premised on a recent opinion by the

California Office of Legislative Counsel which concluded that supplemental payments to the BSA made in prior fiscal years do not count towards calculating its constitutional maximum of 10%. Under the Governor's new estimates, mandatory deposits to the BSA represent only 8.1% of State general fund taxes. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2" herein.

With respect to education funding, the Proposed 2019-20 Budget revises the Proposition 98 minimum funding guarantees for both fiscal years 2017-18 and 2018-19, as a result of lower-than-anticipated ADA and a year-to-year decline in State general fund revenue growth. The Proposed 2019-20 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2017-18 at $75.5 billion, a decrease of $120.1 million from the prior year. The Proposed 2019-20 Budget revises the minimum funding guarantee for fiscal year 2018-19 at $77.9 billion, reflecting a decrease of $525.7 million from the prior year. Notwithstanding these decreases, the Proposed 2019-20 Budget maintains level funding for K-14 education in these years by maintaining a $44 million overappropriation to the fiscal year 2017-18 minimum guarantee and using settle-up payments to offset otherwise unfunded obligations in fiscal year 2018-19.

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

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

- *Local Control Funding Formula* – An increase of $2 billion in Proposition 98 funding for the LCFF, reflecting a 3.46% COLA, and bringing total LCFF funding to $63 billion.

- *Categorical Programs* – An increase of $187 million in Proposition 98 funding to support a 3.46% COLA for categorical programs that remain outside the LCFF.

- *Pension Costs* – A $3 billion, one-time payment from non-Proposition 98 funds to CalSTRS, to reduce long-term liabilities for K-14 school districts. Of this amount, $700 million would be provided to buy down employer contribution rates in fiscal years 2019-20 and 2020-21. The remaining $2.3 billion would be paid towards employers' long-term unfunded liability.

- *State System of Support* – An increase of $20.2 million in Proposition 98 funding for county offices of education to provide technical assistance to low-performing local educational agencies.

- *Special Education* – $577 million in Proposition 98 funding (of which $186 million is one-time) to school districts based on their unduplicated counts of low-income, English learner and disabled students. These funds may be used for either (i) special education services for students with disabilities, or (ii) early intervention programs for students are not yet receiving special education services.

- *Preschool* – $125 million in non-Proposition 98, ongoing funding to provide 10,000 full-day preschool slots for children from low income families. The Proposed 2019-20 Budget also provides for an increase of $26.8 million in Proposition 98 funding to reflect the full-year cost of full-day preschool slots implemented during the prior fiscal year.

- *Early Education* – An increase of $750 million in one-time non-Proposition 98 funding to create more full-day Kindergarten programs. The funds are primarily intended for constructing new or retrofitting existing school facilities needed to operate longer-day programs. The Proposed 2019-20 Budget also includes $500 million for improvements to early education (including $245 million for facilities, $245 million for the child care workforce, and $10 million to improve access and quality).

- *County Offices of Education* – An increase of $9 million in Proposition 98 funding for county offices of education, reflecting a 3.46% COLA and ADA changes applicable to the LCFF.

- *Proposition 51* – a total allocation of $1.5 billion in Proposition 51 bond funds for K-12 school facility projects.

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

Future Actions. The District cannot predict what actions will be taken in the future by the State legislature and the Governor to address changing State revenues and expenditures. The District also cannot predict the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State's ability to fund schools. State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the District.

Investment of District Funds

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

Accounting Practices

The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the State Education Code, is to be followed by all State school districts.

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

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

Comparative Financial Statements

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The District's audited financial statements for the year ended June 30, 2018 are included for reference in APPENDIX C hereto. Audited financial statements for the District for the fiscal year ended June 30, 2018, and prior fiscal years are on file with the District and available for public inspection at the Chief Business Officer and Governmental Relations of the District, 3380 14th Street, Riverside, California 92501. The District did not request, and the auditor did not provide, any review of such audited financial statements in connection with their inclusion in this Official Statement.

The table on the following page reflects the District's audited general fund revenues, expenditures and changes in fund balance for fiscal years 2013-14 through 2017-18.

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AUDITED GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCES
Fiscal Years 2013-14 through 2017-18
Riverside Unified School District

REVENUES	**Fiscal Year 2013-14**	**Fiscal Year 2014-15**	**Fiscal Year 2015-16**	**Fiscal Year 2016-17**	**Fiscal Year 2017-18**
LCFF Sources	$267,489,315	$301,239,484	$341,417,660	$360,189,116	$369,479,397
Federal sources	23,656,181	23,569,814	28,880,295	27,335,598	27,927,669
Other state sources	45,608,117	50,144,106	74,070,561	64,301,069	65,213,086
Other local sources	8,064,252	8,459,965	10,274,902	10,223,535	9,664,178
Total Revenues	344,817,865	383,413,369	454,643,418	462,049,318	472,284,330
EXPENDITURES:					
Current:					
Instruction	214,117,944	244,024,199	274,033,398	304,465,680	314,741,875
Instruction-related services:					
Supervision of instruction	10,949,365	14,290,070	19,382,262	23,155,630	23,246,400
Instructional library, media, and technology	2,977,771	3,118,549	3,311,840	3,744,257	3,541,519
School site administration	23,415,823	25,828,509	27,762,967	31,532,993	32,069,626
Pupil support services:					
Home-to-school transportation	10,532,243	10,846,955	11,810,358	10,453,611	11,454,862
Food services	7,985	10,067	10,721	13,567	12,874
All other pupil services	12,845,217	14,698,335	19,581,305	23,661,468	25,184,709
Ancillary services	2,310,952	3,697,650	5,045,013	5,798,196	6,108,082
Community services	63,042	59,870	60,947	61,773	258,109
General administration services:					
Data processing services	4,898,106	5,200,251	5,972,796	8,231,617	6,118,950
Other general administration	10,944,234	12,899,144	13,960,708	15,557,679	17,256,360
Plant services	34,470,945	35,341,159	38,645,157	43,865,883	45,394,992
Transfers of indirect costs	(831,436)	(841,539)	(1,117,447)	(1,221,419)	(1,008,758)
Capital outlay	5,586,485	6,343,052	5,847,949	7,489,962	8,921,522
Intergovernmental	471,987	164,573	63,218	75,587	141,121
Total Expenditures	332,760,663	375,680,844	424,371,192	476,886,484	493,442,243
Excess (Deficiency) of Revenues Over (Under) Expenditures	12,057,202	7,732,525	30,272,226	(14,837,166)	(21,157,913)
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	5,769,152	18,817	--	1,005	42,874
Interfund transfers out	(11,157,630)	(3,091,000)	(3,846,490)	(3,064,727)	(2,520,105)
Total Other Financing Sources & Uses	(5,388,478)	(3,072,183)	(3,846,490)	(3,063,722)	(2,477,231)
Net Change In Fund Balance	6,668,724	4,660,342	26,425,736	(17,900,888)	(23,635,144)
Fund Balance – July 1	78,669,870	85,338,594	89,998,936	116,424,672	98,523,784
Fund Balance – June 30	$85,338,594	$89,998,936	$116,424,672	$98,523,784	$74,888,640

Source: Riverside Unified School District.

Budget Process

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

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

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

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

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

The District has never had an adopted budget disapproved by the County superintendent of schools, and has never received a "negative" certification of an Interim Financial Report pursuant to AB 1200.

General Fund Budgeting. The table on the following page shows the District's general fund adopted budgets for fiscal years 2015-16 through 2018-19, audited general fund results for the fiscal years 2015-16 through 2017-18, and projected ending results for fiscal year 2018-19.

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GENERAL FUND BUDGETING
Fiscal Years 2015-16 through 2018-19
Riverside Unified School District

	Fiscal Year 2015-16		Fiscal Year 2016-17		Fiscal Year 2017-18		Fiscal Year 2018-19	
	Budget[1]	Actual[1]	Budget[1]	Actual[1]	Budget[1]	Actual[1]	Budget[2]	Projected Actual[2]
REVENUES								
LCFF Sources	$342,084,556	$341,417,660	$360,008,471	$360,189,116	$369,968,342	$369,479,397	$391,303,847	$392,439,309
Federal Sources	23,259,128	28,880,295	24,497,274	27,335,598	26,601,223	27,927,669	26,021,335	29,962,155
Other State Sources	61,712,846	74,070,561	62,544,228	64,301,069	53,699,755	65,213,086	52,200,174	68,385,685
Other Local Sources	5,273,873	10,274,902	5,959,351	10,223,535	5,500,943	9,664,178	6,544,910	6,768,297
TOTAL REVENUES	432,330,403	454,643,418	453,009,324	462,049,318	455,770,263	472,284,330	476,070,266	497,555,446
EXPENDITURES								
Certificated Salaries	203,809,741	204,223,715	213,295,431	220,162,158	222,357,774	226,576,145	227,409,650	228,616,038
Classified Salaries	59,353,040	58,754,990	64,009,279	69,316,927	68,584,176	72,707,655	73,134,587	74,068,365
Employee Benefits	76,213,939	86,998,216	97,584,915	103,379,331	111,667,228	114,465,751	104,866,831	124,219,626
Books & Supplies	24,733,683	24,134,324	33,984,421	26,217,376	30,144,189	21,737,577	25,054,163	35,381,131
Services & Other Operating Expenditures	45,413,759	43,639,115	58,666,238	48,564,967	54,760,941	47,503,784	51,973,994	57,464,491
Capital Outlay	17,917,540	6,557,614	10,006,888	9,170,138	6,915,301	10,310,210	3,019,006	8,517,794
Other Outgo (excluding Transfers of Indirect Costs)	--	--	--	--	--	--	182,318	182,318
Other Outgo - Transfers of Indirect Costs	--	--	--	--	--	--	(1,159,319)	(1,184,415)
Intergovernmental	141,300	63,218	152,000	75,587	80,000	141,121	--	--
TOTAL EXPENDITURES	427,583,002	424,371,192	477,699,172	476,886,484	494,509,609	493,442,243	484,481,230	527,265,349
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,747,401	30,272,226	(24,689,848)	(14,837,166)	(38,739,346)	(21,157,913)	(8,410,964)	(29,709,903)
OTHER FINANCING SOURCES (USES)								
Interfund Transfers In	--	--	--	1,005	--	42,874	--	--
Interfund Transfers Out	(3,697,200)	(3,846,490)	(2,631,379)	(3,064,727)	--	(2,520,105)	--	--
TOTAL OTHER FINANCING SOURCES (USES)	(3,697,200)	(3,846,490)	(2,631,379)	(3,063,722)	--	(2,477,231)	--	--
Net Change in Fund Balance	1,050,201	26,425,736	(27,321,227)	(17,900,888)	(38,739,346)	(23,635,144)	(8,410,964)	(29,709,903)
Fund Balance, July 1	89,998,936	89,998,936	116,424,672	116,424,672	98,523,784	98,523,784	74,888,640	74,888,640
Fund Balance, June 30	$91,049,137	$116,424,672	$89,103,445	$98,523,784	$59,784,438	$74,888,640	$66,477,676	$45,178,737

(1) From the District's Comprehensive Audited Financial Statements for fiscal years 2015-16 through 2017-18, respectively.
(2) From the District's First Interim Financial Report for fiscal year 2018-19 approved by the Board on December 4, 2018.
Source: Riverside Unified School District.

District Debt Structure

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

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

	Balance, July 1, 2017	Additions	Deductions	Balance, June 30, 2018
General Obligation Bonds				
Principal Payments	$229,220,000	--	$4,490,000	$224,730,000
Unamortized Issuance Premium	15,847,569	--	947,928	14,899,641
Total G.O. Bonds	245,067,569	--	5,437,928	239,629,641
Certificates of Participation	18,595,382	--	1,170,036	17,425,346
Compensated Absences	5,821,335	$129,743	--	5,951,078
Claims Liabilities	6,509,959	1,296,751	--	7,806,710
Other Postemployment Benefits	65,302,659	6,005,813	24,104,207	47,204,265
Total	$341,296,904	$7,432,307	$30,712,171	$318,017,040

Source: Riverside Unified School District.

General Obligation Bonds. The District received authorization at an election held on November 6, 2001, by at least 55% of the votes cast by eligible voters within the District, to issue $175,000,000 maximum principal amount of general obligation bonds (the "2001 Authorization"). On March 14, 2002, the District caused the issuance of $60,000,000 aggregate principal amount of its Election of 2001, General Obligation Bonds, Series A (the "2001 Series A Bonds"). On April 19, 2006, the District caused the issuance of $65,000,000 aggregate principal amount of its Election of 2001, General Obligation Bonds, Series B (the "2001 Series B Bonds"). On May 22, 2008, the District caused the issuance of $50,000,000 aggregate principal amount of its Election of 2001, General Obligation Bonds, Series C (the "2001 Series C Bonds").

On October 5, 2011, the District issued $46,125,000 aggregate principal amount of its General Obligation Refunding Bonds, Series 2011 (the "2011 Refunding Bonds") to refund the then-outstanding 2001 Series A Bonds. On June 17, 2015, the District issued $48,810,000 aggregate principal amount of its 2015 General Obligation Refunding Bonds (the "2015 Refunding Bonds") to refund the then-outstanding 2001 Series B Bonds. On May 25, 2016, the District issued $53,365,000 aggregate principal amount of its 2016 General Obligation Refunding Bonds (Federally Taxable) (the "2016 Refunding Bonds") to refund the then-outstanding 2001 Series C Bonds.

The District received authorization at an election held on November 8, 2016, by at least 55% of the votes cast by eligible voters within the District, to issue $392,000,000 maximum principal amount of general obligation bonds (the "2016 Authorization"). On May 25, 2017, the District caused the issuance of $100,000,000 aggregate principal amount of its Election of 2016 General Obligation Bonds, Series A (the "2016 Series A Bonds"). Currently, $292,000,000 of the 2016 Authorization remains unissued.

The following table summarizes the District's prior outstanding general obligation bond issuances.

OUTSTANDING GENERAL OBLIGATION BOND ISSUANCES
Riverside Unified School District

Issuance	Initial Principal Amount	Principal Outstanding[(1)]	Date of Delivery
2011 Refunding Bonds	$46,125,000	$30,830,000	October 5, 2011
2015 Refunding Bonds	48,810,000	39,365,000	June 17, 2015
2016 Refunding Bonds	53,365,000	51,595,000	May 25, 2016
Election of 2016, Series A	100,000,000	86,445,000	May 25, 2017

(1) As of December 1, 2018.
Source: Riverside Unified School District.

The annual debt service requirements on the District's outstanding general obligation bonded debt (assuming no optional redemptions) is shown in the following table.

GENERAL OBLIGATION BOND ANNUAL DEBT SERVICE
Riverside Unified School District

Year Ending (August 1)	2011 Refunding Bonds[(1)]	2015 Refunding Bonds	2016 Refunding Bonds	2016 Series A Bonds	Total Annual Debt Service
2019	$3,167,800.00	$4,358,150.00	$2,487,359.40	$18,006,987.50	$28,020,296.90
2020	3,273,600.00	4,257,900.00	2,486,553.00	6,201,987.50	16,220,040.50
2021	3,386,900.00	4,161,150.00	2,489,084.00	5,761,987.50	15,799,121.50
2022	4,967,600.00	2,707,650.00	2,490,433.50	5,991,487.50	16,157,171.00
2023	4,262,725.00	3,345,150.00	2,495,697.30	6,232,737.50	16,336,309.80
2024	5,066,100.00	2,607,400.00	2,494,760.50	6,479,237.50	16,647,498.00
2025	5,068,975.00	2,606,400.00	2,497,613.00	4,489,737.50	14,662,725.50
2026	4,699,850.00	2,946,900.00	2,494,374.26	4,669,987.50	14,811,111.76
2027	4,579,800.00	3,071,650.00	2,490,155.50	3,640,987.50	13,782,593.00
2028	--	7,610,400.00	2,492,741.26	3,792,487.50	13,895,628.76
2029	--	7,571,900.00	2,539,578.00	3,942,737.50	14,054,215.50
2030	--	7,524,450.00	2,578,980.50	4,099,837.50	14,203,268.00
2031	--	--	6,936,136.00	4,260,125.00	11,196,261.00
2032	--	--	6,934,260.50	4,437,000.00	11,371,260.50
2033	--	--	6,934,323.00	4,611,600.00	11,545,923.00
2034	--	--	6,930,035.50	4,795,000.00	11,725,035.50
2035	--	--	6,936,185.50	4,986,400.00	11,922,585.50
2036	--	--	6,931,923.00	5,184,650.00	12,116,573.00
2037	--	--	6,932,248.00	5,394,150.00	12,326,398.00
2038	--	--	6,932,064.00	5,613,400.00	12,545,464.00
2039	--	--	--	5,833,400.00	5,833,400.00
2040	--	--	--	6,072,000.00	6,072,000.00
2041	--	--	--	6,312,800.00	6,312,800.00
Total	$38,473,350.00	$52,769,100.00	$85,504,505.72	$130,810,725.00	$307,557,680.72

(1) Semi-annual interest payments thereon are due each February 1 and August 1. Principal thereof payable on February 1 of each year.
Source: Riverside Unified School District.

Certificates of Participation; Lease Obligations. On May 1, 2009, the District executed and delivered the Prior Certificates in the aggregate principal amount of $8,605,000. The outstanding Prior Certificates will be prepaid with the proceeds of the Certificates and will be defeased, and the obligation of the District to make lease payments in connection therewith will be terminated.

On June 16, 2015, the District executed and delivered its 2015 Lease (the "2015 Lease") in the aggregate principal amount of $10,000,000. On March 4, 2016, the District executed and delivered its 2016 Refunding Lease (the "2016 Lease") in the aggregate principal amount of $3,673,026 to refinance prior certificates of participation of the District. The following table displays the total annual debt service requirements of the District for the 2015 Lease and the 2016 Lease.

LEASE OBLIGATIONS – ANNUAL DEBT SERVICE REQUIREMENTS
Riverside Unified School District

Year Ending June 30	2015 Lease	2016 Lease	Total Annual Debt Service
2019	$677,044.75	$410,410.79	$1,087,455.54
2020	678,668.50	350,236.43	1,028,904.93
2021	674,831.00	350,132.82	1,024,963.82
2022	675,532.25	351,451.75	1,026,984.00
2023	675,680.00	352,036.05	1,027,716.05
2024	675,274.25	351,949.24	1,027,223.49
2025	679,222.75	351,130.77	1,030,353.52
2026	677,525.50	349,639.83	1,027,165.33
2027	675,274.75	173,653.58	848,928.33
2028	677,378.25	--	677,378.25
2029	678,743.75	--	678,743.75
2030	679,371.25	--	679,371.25
2031	679,260.75	--	679,260.75
2032	678,412.25	--	678,412.25
2033	676,825.75	--	676,825.75
2034	674,501.25	--	674,501.25
2035	676,346.50	--	676,346.50
2036	677,269.25	--	677,269.25
Total	$12,187,162.75	$3,040,641.26	$15,227,804.01

Source: Riverside Unified School District.

Community Facilities District Bonds. The District has established several community facilities districts (each, a "CFD") under the Mello Roos Community Facilities Act of 1982, as amended (Government Code Sections 53311 *et seq.*) for the purpose of raising funds for the construction and acquisition of elementary, middle and high school and certain other public facilities within specified areas of the District. Each of the CFDs established by the District has sold special tax bonds (the "Special Tax Bonds") payable from a special tax (each, a "Special Tax") to be levied on all taxable property within the respective CFDs, pursuant to a rate and method of apportionment of special taxes (each, an "RMA") approved by registered voters of each CFD.

Special Tax Bonds issued by a CFD are special obligations thereof, payable solely from the net proceeds of the Special Tax levied within such CFD. The District's general fund is not a source of payment for the Special Tax Bonds issued by any CFD. Each CFD has covenanted to levy in each year an amount of Special Taxes sufficient to pay any amounts necessary to fund specified administration costs of the CFD as well as the debt service coming due on all outstanding Special Tax Bonds of such CFD in such year.

The District's CFDs have bonded debt outstanding, effective as of December 1, 2018, for debt issued as of October 17, 2018, as below.

SPECIAL TAX BOND DEBT
Riverside Unified School District Community Facilities Districts

Name of CFD	Date of Issuance	Initial Principal Amount	Principal Outstanding (as of 12/01/18)
No. 26	2/12/2009	$2,265,000	$1,535,000
No. 20	4/14/2010	1,615,000	1,310,000
No. 4[(1)]	8/15/2012	335,000	90,000
No. 6 (IA No. 1) [(1)]	8/15/2012	1,525,000	1,105,000
No. 6 (IA No. 2) [(1)]	8/15/2012	1,760,000	1,300,000
No. 8[(1)]	8/15/2012	600,000	420,000
No. 9 (IA No. 1,3,5) [(1)]	8/15/2012	3,265,000	2,485,000
No. 9 (IA No. 2) [(1)]	8/15/2012	1,860,000	1,440,000
No. 9 (IA No. 4) [(1)]	8/15/2012	2,005,000	1,515,000
No. 12[(1)]	8/15/2012	5,895,000	5,025,000
No. 15 (IA No. 1) [(1)]	8/15/2012	14,530,000	11,595,000
No. 15 (IA No. 3) [(1)]	8/15/2012	4,400,000	3,845,000
No. 27[(1)]	8/15/2012	1,530,000	1,310,000
No. 11[(1)]	8/15/2012	1,585,000	1,265,000
No. 16[(1)]	8/15/2012	4,195,000	3,345,000
No. 10[(2)]	2/12/2015	1,100,000	980,000
No. 13 (IA No. 1) [(2)]	2/12/2015	5,440,000	4,620,000
No. 14[(2)]	2/12/2015	4,540,000	3,895,000
No. 15 (IA No. 2) [(2)]	2/12/2015	14,155,000	12,145,000
No. 17[(2)]	2/12/2015	2,240,000	2,020,000
No. 18[(2)]	2/12/2015	2,080,000	1,760,000
No. 21 (IA No. 2) [(2)]	2/12/2015	2,785,000	2,565,000
No. 22[(2)]	2/12/2015	3,835,000	3,290,000
No. 24[(2)]	2/12/2015	4,805,000	4,390,000
No. 7	8/2/2016	15,550,000	13,755,000
No. 15 (IA No. 3)	12/5/2017	10,105,000	9,835,000
No. 32	5/17/2018	15,945,000	15,945,000
TOTALS		$136,110,000	$112,785,000

(1) Secures the 2012 Series A PFA Bonds and 2012 Series B PFA Bonds (as defined herein). See "– Public Financing Authority Bonds" herein.
(2) Secures the 2015 Refunding PFA Bonds (as defined herein). See "– Public Financing Authority Bonds" herein.
Source: Riverside Unified School District.

The table on the following page shows the combined debt service on Special Tax Bonds not associated with PFA Bonds (as defined herein). For a schedule of debt service on the PFA Bonds, see "– Public Financing Authority Bonds" herein.

SPECIAL TAX BONDS - ANNUAL DEBT SERVICE REQUIREMENTS (NON-PFA BONDS)[(1)]
Riverside Unified School District Community Facility Districts

Year Ending (September 1)	CFD No. 26 2008 Series A	CFD No. 20 2010 Series A	CFD No. 7 2016 Refunding	CFD No. 15 (IA3) Series 2017	CFD No. 32 Series 2018	Total Annual Debt Service
2019	$168,137.50	$115,512.50	$1,282,154.00	$624,706.26	$638,018.76	$2,828,529.02
2020	171,037.50	113,937.50	1,277,695.00	608,306.26	911,068.76	3,082,045.02
2021	168,150.00	117,325.00	1,277,775.75	607,106.26	910,868.76	3,081,225.77
2022	165,262.50	115,225.00	1,272,133.25	610,806.26	908,868.76	3,072,295.77
2023	167,375.00	118,125.00	1,280,767.50	609,306.26	909,668.76	3,085,242.52
2024	164,075.00	115,725.00	1,278,810.00	612,293.76	910,881.26	3,081,785.02
2025	165,775.00	113,325.00	1,285,932.00	607,093.76	911,381.26	3,083,507.02
2026	166,837.50	115,925.00	1,282,199.25	608,293.76	910,656.26	3,083,911.77
2027	162,462.50	118,112.50	1,277,874.75	603,893.76	909,656.26	3,071,999.77
2028	163,087.50	114,987.50	1,277,827.00	599,093.76	907,356.26	3,062,352.02
2029	168,275.00	116,862.50	1,281,924.50	607,693.76	909,756.26	3,084,512.02
2030	167,587.50	113,425.00	1,275,233.00	605,693.76	911,162.50	3,073,101.76
2031	166,112.50	114,987.50	259,459.00	603,393.76	911,537.50	2,055,490.26
2032	164,175.00	116,012.50	263,212.75	605,268.76	910,843.76	2,059,512.77
2033	166,775.00	116,706.26	256,703.50	602,218.76	909,043.76	2,051,447.28
2034	168,450.00	117,068.76	260,260.00	613,312.50	911,718.76	2,070,810.02
2035	169,200.00	117,100.00	--	558,625.00	908,050.00	1,752,975.00
2036	164,025.00	116,800.00	--	559,865.00	908,837.50	1,749,527.50
2037	163,387.50	116,168.76	--	555,402.50	908,900.00	1,743,858.76
2038	166,825.00	115,206.26	--	545,387.50	907,525.00	1,734,943.76
2039	163,875.00	113,912.50	--	519,862.52	910,400.00	1,708,050.02
2040	--	117,287.50	--	849,675.00	910,800.00	1,877,762.50
2041	--	--	--	852,843.76	910,200.00	1,763,043.76
2042	--	--	--	--	908,600.00	908,600.00
2043	--	--	--	--	911,000.00	911,000.00
2044	--	--	--	--	912,200.00	912,200.00
2045	--	--	--	--	912,200.00	912,200.00
2046	--	--	--	--	911,000.00	911,000.00
2048	--	--	--	--	908,600.00	908,600.00
2048	--	--	--	--	910,000.00	910,000.00
TOTALS	$3,490,887.50	$2,549,737.54	$16,389,961.25	$14,170,142.68	$27,030,800.14	$63,631,529.11

[(1)] Excludes debt service on the CFD Bonds that were acquired by the PFA to provide revenues to secure the PFA Bonds. See "– Public Financing Authority Bonds – PFA Bonds – Annual Debt Service Requirements" herein for a schedule of the debt service due on all of the outstanding PFA Bonds.
Source: Riverside Unified School District.

Public Financing Authority Bonds. The District created the Riverside Unified School District Public Financing Authority (the "PFA") to refinance certain debt of the District's CFDs. The PFA has issued bonds in order to acquire certain Special Tax Bonds of some of the District's CFDs, which Special Tax Bonds were issued to refund prior Special Tax Bonds issued by those CFDs. On August 15, 2012, the PFA issued $36,830,000 aggregate principal amount of its Revenue Bonds, 2012 Series A (Superior Lien Bonds) (the "2012 Series A PFA Bonds"). Concurrently with the 2012 Series A PFA Bonds, the PFA issued $10,230,000 aggregate principal amount of its Revenue Bonds, 2012 Series B (Subordinate Lien Bonds) (the "2012 Series B PFA Bonds"). On February 12, 2015, the PFA issued $40,980,000 aggregate principal amount of its 2015 Special Tax Revenue Refunding Bonds (the "2015 Refunding PFA Bonds" and, together with the 2012 Series A PFA Bonds and the 2012 Series B PFA Bonds, the "PFA Bonds").

The PFA Bonds are limited obligations of the PFA payable solely from revenues of the PFA, consisting primarily of payments received by the PFA from the respective CFDs in connection with the Special Tax Bonds acquired by the PFA. The payments from the respective CFDs to the PFA consist of Special Taxes levied in the respective CFDs. The District's general fund is not a source of payment for the PFA Bonds. The following table shows the annual debt service on the outstanding PFA Bonds.

PFA BONDS – ANNUAL DEBT SERVICE REQUIREMENTS
Riverside Unified School District Public Financing Authority

Year Ending (September 1)	2012 Series A PFA Bonds	2012 Series B PFA Bonds	2015 Refunding PFA Bonds	Total Annual Debt Service
2019	$2,573,800.00	$676,246.26	$3,039,425.00	$6,289,471.26
2020	2,572,800.00	674,708.76	3,050,925.00	6,298,433.76
2021	2,508,800.00	656,933.76	3,058,675.00	6,224,408.76
2022	2,499,800.00	663,433.76	3,077,675.00	6,240,908.76
2023	2,508,050.00	658,233.76	3,097,175.00	6,263,458.76
2024	2,467,550.00	647,633.76	3,123,325.00	6,238,508.76
2025	2,510,550.00	661,833.76	3,128,325.00	6,300,708.76
2026	2,492,800.00	659,833.76	3,143,825.00	6,296,458.76
2027	2,507,050.00	661,793.76	3,164,075.00	6,332,918.76
2028	2,506,550.00	662,243.76	3,188,575.00	6,357,368.76
2029	2,501,800.00	660,043.76	3,196,825.00	6,358,668.76
2030	2,312,800.00	646,918.76	3,209,325.00	6,169,043.76
2031	2,183,550.00	608,331.26	3,240,575.00	6,032,456.26
2032	1,821,300.00	510,437.50	3,254,325.00	5,586,062.50
2033	1,717,800.00	456,012.50	3,271,075.00	5,444,887.50
2034	1,720,800.00	452,725.00	3,285,325.00	5,458,850.00
2035	710,050.00	183,725.00	2,911,825.00	3,805,600.00
2036	711,050.00	181,600.00	694,575.00	1,587,225.00
2037	705,550.00	179,237.50	252,962.50	1,137,750.00
2038	713,800.00	181,637.50	--	895,437.50
2039	306,800.00	78,562.50	--	385,362.50
TOTALS	$40,553,050.00	$10,762,126.38	$54,388,812.50	$105,703,988.88

Source: Riverside Unified School District.

Ad Valorem Property Taxation

The information in this section describes ad valorem *property taxation, assessed valuation, and other measures of the tax base of the District. Neither the Certificates nor the obligation of the District to make Lease Payments constitutes an obligation of the District for which the District is obligated to levy or pledge, or for which the District has levied or pledged, any form of* ad valorem *property or other taxation. Each Certificate represents a fractional interest in the Lease Payments and prepayments to be made by the District under the Lease. The District is obligated to pay Lease Payments from any source of legally available funds, and has covenanted in the Lease to include all Lease Payments coming due in its annual budgets and to make the necessary annual appropriations therefor.*

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

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

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

Property taxes on the unsecured roll as of July 31 become delinquent if they are not paid by August 31 and are thereafter subject to a delinquent penalty of 10%. Taxes added to the unsecured tax roll after July 31, if unpaid, are delinquent and subject to a penalty of 10% on the last day of the month succeeding the month of enrollment. In the case of unsecured property taxes, an additional penalty of 1.5% per month begins to accrue when such taxes remain unpaid on the last day of the second month after the 10% penalty attaches. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the assessee; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on specific property of the assessee; (3) filing a certificate of delinquency for record in the county recorder's office in order to obtain a lien on specified property of the assessee; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. See also " – Secured Tax Charges and Delinquencies" herein.

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

All property is assessed using full cash value as defined by Article 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 K-14 school districts will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year.

Assessed Valuations

Property within the District has a total assessed valuation for fiscal year 2018-19 of $26,187,756,284. The following table represents a 10-year history of assessed valuations in the District.

ASSESSED VALUATION
Fiscal Years 2009-10 through 2018-19
Riverside Unified School District

	Local Secured	Utility	Unsecured	Total	% Change[1]
2009-10	$19,017,654,847	$1,999,935	$965,607,868	$19,985,262,650	--
2010-11	18,412,164,052	2,022,568	920,301,958	19,334,488,578	(3.26)%
2011-12	18,379,696,341	2,022,568	928,114,086	19,309,832,995	(0.13)
2012-13	18,363,907,720	1,489,719	978,813,194	19,344,210,633	0.18
2013-14	19,072,101,547	1,489,719	932,096,406	20,005,687,672	3.42
2014-15	20,278,429,984	1,463,612	965,399,694	21,245,293,290	6.20
2015-16	21,264,167,828	1,472,437	930,934,041	22,196,574,306	4.48
2016-17	22,261,489,364	1,480,840	1,017,156,839	23,280,127,043	4.88
2017-18	23,519,273,191	1,488,366	1,007,414,877	24,528,176,434	5.36
2018-19	25,026,283,387	1,068,292	1,160,404,605	26,187,756,284	6.77

[1] Prepared based on information provided by California Municipal Statistics, Inc.
Source: California Municipal Statistics, Inc.

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

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

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

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

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

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

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

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Assessed Valuation by Land Use

The following shows a per-parcel analysis of the distribution of taxable property within the District by principal use, and the fiscal year 2018-19 assessed valuation of such parcels.

ASSESSED VALUATION AND PARCELS BY LAND USE
Fiscal Year 2018-19
Riverside Unified School District

Non-Residential:	**2018-19 Assessed Valuation** [(1)]	**% of Total**	**No. of Parcels**	**% of Total**
Agricultural/Rural	$288,721,160	1.15%	646	0.91%
Commercial/Industrial	5,180,472,123	20.70	3,620	5.09
Vacant Commercial/Industrial	177,124,635	0.71	982	1.38
Miscellaneous	20,855,227	0.08	152	0.21
Subtotal Non-Residential	$5,667,173,145	22.64%	5,400	7.59%
Residential:				
Single Family Residence	$16,282,357,463	65.06%	54,521	76.66%
Condominium/Townhouse	579,174,556	2.31	3,477	4.89
Mobile Home	64,766,437	0.26	933	1.31
2-3 Residential Units	373,964,832	1.49	1,436	2.02
4+ Residential Units/Apartments	1,790,504,846	7.15	855	1.20
Vacant Residential	195,363,995	0.78	2,667	3.75
Subtotal Residential	$19,286,132,129	77.06%	63,889	89.83%
Other Vacant	$72,978,113	0.29%	1,831	2.57%
Total	$25,026,283,387	100.00%	71,120	100.00%

(1) Local secured assessed valuation, excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

Assessed Valuation by Jurisdiction

The following table shows an analysis of the distribution of taxable property in the District by jurisdiction, in terms of its fiscal year 2018-19 assessed valuation.

ASSESSED VALUATION BY JURISDICTION[(1)]
Fiscal Year 2018-19
Riverside Unified School District

Jurisdiction:	**Assessed Valuation in District**	**% of District**	**Assessed Valuation of Jurisdiction**	**% of Jurisdiction in District**
City of Jurupa Valley	$6,516	0.00%	$9,794,348,618	0.00%
City of Riverside	22,465,865,326	85.79	$30,212,791,874	74.36%
Unincorporated Riverside County	3,721,884,442	14.21	$43,011,850,793	8.65%
Total District	$26,187,756,284	100.00%		
Riverside County	$26,187,756,284	100.00%	$280,327,986,244	9.34%

(1) Before deduction of redevelopment incremental valuation.
Source: California Municipal Statistics, Inc.

Assessed Valuation of Single Family Homes

The following table shows the distribution of single family homes within the District among various fiscal year 2018-19 assessed valuation ranges, as well as the average and median assessed valuation of single family homes within the District.

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

	No. of Parcels	2018-19 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	54,521	$16,282,357,463	$298,644	$270,558

2018-19 Assessed Valuation	No. of Parcels[(1)]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999	1,267	2.324%	2.324%	$47,480,631	0.292%	0.292%
50,000 - 99,999	3,980	7.300	9.624	295,118,039	1.813	2.104
100,000 - 149,999	5,469	10.031	19.655	692,703,701	4.254	6.358
150,000 - 199,999	6,999	12.837	32.492	1,228,610,866	7.546	13.904
200,000 - 249,999	6,855	12.573	45.065	1,542,178,238	9.471	23.376
250,000 - 299,999	6,521	11.961	57.026	1,793,618,730	11.016	34.391
300,000 - 349,999	6,151	11.282	68.308	1,993,581,622	12.244	46.635
350,000 - 399,999	4,970	9.116	77.423	1,856,418,177	11.401	58.036
400,000 - 449,999	3,578	6.563	83.986	1,516,667,103	9.315	67.351
450,000 - 499,999	2,669	4.895	88.881	1,263,282,826	7.759	75.110
500,000 - 549,999	1,881	3.450	92.331	983,706,191	6.042	81.151
550,000 - 599,999	1,147	2.104	94.435	658,039,296	4.041	85.193
600,000 - 649,999	843	1.546	95.981	525,295,702	3.226	88.419
650,000 - 699,999	562	1.031	97.012	377,388,701	2.318	90.737
700,000 - 749,999	382	0.701	97.713	276,340,346	1.697	92.434
750,000 - 799,999	263	0.482	98.195	203,153,853	1.248	93.682
800,000 - 849,999	225	0.413	98.608	185,137,293	1.137	94.819
850,000 - 899,999	149	0.273	98.881	129,921,526	0.798	95.617
900,000 - 949,999	121	0.222	99.103	111,529,657	0.685	96.302
950,000 - 999,999	108	0.198	99.301	105,055,028	0.645	96.947
1,000,000 and greater	381	0.699	100.000	497,129,937	3.053	100.000
Total	54,521	100.000%		$16,282,357,463	100.000%	

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

Secured Tax Charges and Delinquencies

The County levies (except for levies to support prior voter-approved indebtedness) and collects all property taxes for property falling within the County's taxing boundaries. The following table shows secured *ad valorem* property taxes for the payment of bonded indebtedness of the District, and amounts delinquent as of June 30, for fiscal years 2013-14 through 2017-18.

SECURED TAX CHARGES AND DELINQUENCIES
Fiscal Years 2013-14 through 2017-18
Riverside Unified School District

	Secured Tax Charge[1]	Amount Delinquent June 30	% Delinquent June 30
2013-14	$9,968,453.95	$133,155.92	1.34%
2014-15	10,624,766.11	102,422.63	0.96
2015-16	8,978,840.40	104,052.56	1.16
2016-17	9,249,165.82	90,496.72	0.98
2017-18	22,094,691.37	156,082.99	0.71

(1) General obligation bond service levy only.
Source: California Municipal Statistics, Inc.

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Principal Taxpayers

The more property (by assessed value) which is owned by a single taxpayer within the District, the greater amount of tax collections that are exposed to weaknesses in such a taxpayer's financial situation and ability or willingness to pay property taxes. The following table lists the 20 largest local secured taxpayers in the District in terms of their fiscal year 2018-19 secured assessed valuations. Each taxpayer listed below is a name listed on the tax rolls. The District cannot make any representation as to whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below.

LARGEST LOCAL SECURED TAXPAYERS
Fiscal Year 2018-19
Riverside Unified School District

	Property Owner	Primary Land Use	2018-19 Assessed Valuation	% of Total[1]
1.	Riverside Healthcare System	Medical Facilities	$315,872,749	1.26%
2.	Tyler Mall LP	Regional Mall	219,245,702	0.88
3.	CPT Riverside Plaza	Shopping Center	159,170,604	0.64
4.	1001 Columbia Pt.	Industrial	101,007,466	0.40
5.	Northrop Drive Apartments Investments	Apartments	82,306,588	0.33
6.	Sterling Riverside 2	Apartments	57,003,077	0.23
7.	Riverside Clinic Investments IV Ltd.	Medical Facilities	49,950,120	0.20
8.	Prologis Targeted U.S. Logistics Fund	Industrial	48,956,188	0.20
9.	HSRE Pep Riverside	Apartments	48,664,794	0.19
10.	HH Riverside Properties	Apartments	47,134,946	0.19
11.	Riverside Fair Isle Drive Apartments	Apartments	46,085,150	0.18
12.	Citrus Towers Inc.	Office Building	45,500,127	0.18
13.	CC Apartments NF	Apartments	45,448,801	0.18
14.	Seritage KMT Finance	Shopping Center	44,764,236	0.18
15.	Riverside Gateway Associates	Office Building	44,653,016	0.18
16.	Riverside Lochmoore Drive Apartments	Apartments	43,406,695	0.17
17.	University Village Towers	Apartments	42,080,917	0.17
18.	3100 Van Buren Blvd. Apartments	Apartments	41,286,931	0.16
19.	BRE Paragon MF Alvista Canyons CA	Apartments	41,219,274	0.16
20.	Kienle & Kienle Investments	Auto Dealership	40,784,048	0.16
			$1,564,541,429	6.25%

[1] The fiscal year 2018-19 local secured assessed valuation of the District is $25,026,283,387.
Source: California Municipal Statistics, Inc.

Alternative Method of Tax Apportionment – Teeter Plan

The Board of Supervisors of the County has approved the implementation of 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 State Revenue and Taxation Code. Under the Teeter Plan, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to its local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency.

The Teeter Plan is applicable to all secured property tax levies for which the County acts as the tax-levying or tax-collecting agency, or for which the County treasury is the legal depository of the tax collections. As adopted by the County, the Teeter Plan excludes Mello-Roos Community Facilities Districts and special assessment districts which provide for accelerated judicial foreclosure of property for which assessments are delinquent.

The Teeter Plan is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on January 1), the Board of Supervisors receives a petition for its discontinuance joined in by a resolution adopted by at least two-thirds of the participating revenue districts in the County. In the event the Board of Supervisors is to order discontinuance of the Teeter Plan subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency.

Statement of Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc., dated as of October 1, 2018. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

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

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

STATEMENT OF DIRECT AND OVERLAPPING DEBT
Riverside Unified School District

2018-19 Assessed Valuation: $26,187,756,284

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	**% Applicable**	**Debt 10/1/18**
Metropolitan Water District	0.897%	$543,582
Riverside County Flood Control Agency, Zone 4	0.488	71,687
Riverside Community College District	24.748	62,234,061
Riverside Unified School District	**100.000**	**208,235,000**
Riverside Unified School District Community Facilities Districts	100.000	112,810,000
City of Riverside	74.359	6,755,515
City of Riverside 1915 Act Bonds	100.000	13,645,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$404,294,845
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Riverside County General Fund Obligations	9.342%	$75,927,601
Riverside County Pension Obligation Bonds	9.342	24,883,818
Riverside Unified School District Certificates of Participation	**100.000**	**16,610,346**(1)
City of Riverside General Fund Obligations	74.359	156,341,758
City of Riverside Pension Obligation Bonds	74.359	59,565,277
Western Municipal Water District General Fund Obligations	30.547	2,936,301
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$336,265,101
Less: Riverside County supported obligations		313,266
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$335,951,835
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		$232,254,698
GROSS COMBINED TOTAL DEBT		$972,814,644(2)
NET COMBINED TOTAL DEBT		$972,501,378

Ratios to 2018-19 Assessed Valuation:

Direct Debt ($208,235,000)	**0.80%**
Total Direct and Overlapping Tax and Assessment Debt	1.54%
Combined Direct Debt ($224,845,346)	**0.86%**
Gross Combined Total Debt	3.71%
Net Combined Total Debt	3.71%

Ratios to Redevelopment Incremental Valuation ($5,411,407,722):

Total Overlapping Tax Increment Debt	4.29%

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

RIVERSIDE UNIFIED SCHOOL DISTRICT

Introduction

The District is a unified school district encompassing an area of about 92 square miles located in the northwestern portion of the County approximately 47 miles east of the Los Angeles civic center. The District encompasses major portions of the City of Riverside. The District was established in 1963 through the unification of the Riverside City School District and the Riverside City High School District. The District operates 29 elementary schools, seven middle schools, five high schools, and nine specialty schools consisting of one adult school, one alternative school of choice, two continuation high schools, one STEM academy, one virtual school, one opportunity school, one special education school, and one preschool. The District's ADA is projected to be 38,862 in fiscal year 2018-19, and taxable property within the District has a fiscal year 2018-19 assessed valuation of $26,187,756,284.

Administration

The District is governed by the five-member Board, each member of which is elected by trustee area to a four-year term. The current board member's terms were extended by one year to align board member elections with even year elections. Elections for positions to the Board are held every two years, alternating between two and three available positions. The following table shows the current members and terms of the Board.

Board Member	Office	Term Expires
Dr. Angelov Farooq	President	December 2020
Kathy Y. Allavie	Vice President	December 2022
Tom Hunt	Clerk	December 2020
Brent Lee	Member	December 2022
Patricia Lock-Dawson	Member	December 2020

The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations as well as supervision of the District's other key personnel. Dr. David C. Hansen currently serves as the District Superintendent. Brief biographies of the Superintendent and Chief Business Officer and Governmental Relations follow:

David C. Hansen, Ed.D., Superintendent. Dr. Hansen joined the District in July 2014 as Superintendent. Prior to joining the District, Dr. Hansen served as Assistant Superintendent of the Corona-Norco Unified School District. Dr. Hansen holds a Bachelor of Science degree in industrial technology education from Brigham Young University; a Master's degree in educational administration from California State University, San Bernardino; and a Doctorate of Education focusing on educational leadership from the University of La Verne.

Mays Kakish, Chief Business Officer and Governmental Relations. Mays Kakish was appointed Chief Business Officer and Governmental Relations of the District in July 2015. Ms. Kakish served the Moreno Valley Unified School District as Chief Business Official from April 2011 to June 2015 and prior to that, she served as the Assistant Superintendent, Business Services of the Beaumont Unified School District for five years. Ms. Kakish holds a Bachelor of Science degree from California State University San Bernardino, San Bernardino, California.

Enrollment

On average throughout the District, the regular education pupil-teacher ratio is approximately 24:1 in grades TK-K, 24.5:1 in grades 1-3, 32:1 in grades 4-6, 29:1 in grades 7-8, and 30:1 in grades 9-12. The following table reflects the enrollment for the District for the last 10 years.

ENROLLMENT[1]
Fiscal Years 2009-10 through 2018-19
Riverside Unified School District

Fiscal Year	Enrollment	Annual Change In Enrollment
2009-10	42,498	--
2010-11	42,359	(139)
2011-12	42,249	(110)
2012-13	42,354	105
2013-14	42,405	51
2014-15	42,040	(365)
2015-16	41,664	(376)
2016-17	41,635	(29)
2017-18	41,099	(536)
2018-19[2]	40,737	(362)

(1) Reflects CBEDS enrollment for fiscal years 2009-10 through 2012-13 and CALPADS enrollment for fiscal years 2013-14 onward. Excludes students enrolled in the Charter Schools described herein.
(2) Projected.
Source: Riverside Unified School District.

Charter Schools

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

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

The District has certain fiscal oversight and other responsibilities with respect to independent charter schools established within its boundaries. However, independent charter schools receive funding directly from the State, and such funding would not be reported in the District's audited financial statements. Affiliated charter schools receive their funding from the District, and would be reflected in the District's audited financial statements. Under the LCFF, charter schools are funded on the basis of target base funding grants per unit of ADA substantially similar to those of school districts. See "DISTRICT FINANCIAL MATTERS – State Funding of Education – Local Control Funding Formula" herein.

There are two charter schools currently operating within the District, neither of which is affiliated (together, the "Charter Schools"). One of the Charter Schools opened in fiscal year 2012-13 and serves students in grades TK-6, with a charter that permits it to serve students in grades TK-8. The other Charter School opened in fiscal year 2015-16 and serves students in grades 7-12. The following table shows District-resident enrollment figures for the Charter Schools for the last five fiscal years, and a projected amount for fiscal year 2018-19.

CHARTER SCHOOLS DISTRICT-RESIDENT ENROLLMENT
Fiscal Years 2013-14 through 2018-19
Riverside Unified School District

Fiscal Year	Total Charter Schools Enrollment
2013-14	253
2014-15	326
2015-16	825
2016-17	1,148
2017-18	1,325
2018-19[1]	1,453

(1) Projected.
Source: Riverside Unified School District.

The District can make no representations regarding how many District students will transfer to charter schools in the future, or back to the District from such charter schools, and the corresponding financial impact on the District.

Labor Relations

As of October 31, 2018 the District employed 2,020.9 full-time equivalent ("FTE") certificated employees and 1,510.6 FTE classified employees. District employees, except management and some part-time employees, are represented by the two bargaining units as noted below.

BARGAINING UNITS
Riverside Unified School District

Labor Organization	Number of Employees in Organization	Contract Expiration Date
Riverside City Teachers Association	2,063	June 30, 2019
California Association of School Employees	1,878	June 30, 2021

Source: Riverside Unified School District.

District Retirement Programs

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

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

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

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

MEMBER CONTRIBUTION RATES
STRS (Defined Benefit Program)

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

Source: AB 1469.

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

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

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

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

Source: AB 1469.

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

The District's contributions to STRS were $16,411,874 in fiscal year 2014-15, $21,870,566 in fiscal year 2015-16, $27,676,114 in fiscal year 2016-17, and $32,600,983 in fiscal year 2017-18. The District has projected $37,207,885 for its contribution to STRS for fiscal year 2018-19.

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

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

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2017 included 1,624 public agencies and 1,366 K-14 school districts and charter schools. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the "Schools Pool").

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The District is currently required to contribute to PERS at an actuarially determined rate, which is 18.062% of eligible salary expenditures or fiscal year 2018-19. Participants enrolled in PERS prior to January 1, 2013 contribute at a rate established by statute, which is 7% of their respective salaries in fiscal year 2017-18 and fiscal year 2018-19, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 6.5% in fiscal year 2017-18 and will be 7% in fiscal year 2018-19. See "- California Public Employees' Pension Reform Act of 2013" herein.

The District's contributions to PERS were $6,396,320 in fiscal year 2014-15, $7,241,357 in fiscal year 2015-16, $9,752,400 in fiscal year 2016-17, and $11,494,902 in fiscal year 2017-18. The District has projected $14,468,564 for its contribution to PERS for fiscal year 2018-19.

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

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

FUNDED STATUS
STRS (Defined Benefit Program) and PERS (Schools Pool)
(Dollar Amounts in Millions) [(1)]
Fiscal Years 2010-11 through 2016-17

STRS

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

PERS

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

(1) Amounts may not add due to rounding.
(2) Reflects market value of assets, including the assets allocated to the SBPA reserve. Since the benefits provided through the SBPA are not a part of the projected benefits included in the actuarial valuations summarized above, the SBPA reserve is subtracted from the STRS Defined Benefit Program assets to arrive at the value of assets available to support benefits included in the respective actuarial valuations.
(3) Reflects actuarial value of assets.
(4) Effective for the June 30, 2014 actuarial valuation, PERS no longer uses an actuarial value of assets.
Source: PERS Schools Pool Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.

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

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

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

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

On March 14, 2012, the PERS Board voted to lower the PERS' rate of expected price inflation and its investment rate of return (net of administrative expenses) (the "PERS Discount Rate") from 7.75% to 7.5%. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points. On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over a three year phase-in period in accordance with the following schedule: 7.375% in fiscal year 2017-18, 7.25% in fiscal year 2018-19 and 7.00% in fiscal year 2019-20. The new discount rate went into effect July 1, 2017 for the State and July 1, 2018 for K-14 school districts and other public agencies. Lowering the PERS Discount Rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Reform Act (defined below) will also see their contribution rates rise.

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

Also, on February 20, 2014, the PERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the PERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The new actuarial assumptions were first reflected in the Schools Pool in the June 30, 2015 actuarial valuation. The increase in liability due to the new assumptions will be amortized over 20 years with increases phased in over five years, beginning with the contribution requirement for fiscal year 2016-17. The new demographic assumptions affect the State, K-14 school districts and all other public agencies.

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

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

The Schools Pool Actuarial Valuation as of June 30, 2017, reported that, based on the changes in the discount rate, inflation rate, payroll growth rate and demographic assumptions, along with the expected reductions in normal cost due to the continuing transition of active members from those employees hired prior to the Implementation Date (defined below), to those hired after such date, the projected contribution rate for 2019-20 is projected to be 20.7%, with annual increases thereafter, resulting in a projected 25.5% employer contribution rate for fiscal year 2025-26.

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

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 (the "Reform Act"), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the "Implementation Date"). For STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (previously 12 months for STRS members who retire with 25 years of service), and (iii) caps "pensionable compensation" for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers) and benefit base for members participating in Social Security or 120% for members not participating in social security (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers), while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

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

For fiscal year ending June 30, 2018, the District's proportionate share of the net STRS pension liability was $380,853,493. As of such date, the District's proportionate share of the net PERS pension liability was $131,440,402. See "APPENDIX C – 2017-18 AUDITED FINANCIAL STATEMENTS OF RIVERSIDE UNIFIED SCHOOL DISTRICT – Note 11" attached hereto.

Other Postemployment Benefits

Riverside Unified District Retiree Benefits Plan.

Plan Description. The District currently provides post-employment health care and vision benefits (the "Benefits") to eligible retired certificated, classified and management employees through the Riverside Unified District Retiree Benefits Plan (the "Plan"). The Benefits Trust Company (the "BTC") administers the Plan – a single-employer defined benefit plan – on behalf of the District.

Eligibility requirements for retirees are shown in the following table.

Employee Type	Eligibility Requirements
Certificated	Attainment of age 55 and the completion of 15 years of full-time service out of the last 19 years prior to retirement.
Management, Confidential, and Cabinet	Retirement under PERS or STRS, attainment of age of 50 (PERS) or 55 (STRS), and completion of 15 years of full-time service with 5 years of District service immediately prior to retirement.
Classified	Attainment of age 50 and completion of 10 years of District service.

Membership in the Plan at June 30, 2018 consisted of 242 retirees receiving the Benefits and 3,300 active Plan members eligible for but not yet receiving Benefits.

Funding Policy**.** Currently, the District funds the Benefits on a "pay-as-you-go" basis to cover the cost of current premiums, with additional amounts to prefund the Benefits as determined by the Board. During fiscal year 2016-17, the District recognized total expenditures of $3,265,341 for the Benefits. During fiscal year 2017-18, the District recognized $2,820,195 of total expenditures for the Benefits. For fiscal year 2018-19, the District has projected $2,787,618 of total expenditures for the Benefits.

The District has also established an irrevocable trust to begin funding its accrued liability for the Benefits (the "OPEB Trust"). The Board has established a Retirement Board of Authority to implement and oversee the Trust's investment policy, and the Retirement Board of Authority appointed BTC as the discretionary trustee and trust fund custodian of the OPEB Trust. As of June 30, 2018, the market value of the assets in the OPEB Trust was approximately $21,612,774. The District does not currently expect to make a contribution to the OPEB Trust in fiscal year 2018-19.

Actuarial Study. The District has implemented *GASB Statement #74, Financial Reporting for Postemployment Benefit Plans Other Than Pensions* ("GASB Statement No. 74") and *Governmental Accounting Standards Board Statement #75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB Statement No. 75"), pursuant to which the District has commissioned and received an actuarial study of its liability with respect to the Benefits. GASB statements No. 74 and No. 75 (discussed below) require biennial actuarial valuations for all plans. The most recent actuarial study, dated October 19, 2018 (the "Study") and with a measurement and valuation date of July 1, 2017, concluded that the Total OPEB Liability (the "TOL") with respect to such Benefits was $65,154,526, the Fiduciary Net Position (the "FNP") of the OPEB Trust was $20,707,805, and the Net OPEB Liability (the "NOL") was $44,446,721. For more information regarding the District's other post-employment benefit liability, see "APPENDIX C – 2017-18 AUDITED FINANCIAL STATEMENTS OF RIVERSIDE UNIFIED SCHOOL DISTRICT – Note 12" attached hereto.

GASB Statement Nos. 74 and 75. On June 2, 2015, GASB approved Statements Nos. 74 and 75 with respect to pension accounting and financial reporting standards for public sector post-retirement benefit programs and the employers that sponsor them. GASB Statement No. 74 replaces GASB Statements No. 43 and 57 and GASB Statement No. 75 replaces GASB Statement No. 45.

Most of GASB Statement No. 74 applies to plans administered through trusts, in which contributions are irrevocable, trust assets are dedicated to providing other post –employment benefits to plan members, and trust assets are legally protected from creditors. GASB Statements No. 74 and No. 75 will require a liability for OPEB obligations, known as the Net OPEB Liability (NOL), to be recognized on the balance sheet of the plan and the participating employer's financial statements. In addition, an OPEB expense (service cost plus interest on total OPEB liability plus current-period benefit changes minus member contributions minus assumed earning on plan investments plus administrative expenses plus recognition of deferred outflows minus recognition of deferred inflows) will be recognized in the income statement of the participating employers. In the notes to its financial statements, employers providing other post-employment benefits will also have to include information regarding the year-to-year change in the NOL and a sensitivity analysis of the NOL to changes in the discount rate and healthcare trend rate. The required supplementary information will also be required to show a 10-year schedule of the plan's net OPEB liability reconciliation and related ratios, and any actuarially determined contributions and investment returns.

Under GASB Statement No. 74, the measurement date must be the same as the plan's fiscal year end, but the actuarial valuation date may be any date up to 24 months prior to the measurement date. For the total OPEB liability (the TOL), if the valuation date is before the measurement date, the results must be projected forward from the valuation date to the measurement date using standard actuarial roll-forward techniques. For plans that are unfunded or have assets insufficient to cover the projected benefit payments, a discount rate reflecting a 20-year tax-exempt municipal bond yield or index rate must be used. For plans with assets that meet the GASB Statement No. 74 requirements, a projection of the benefit payments and future Fiduciary Net Position (FNP) is performed based on the funding policy and assumptions of the plan, along with the methodology specified in GASB.

GASB Statement No. 74 has an effective date for plan fiscal years beginning after June 15, 2016 and GASB Statement No. 75 has an effective date for plan fiscal years beginning after June 15, 2017.

Medicare Premium Payment Program. The District participates in the Medicare Premium Payment ("MPP") Program, a cost-sharing multiple-employer other postemployment benefit plan. STRS administers the MPP Program through the Teachers' Health Benefit Fund (the "THBF"). The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan Defined Benefit Program ("DB Program") who were retired or began receiving a disability allowance prior to July 1, 2012, and were not eligible for premium free Medicare Part A. The MPP Program is now closed to new entrants.

The MPP Program is funded on a pay-as-you-go basis from a portion of the monthly District benefit payments. Benefit payments that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs.

An actuarial study of the liability of the MPP Program has been prepared pursuant to GASB statements No. 74 and No. 75. The District's proportionate share of the net MPP Program liability as of June 30, 2017 was $2,757,544.

Early Retirement Incentive

On December 4, 2018, the Board approved an early retirement incentive, the Supplemental Early Retirement Plan (the "SERP"). In early 2019, the SERP will be offered to Certificated, Classified, and Management District employees who will be at least 55 years of age by June 30, 2019 and will have at least five years of service with the District by such date. The District's first benefit payment under the SERP will be due in August 2019. Although the SERP is intended to create salary savings for the District, the District does not currently have information about how many employees will participate in the SERP. The final savings analysis will be confirmed in February 2019.

Risk Management

The Property and Liability Program, for which the District retains risk of loss, is administered by the District's Self-Insurance Fund. Excess property and liability coverage is obtained through Alliance of Schools for Cooperative Insurance Program ("ASCIP"). General liability claims in excess of a $100,000 self-insured retention are covered up to $5,000,000 per occurrence through ASCIP and up to $55,000,000 through the SELF (excess liability) joint powers authority. Workers' Compensation claims in excess of a $350,000 self-insured retention are covered up to $10,000,000 per occurrence through ASCIP. The relationship between the District and ASCIP is such that ASCIP is not a component unit of the District for financial reporting purposes. Employee medical life, health, and disability programs are administered through the purchase of commercial insurance and self-insurance.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Neither the Certificates nor the obligation of the District to make Lease Payments constitutes an obligation of the District for which the District is obligated to levy or pledge, or for which the District has levied or pledged, any form of taxation. Neither the Certificates nor the obligation of the District to make Lease Payments constitutes a debt of the District, the State or any of its political subdivisions within the meaning of any constitutional limitation or violates any statutory debt limitation. Each Certificate represents a fractional interest in the Lease Payments and prepayments to be made by the District under the Lease. The District is obligated to pay Lease Payments from any source of legally available funds, and has covenanted in the Lease to include all Lease Payments coming due in its annual budgets and to make the necessary annual appropriations therefor. See "SECURITY AND SOURCES OF PAYMENT OF THE CERTIFICATES" herein.

Article XIIIA of the California Constitution

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

Article XIIIA has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the adjusted base year value described above.

Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value.

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

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 relevant county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

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

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

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

Proposition 50 and Proposition 171

On June 3, 1986, the voters of the State approved Proposition 50. Proposition 50 amends Section 2 of Article XIIIA of the State Constitution to allow owners of property that was "substantially damaged or destroyed" by a disaster, as declared by the Governor (the "Damaged Property"), to transfer their existing base year value (the "Original Base Year Value") to a comparable replacement property <u>within the same county</u>, which is acquired or constructed within five years after the disaster. At the time of such transfer, the Damaged Property will be reassessed at its full cash value immediately prior to damage or destruction (the "Original Cash Value"); however, such property will retain its base year value notwithstanding such a transfer. Property is substantially damaged or destroyed if either the land or the improvements sustain physical damage amounting to more than 50% of either the land or improvements full cash value immediately prior to the disaster. There is no filing deadline, but the assessor can only correct four years of assessments when the owner fails to file a claim within four years of acquiring a replacement property.

Under Proposition 50, the base year value of the replacement property (the "Replacement Base Year Value") depends on the relation of the full cash value of the replacement property (the "Replacement Cash Value") to the Original Cash Value: if the Replacement Cash Value exceeds 120% of the Original Cash Value, then the Replacement Base Year Value is calculated by combining the Original Base Year Value with such excessive Replacement Cash Value; if the Replacement Cash Value does not exceed 120% of the Original Cash Value, then the Replacement Base Year Value equals the Original Base Year Value; if the Replacement Cash Value is less than the Original Cash Value, then the Replacement Base Year Value equals the Replacement Cash Value. The replacement property must be comparable in size, utility, and function to the Damaged Property.

On November 2, 1993, the voters of the State approved Proposition 171. Proposition 171 amends subdivision (e) of Section 2 of Article XIIIA of the State Constitution to allow owners of Damaged Property to transfer their Original Base Year Value to a "comparable replacement property" located within another county in the State, which is acquired or newly constructed within three years after the disaster.

Intra-county transfers under Proposition 171 are more restrictive than inter-county transfers under Proposition 50. For example, Proposition 171 (1) only applies to (a) structures that are owned and occupied by property owners as their principal place of residence and (b) land of a "reasonable size that is used as a site for a residence;" (2) explicitly does not apply to property owned by firms, partnerships, associations, corporations, companies, or legal entities of any kind; (3) only applies to replacement property located in a county that adopted an ordinance allowing Proposition 171 transfers; (4) claims must be timely filed within three years of the date of purchase or completion of new construction; and (5) only applies to comparable replacement property, which has a full cash value that is of "equal or lesser value" than the Original Cash Value.

Within the context of Proposition 171, "equal or lesser value" means that the amount of the Replacement Cash Value does not exceed either (1) 105% of the Original Cash Value when the replacement property is acquired or constructed within one year of the destruction, (2) 110% of the Original Cash Value when the replacement property is acquired or constructed within two years of the destruction, or (3) 115% of the Original Cash Value when the replacement property is acquired or constructed within three years of the destruction.

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 the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

So long as the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State's school financing formula. See "DISTRICT FINANCIAL MATTERS – State Funding of Education" herein.

Article 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. As amended, Article XIIIB defines

(a) "change in the cost of living" with respect to school districts to mean the percentage change in State per capita income from the preceding year, and

(b) "change in population" with respect to a school district to mean the percentage change in the ADA of the school district from the preceding fiscal year.

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

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 pursuant to Section 8.5 of Article XVI of the State Constitution. See "- Propositions 98 and 111" herein.

Article XIIIC and Article XIIID of the California Constitution

On November 5, 1996, the voters of the State approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the State 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 State Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4. Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in 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.

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

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article 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.

Propositions 98 and 111

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

The Accountability Act also changed how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount are, instead of being returned to taxpayers, is transferred to K-14 school districts. Any such transfer to K-14 school districts is excluded from the appropriations limit for K-14 school districts and the K-14 school district appropriations limit for the next year is automatically increased by the amount of such transfer. These additional moneys 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 can be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

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

On June 5, 1990, the voters approved Proposition 111 (Senate Constitutional Amendment No. 1) called the "Traffic Congestion Relief and Spending Limitation Act of 1990" ("Proposition 111") which further modified Article 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:

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

b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article 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 such districts' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIIIB spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the State 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 State Legislature and the Governor, which was expected to raise over $15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

d. 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.

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

Jarvis v. Connell

On May 29, 2002, the State Court of Appeal for the Second District decided the case of *Howard Jarvis Taxpayers Association, et al. v. Kathleen Connell* (as State Controller). The Court of Appeal held that either a final budget bill, an emergency appropriation, a self-executing authorization pursuant to state statutes (such as continuing appropriations) or the State Constitution or a federal mandate is necessary for the State Controller to disburse funds. The foregoing requirement could apply to amounts budgeted by the District as being received from the State. To the extent the holding in such case would apply to State payments reflected in the District's budget, the requirement that there be either a final budget bill or an emergency appropriation may result in the delay of such payments to the District if such required legislative action is delayed, unless the payments are self-executing authorizations or are subject to a federal mandate. On May 1, 2003, the State Supreme Court upheld the holding of the Court of Appeal, stating that the Controller is not authorized under State law to disburse funds prior to the enactment of a budget or other proper appropriation, but under federal law, the Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those State employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act.

Proposition 1A and Proposition 22

On November 2, 2004, State voters approved Proposition 1A, which amends the State Constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

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

Proposition 30 and 55

On November 6, 2012, voters of the State approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. 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 $300,001 for single filers (over $500,000 but less than $600,001 for joint filers and over $340,000 but less than $408,001 for head-of-household filers), (ii) 2% for taxable income over $300,000 but less than $500,001 for single filers (over $600,000 but less than $1,000,001 for joint filers and over $408,000 but less than $680,001 for head-of-household filers), and (iii) 3% for taxable income over $500,000 for single filers (over $1,000,000 for joint filers and over $680,000 for head-of-household filers).

The California Children's Education and Health Care Protection Act of 2016 (also known as "Proposition 55") is a constitutional amendment approved by the voters of the State on November 8, 2016. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through 2030. Proposition 55 did not extend the temporary State Sales and Use Tax rate increase enacted under Proposition 30, which expired as of January 1, 2017.

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

Proposition 2

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

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

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

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

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

Proposition 51

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

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

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

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

Future Initiatives

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

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, Special Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, the portion of each Lease Payment constituting interest with respect to the Certificates is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Special Counsel, the portion of each Lease Payment constituting interest with respect to the Certificates is exempt from State of California personal income tax.

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

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

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

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

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

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

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

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

CERTAIN LEGAL MATTERS

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California Special Counsel, will render an opinion with respect to the Certificates substantially in the form attached hereto as Appendix B. A copy of such approving opinion will be available at the time of delivery of the Certificates. The payment of fees of Special Counsel is contingent upon the closing of the Certificates transaction.

LEGALITY FOR INVESTMENT IN CALIFORNIA

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

ENHANCED REPORTING REQUIREMENTS

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

ESCROW VERIFICATION

Upon delivery of the Certificates, the Verification Agent will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to them by the Underwriter relating to the sufficiency of the amounts on deposit in the Escrow Fund to pay the prepayment price and interest with respect to the Refunded Certificates.

FINANCIAL STATEMENTS

The financial statements with supplemental information for the year ended June 30, 2018, the independent auditor's report of the District, and the related statements of activities and of cash flows for the year then ended, and the report of Nigro & Nigro, PC (the "Auditor"), dated November 20, 2018, are included in this Official Statement as APPENDIX C. In connection with the inclusion of the financial statements and the report of the Auditor thereon in this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

CONTINUING DISCLOSURE

Current Undertaking. In connection with the delivery of the Certificates, the District has covenanted for the benefit of Owners and Beneficial Owners of the Certificates to provide certain financial information and operating data relating to the District (the "Annual Reports") by not later than nine months following the end of the District's fiscal year (which currently ends June 30), commencing with the report for the 2018-19 fiscal year, and to provide notices of the occurrence of certain listed events. The Annual Reports and notices of listed events will be filed by the District in accordance with the requirements of the Rule. The specific nature of the information to be contained in the Annual Reports or the notices of listed events is included in "APPENDIX D – FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Prior Undertakings. In connection with prior issuances, the District, the District's CFDs and the PFA established by the District (collectively, the "District Entities") have undertaken to provide certain financial information and operating data relating to the respective District Entities. Within the past five years, the District failed to file in a timely manner the annual reports or portions of the annual reports for fiscal year 2012-13 required in connection with certain of the District's then-outstanding general obligation bonds and certificates of participation. In addition, the District Entities failed to file in a timely manner certain notices of listed events.

ABSENCE OF MATERIAL LITIGATION

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

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

There are a number of other legal claims pending against the District on matters unrelated to the Certificates. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the financial position or operations of the District.

RATINGS

The Certificates are expected to be assigned a rating of "AA," with a stable outlook, by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), based upon the issuance of the Policy by AGM on the delivery date of the Certificates. The Certificates have also been assigned an underlying rating of "A+" from S&P. The ratings reflect only the views of the rating agency, and any desired explanation of the significance of such ratings should be obtained therefrom.

Generally, a rating agency bases its rating on the information and materials furnished to it (which may include information and material from the District which is not included in this Official Statement) and on investigations, studies and assumptions of its own. There is no assurance that the ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of the rating agency, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the ratings obtained may have an adverse effect on the market price for the Certificates.

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

UNDERWRITING

The Certificates are being purchased by Piper Jaffray & Co. (the "Underwriter"). The Underwriter has agreed, pursuant to a purchase agreement (the "Purchase Agreement") by and between the District and the Underwriter, to purchase the Certificates at the purchase price of $4,612,144.45 (representing the aggregate principal amount evidenced by the Certificates of $4,170,000.00, plus original issue premium of $483,844.45, and less an Underwriter's discount of $41,700.00). The Purchase Agreement provides that the Underwriter will purchase all of the Certificates, if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in such Purchase Agreement.

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

MISCELLANEOUS

The references herein to the Lease, the Site Lease, the Trust Agreement, the Assignment Agreement, and the Escrow Agreement are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and for full and complete statements of such provisions reference is made to said documents. Copies of the documents mentioned under this heading are available for inspection at the District and following delivery of the Certificates will be on file at the Principal Office of the Trustee in San Francisco, California.

Fieldman, Rolapp & Associates, Inc., Irvine, California (the "Municipal Advisor") has assisted the District in matters relating to the planning, structuring, and sale of the Certificates, and has provided general financial advisory services to the District with respect to the sale of the Certificates. The Municipal Advisor provides financial advisory services only and does not engage in the underwriting, marketing, or trading of municipal securities or other negotiable instruments. The payment of fees of the Municipal Advisor is contingent upon the closing of the transaction.

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

The purpose of this Official Statement is to supply information to prospective buyers of the Certificates. Quotations from and summaries and explanations of the Certificates, and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

Some of the data contained herein has been taken or constructed from District records. Appropriate District officials, acting in their official capacities, have reviewed this Official Statement and have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading. This Official Statement has been approved by the District.

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

RIVERSIDE UNIFIED SCHOOL DISTRICT

By: /s/ Mays Kakish
Chief Business Officer and Governmental Relations

APPENDIX A

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

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

DEFINITIONS

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

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

"Additional Payments" means all amounts payable by the District as Additional Payments as defined in the Lease.

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

"Assignment Agreement" means the Assignment Agreement related to the Certificates, dated as of dated as of January 1, 2019, by and between the Trustee and the Corporation, and any duly authorized and executed amendments thereto.

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

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

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

"Certificate" or "Certificates" means any certificates or certificates of participation executed and delivered by the Trustee pursuant to the Trust Agreement.

"Certificate Payment Date" means March 1 and September 1 of each year commencing September 1, 2019 with respect to the interest payments evidenced by the Certificates and each September 1 thereafter with respect to the principal payments evidenced by the Certificates.

"Certificate Purchase Agreement" means that certain Certificate Purchase Agreement dated January 10, 2019 by and between the District and Original Purchaser, relating to the sale and delivery of the Certificates.

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

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

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

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

"Corporation" means the Riverside Unified School District School Facilities Corporation, a nonprofit public benefit corporation organized under the laws of the State, its successors and assigns.

"Corporation Representative" means the Chairman, Vice Chairman, Chief Financial Officer, Secretary, and Executive Director of the Corporation, or any other person authorized to act on behalf of the Corporation under or with respect to the Lease.

"Delivery Costs" means and further includes all items of expense directly or indirectly payable by or reimbursable to the District or the Corporation relating to the refunding of the Prior Certificates from the proceeds of the Certificates, including but not limited to costs provided in the Certificate Purchase Agreement with the Original Purchaser, the premium for any insurance policies purchased to guarantee payment of the Certificates and to satisfy the Reserve Requirement, filing and recording costs, settlement costs, printing costs, word processing costs, reproduction and binding costs, initial fees and charges of the Trustee, including its first annual administration fee and the fees of its counsel, legal and municipal advisory fees and charges, financing and other professional consultant fees, costs of rating agencies and costs of providing information to such rating agencies, any computer and other expenses incurred in connection with the Certificates, fees for execution, transportation and safekeeping of the Certificates and charges and fees in connection with the foregoing.

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

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

"District" means the Riverside Unified School District, a unified school district organized and existing under the laws and Constitution of the State, and its successors and assigns.

"District Representative" means the Superintendent of the District, the Chief Business Officer and Governmental Relations of the District or any other person authorized by the Superintendent or the Chief Business Officer and Governmental Relations to act on behalf of the District with respect to the Lease or the Trust Agreement.

"DTC" means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York in its capacity as Depository for the Certificates.

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

"Escrow Agent" means U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America.

"Escrow Agreement" means the Escrow Agreement dated as of January 1, 2019 by and between the District and the Escrow Agent, established for the purpose of defeasing the Prior Certificates.

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

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

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

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

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

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

"Insurer" means Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor thereto or assignee thereof.

"Insurer Advances" means the total of all amounts paid by the Insurer under the Insurance Policy.

"Insurer Reimbursement Amounts" means interest on all Insurer Advances from the date paid by the Insurer until payment thereof in full, payable to the Insurer at the Late Payment Rate per annum.

"Insurer's Fiscal Agent" means the designated agent (if any) of the Insurer for purposes of the Trust Agreement.

"Late Payment Rate" means the lesser of (i) the greater of (a) the Prime Rate plus 3%, and (b) the then applicable highest rate of interest with respect to the Certificates and (ii) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days.

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

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

"Lease Payment Date" means the Lease Payment Date defined in the Lease.

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

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

"Lease Year" means the period extending from September 1 of each calendar year to August 31 (as applicable) of the subsequent calendar year provided that the first Lease Year shall commence on the Closing Date and end on August 31, 2019.

"Lessor" means the Corporation.

"Letter of Representations" means the letter of the District delivered to and accepted by the Depository on or prior to delivery of the Certificates as book-entry certificates making reference to the DTC Operational Arrangements, as it may be amended from time to time setting forth the basis on which the Depository serves as depository for such book-entry certificates, as such letters were originally executed or as they may be supplemented or revised or replaced by letters from the District and the Trustee delivered to and accepted by the Depository.

"Moody's" means Moody's Investors Service, or any successors or assigns thereto.

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

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

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

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

"Original Purchaser" means Piper Jaffray & Co., as original purchaser of the Certificates on the Closing Date.

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

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

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

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

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

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

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

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

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

(a) For all purposes, including defeasance investments, any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(i) Government Obligations; or

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

(b) For all purposes other than investments to accomplish a defeasance pursuant to the Trust Agreement, any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(i) Federal Housing Administration debentures.

(ii) The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

-Federal Home Loan Mortgage Corporation (FHLMC)
Participation certificates (but not including stripped mortgage securities which are purchased at prices exceeding their principal amounts)
Senior Debt obligations
-Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives)
Consolidated system-wide bonds and notes
-Federal Home Loan Banks (FHL Banks)
Consolidated debt obligations
-Federal National Mortgage Association (FNMA)
Senior debt obligations
Mortgage-backed securities (but not including stripped mortgage securities which are purchased at prices exceeding their principal amounts)
-Financing Corporation (FICO)
Debt Obligations
-Resolution Funding Corporation (REFCORP)
Debt Obligations

(iii) Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 365 days) of any bank the short-term obligations of which are rated "A-1+" or better by S&P or "Prime-1" by Moody's, which may include the Trustee and its affiliates.

(iv) Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least $15 million.

(v) Commercial paper (having original maturities of not more than 30 days) rated at the time of purchase "A-1+" or better by S&P and "Prime-1" by Moody's.

(vi) Money market funds rated at least as high as direct and general obligations of the United States of America, including funds for which the Trustee, its parent company, if any, or affiliates or subsidiaries thereof provide investment advising or other management services.

(vii) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated "A3" by Moody's and "A-" by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

(viii) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (vii) above and rated "A-1+" by S&P and "MIG-1" by Moody's.

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

(x) Pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7. the District, the Trustee, and the Insurer shall receive an opinion of foreign counsel to the provider (if applicable), in form and substance acceptable to the District and the Trustee, that (1) the investment agreement has been duly authorized, executed and delivered by the provider and constitutes the legal, valid and binding obligation of the provider, enforceable against the provider in accordance with its terms, (b) the choice of law of the state set forth in the investment agreement is valid under that country's laws and a court in such country would uphold such choice of law, and (c) any judgment rendered by a court in the United States would be recognized and enforceable in such country;

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

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

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

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

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

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

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

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

"Policy Payments Account" means the special purpose trust account established by the Trustee pursuant to the Trust Agreement for the benefit of the Certificate Owners, and over which the Trustee will have exclusive control and sole right of withdrawal.

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

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

"Prime Rate" means the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank). In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, the Prime Rate will be the publicly announced prime or base lending rate of such national bank as the Insurer specifies.

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

"Prior Certificates" has the meaning given to such term in the Trust Agreement.

"Prior Certificates Interest Account" means that certain interest account within the Certificate Fund established for the Prior Certificates under the Prior Trust Agreement.

"Prior Certificates Lease Payment Fund" means that certain lease payment fund established for the Prior Certificates under the Prior Trust Agreement.

"Prior Certificates Principal Account" means that certain principal account within the Certificate Fund established for the Prior Certificates under the Prior Trust Agreement.

"Prior Certificates Reserve Account" means that certain reserve account within the Certificate Fund established for the Prior Certificates under the Prior Trust Agreement.

"Prior Trust Agreement" means the Trust Agreement, dated as of April 1, 2009, by and among the Prior Trustee, the Corporation, and the District, relating to the execution and delivery of the Prior Certificates.

"Prior Trustee" means U.S. Bank National Association, in its capacity as trustee for the Prior Certificates.

"Property" means certain improvements on the campus of Martin Luther King High School, as further described in the Lease.

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

"Related Document" means, for purposes of the Trust Agreement, each of the Lease, the Site Lease, and the Assignment Agreement, and any other transaction document or agreement defined as such in the Reserve Policy.

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

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

"Reserve Policy" means the municipal bond debt service reserve insurance policy issued by the Insurer to initially satisfy the Reserve Requirement.

"Reserve Replenishment Rent" means Reserve Replenishment Rent payable pursuant to the Lease.

"Reserve Requirement" means, as of any calculation date, the lesser of (1) the maximum aggregate annual Lease Payments (in any Fiscal Year) then payable under the Lease, (2) 125% of the average annual aggregate Lease Payments (in any Fiscal Year) then payable under the Lease, or (3) 10% of the original face amount of the Certificates and/or the Additional Certificates, as applicable (less original issue discount if in excess of two percent of the stated prepayment amount at maturity).

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

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

"Site Lease" means the Site Lease related to the Certificates, dated as of January 1, 2019, by and between the Corporation and the District.

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

"State" means the State of California.

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

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

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

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

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

THE LEASE AGREEMENT

DEPOSIT OF CERTIFICATE PROCEEDS

Deposit of Certificate Proceeds. On the Closing Date for the Certificates, the Lessor agrees to pay or cause to be paid to the District moneys to be deposited with the Trustee as provided in the Trust Agreement.

Payment of Delivery Costs. Payment of the Delivery Costs shall be made from the moneys deposited with the Trustee in the Delivery Costs Fund as provided in and in compliance with the Lease and Trust Agreement.

Further Assurances and Corrective Instruments. The Lessor and the District have agreed that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements to the Trust Agreement and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Property leased pursuant to the Lease, or intended so to be or for carrying out the expressed intention of the Lease.

AGREEMENT TO LEASE; TERM OF LEASE; LEASE PAYMENTS

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

Term. The Term of the Lease will commence on the date of execution of the Lease and shall end on September 1, 2027, unless extended pursuant to the Lease, or unless terminated prior thereto upon the earliest of any of the following events:

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

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

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

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

Extension of Lease Term. If (i) on September 1, 2027, the Certificates shall not be fully paid, or (ii) if the Lease Payments shall have been abated at any time and for any reason, or (iii) any amount shall be due to the Insurer with respect to the Insurance Policy or Reserve Policy, then the Term shall be extended until all such Certificates, Lease Payments, or amounts due to the Insurer shall be fully paid, except that the Term shall in no event be extended beyond September 1, 2037.

Lease Payments.

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

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

(b) Credits. Any amount held in the Lease Payment Fund on any Lease Payment Date (other than amounts resulting from the prepayment of the Lease Payments in part but not in whole pursuant to the Lease and other amounts required for payment of principal with respect to any Certificates not been presented for payment or interest) shall be credited towards the Lease Payment then due and payable. No Lease Payment need be made on any Lease Payment Date if the amounts then held in the Lease Payment Fund are at least equal to the Lease Payment then required to be paid.

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

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

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

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

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

(iv) the amount on deposit in the Reserve Fund is less than the Reserve Requirement, or the amount on deposit in the Lease Payment Fund is less than the amount required to be on deposit therein corresponding to the cumulative gross Lease Payments,

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

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

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

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

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

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

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

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

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

Abatement of Lease Payments in Event of Loss of Use.

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

(b) Amount. The amount of such abatement will be determined by the District such that the resulting Lease Payments and Reserve Replenishment Rent represent fair consideration for the District's right to use and possession of the portion of the Property not damaged, destroyed or taken. The District will calculate such abatement and will provide the Trustee and the Insurer with a certificate setting forth such calculations and the basis therefor. Such abatement will commence with such damage, destruction or taking and end with the substantial completion of the replacement or work or repair; provided, however, that during abatement, available moneys on deposit in the Reserve Fund and Lease Payment Fund, and other special sources of money, including without limitation proceeds of rental interruption insurance, will be applied to pay the Lease Payments.

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

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

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

INSURANCE

Public Liability and Property Damage.

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

(b) Limits. Said policy or policies will provide coverage in the minimum liability limits of $1,000,000 for personal injury or death of each person and $3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount $150,000 (subject to a deductible clause of not to exceed $100,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy covering all such risks in an amount equal to the liability limits set forth therein.

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

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

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

Casualty and Theft Insurance.

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

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

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

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

Rental Interruption Insurance.

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

District. Such rental interruption insurance shall name the Trustee and the Lessor as additionally insured parties and may not be provided in the form of self-insurance.

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

(c) Payment of Proceeds. The Net Proceeds of such rental interruption insurance shall be paid to the Trustee and deposited (1) in the Reserve Fund to make up any deficiencies therein or draws therefrom or a drawing upon the Reserve Policy, and (2) deposited in the Lease Payment Fund, to be credited towards the payment of the Lease Payments in the order in which such Lease Payments come due and payable.

Title Insurance. The District shall obtain and, throughout the Term of the Lease, maintain or cause to be maintained title insurance on the Property, in the form of a CLTA title policy acceptable to the Insurer so long as the Insurance Policy is in full force and effect and the Insurer is not in default of its obligations thereunder, in an amount equal to the aggregate principal amount of the Certificates Outstanding, issued by a company of recognized standing, duly authorized to issue the same, payable to the Trustee for the benefit of the Owners, subject only to Permitted Encumbrances. Said policy or policies shall insure (a) the fee interest of the District in the Property, (b) the Lessor's ground leasehold estate in the Property under the Site Lease, and (c) the District's leasehold estate under the Lease in the Property, subject only to Permitted Encumbrances. All Net Proceeds received under said policy or policies will be deposited with the Trustee and applied as provided in the Trust Agreement. So long as any of the Certificates remain Outstanding, each policy of the title insurance obtained pursuant to the Trust Agreement or required thereby shall provide that all proceeds thereunder shall be payable to the Trustee for the benefit of the Certificate Owners.

General Insurance Provisions.

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

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

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

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

(e) Self Insurance. Subject to the written consent of the Insurer (so long as the Insurer is not in default of its payment obligations under the Policy), the District may only elect to self-insure pursuant to the Lease and, only if and to the extent such self-insurance method or plan of protection will afford reasonable protection to the Lessor and the Trustee, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by other school districts in the State other than the District. Any self-insurance maintained by the District pursuant to the Lease shall comply with the following terms:

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

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

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

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

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

DAMAGE, DESTRUCTION AND EMINENT DOMAIN; USE OF NET PROCEEDS

Application of Net Proceeds.

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

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

(i) Certification. The District Representative must certify to the Lessor and the Trustee that:

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

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

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

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

(c) Disbursement for Prepayment. If the District Representative notifies the Trustee in writing of the District's determination that the certification provided in the Lease cannot be made or that replacement or repair of any portion of the Property is not economically feasible or in the best interest of the District, then the Trustee will, with the prior written consent of the Insurer, promptly transfer the Net Proceeds to the Prepayment Fund as provided in the Trust Agreement and apply them to prepayment of the Certificates as provided in the Trust Agreement and prepayment of Lease Payments as provided in the Lease; provided that in the event of damage or destruction in whole of the Property and in the event such Net Proceeds, together with funds then on hand in the Lease Payment Fund and Reserve Fund are not sufficient to prepay all the Certificates then Outstanding, then the District will not be permitted to certify that repair, replacement or improvement of all of the Property is not economically feasible or in the best interest of the District. In such event, the District will proceed to repair, replace or improve the Property as described in the Lease from legally available funds in the then-current Fiscal Year and will make the required notification to the Trustee pursuant to the Trust Agreement and the Trustee will disburse moneys in the Net Proceeds Fund to the person, firm, or corporation named in the requisition as provided therein.

COVENANTS WITH RESPECT TO THE PROPERTY

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

Interest in the Property and the Lease.

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

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

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

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

Installation of District's Personal Property. The District may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in or upon any portion of the Property. All such items will remain the sole personal property of the District, regardless of the manner in which the same may be affixed to such portion of the Property, in which neither the Lessor nor the Trustee will have any interest, and may be modified or removed by the District at any time; provided that the District will repair and restore any and all damage to such portion of the Property resulting from the installation, modification or removal of any such items of equipment. Nothing in the Lease will prevent the District from purchasing items to be installed pursuant to the Lease, provided that no lien or security interest will attach to any part of the Property.

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

Maintenance, Utilities, Taxes and Assessments.

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

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

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

Modification of the Property.

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

(b) No Liens. Except for Permitted Encumbrances, the District will not permit any mechanic's or other lien to be established or remain against the Property for labor or materials furnished in connection with any additions, modifications or improvements made by the District pursuant to the Lease; provided that if any such lien is established and the District will first notify or cause to be notified the Lessor of the District's intention to do so, the District may in good faith contest any lien filed or established against the Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and will provide the Lessor with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Trustee (as assignee of the Lessor). The Lessor will cooperate fully in any such contest, upon the request and at the expense of the District.

(c) Replacements, Redevelopment and Renovation. The District will, at its own expense (and with the consent of the Insurer, so long as the Insurer is not in default of its payment obligations under the Insurance Policy), have the right to make replacements, redevelop or renovate of all or a portion of the Property if the following conditions precedent are satisfied:

(i) The District receives an opinion of Special Counsel, a copy of which the District shall furnish to the Lessor, the Insurer, and the Trustee, that (1) such replacement does not adversely affect the federal income tax exclusion or the State tax-exempt status of the interest component of the Lease Payments, and (2) the Lease will remain the legal, valid, binding and enforceable obligation of the District;

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

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

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

Encumbrances; Alternative Financing Methods.

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

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

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

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

Substitution or Release of the Property. The District will, with the prior written consent of the Insurer, have the right to substitute alternate real property for any portion of the Property described in the Lease thereto or to release a portion of the Property from the lien of the Lease by providing the Trustee with a supplement to the Lease substantially in the form attached. All costs and expenses incurred in connection with such substitution or release will be borne by the District. Notwithstanding any substitution or release pursuant to the Lease, there will be no reduction in or abatement of the Lease Payments due from the District thereunder as a result of such substitution. No substitution or release will be permitted thereunder unless:

(a) the District finds that the substituted real property (i) has a fair rental value greater than or equal to the fair rental value of the Property to be released so that the Lease Payments secured by the

Property to be released being payable by the District pursuant to the Lease will not be reduced and (ii) has an equivalent or greater useful life as the Property to be released and that the useful life of the substituted real property exceeds the remaining term of the Lease Payments under the Lease;

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

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

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

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

(f) the District shall certify to the Trustee and the Insurer that the substituted real property is of approximately the same degree of essentiality to the District as the portion of the Property being replaced; and

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

Compliance with Law, Regulations, Etc.

(a) The District has, after due inquiry, no knowledge and has not given or received any written notice indicating that the Property or the past or present use thereof or any practice, procedure or policy employed by it in the conduct of its business materially violates any applicable law, regulation, code, order, rule, judgment or consent agreement, including, without limitation, those relating to zoning, building, use and occupancy, fire safety, health, sanitation, air pollution, ecological matters, environmental protection, hazardous or toxic materials, substances or wastes, conservation, parking, architectural barriers to the handicapped, or restrictive covenants or other agreements affecting title to the Property (collectively, "Laws and Regulations"). Without limiting the generality of the foregoing, neither the District nor to the best of its knowledge, after due inquiry, any prior or present owner, tenant or subtenant of the Property has, other than as set forth in the Lease or as may have been remediated in accordance with Laws and Regulations, (i) used, treated, stored, transported or disposed of any material amount of flammable explosives, polychlorinated biphenyl compounds, heavy metals, chlorinated solvents, cyanide, radon, petroleum products, asbestos or any Asbestos Containing Materials, methane, radioactive materials, pollutants, hazardous materials, hazardous wastes, hazardous, toxic, or regulated substances or related materials, as defined in CERCLA, RCRA, CWA, CAA, TSCA and Title III, and the regulations promulgated pursuant thereto, and in all other Environmental Regulations applicable to the District, the Property or the business operations conducted by the District thereon (collectively, "Hazardous Materials") on, from or beneath the Property, (ii) pumped, spilled, leaked, disposed of, emptied, discharged or released (hereinafter collectively referred to as "Release") any material amount of Hazardous Materials on, from or beneath the Property, or (iii) stored any material amount of petroleum products at the Property in underground storage tanks.

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

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

Environmental Compliance.

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

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

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

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

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

ASSIGNMENT, SUBLEASING AND AMENDMENT

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

Assignment and Subleasing by the District.

(a) Assignment. The Lease may, with the prior written consent of the Insurer, be assigned by the District so long as such assignment does not, in the opinion of Special Counsel, in and of itself, adversely affect the State tax-exempt status or the exclusion from gross income for federal or State income tax purposes of the interest component of the Lease Payments, or affect the validity of the Lease. In the event that the Lease is assigned by the District, the obligation to make Lease Payments under the Lease will remain the obligation of the District.

(b) Sublease. The District may, with the prior written consent of the Insurer, sublease all or any portion of the Property, with the consent of the Trustee (as assignee of the Lessor), subject to all of the following conditions:

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

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

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

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

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

EVENTS OF DEFAULT AND REMEDIES

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

(a) Payment Default.

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

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

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

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

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

Remedies on Default. Whenever any event of default referred to in the Lease shall have happened and be continuing, it will be lawful for the Lessor to exercise any and all remedies available pursuant to law or granted pursuant to the Lease, including writs of mandamus. Notwithstanding anything therein or in the Trust Agreement to the contrary, THERE WILL BE NO RIGHT UNDER ANY CIRCUMSTANCES TO ACCELERATE THE LEASE PAYMENTS OR OTHERWISE DECLARE ANY LEASE PAYMENTS NOT THEN IN DEFAULT TO BE IMMEDIATELY DUE AND PAYABLE. After the occurrence of an event of default thereunder, the District will surrender possession of the Property to the Lessor, if requested to do so by the Lessor, the Trustee or the Owners, in accordance with the provisions of the Trust Agreement. Notwithstanding any other provision in the Lease, and so long as the Insurer is not in default of its payment obligations under the Insurance Policy, no remedy will be exercised without the prior written consent of the Insurer, and the Insurer will have the right to direct the exercise of any remedy under the Lease.

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

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

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

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

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

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

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

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

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

No Additional Waiver Implied by One Waiver. In the event any agreement contained in the Lease should be breached by either party and thereafter waived by the other party, such waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach thereunder.

Application of the Proceeds from the Re-Lease of the Property. All amounts received by the Lessor under the Lease will, subject to the Trust Agreement, be deposited by the Trustee in the Lease Payment Fund and credited towards the Lease Payments in order of Lease Payment Dates.

Trustee and Owners to Exercise Rights. Such rights and remedies as are given to the Lessor under the Lease have been assigned by the Lessor to the Trustee under the Assignment Agreement, to which assignment the District thereby consents. Such rights and remedies will be exercised by the Trustee and the Owners as provided in the Trust Agreement. To the extent that the Lease confers upon or gives or grants the Trustee any right, remedy or claim under or by reason of the Lease, the Trustee is explicitly recognized as being a third -party beneficiary thereunder and may enforce any such right, remedy or claim conferred, given or granted thereunder.

MISCELLANEOUS

Binding Effect. The Lease will inure to the benefit of and will be binding upon the Lessor and the District and their respective successors and assigns.

Severability. In the event any provision of the Lease will be held invalid or unenforceable by a court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision thereof.

Applicable Law. The Lease will be governed by and construed in accordance with the laws of the State.

Execution in Counterparts. The Lease may be executed in any number of counterparts, each of which will be an original and all of which will constitute but one and the same instrument.

Third-Party Beneficiaries. The Lessor and Lessee acknowledge that the Lessor has assigned its right, title and interest in and to the Lease to the Trustee pursuant to the Assignment Agreement. The Lessee consents to such assignment. The Lessee consents to the Trust Agreement and acknowledges and agrees to the rights of the Trustee as set forth therein. As a material inducement to the Trustee, the Lessor and the Lessee agree that the Trustee and the Insurer will be third-party beneficiaries to the Lease.

THE TRUST AGREEMENT

Transfer and Exchange.

(a) Transfer of Certificates. Any Certificate may, in accordance with its terms, be transferred upon the books required to be kept pursuant to the provisions of the Trust Agreement by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such

Certificate for cancellation at the Principal Office accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever any Certificate or Certificates shall be surrendered for transfer, the Trustee will execute and deliver a new Certificate or Certificates of the same maturity and interest rate, for like aggregate principal amount in authorized denominations. The cost of printing Certificates and any services rendered or expenses incurred by the Trustee in connection with any transfer will be paid by the District. The Trustee will require the payment by the Certificate Owner requesting such transfer of any tax or governmental charge required to be paid with respect to such transfer, and there will be no other charge to any Certificate Owner for any such transfer.

(b) Exchange of Certificates. Certificates may be exchanged at the Principal Office for a like aggregate principal amount of Certificates of other authorized denominations of the same maturity and interest rate. The Trustee may require the payment by the Certificate Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. The cost of printing Certificates and any services rendered or expenses incurred by Trustee in connection with any transfer or exchange will be paid by the District. All Certificates surrendered pursuant to the provisions of the Trust Agreement summarized in this subsection will be cancelled and destroyed by the Trustee and will not be redelivered.

(c) Time for Transfer or Exchange. The Trustee will not be obligated to transfer or exchange any Certificate after a Record Date and before the following Certificate Payment Date, or during the period in which it is selecting Certificates for prepayment, or after notice of prepayment has been given as provided in the Trust Agreement.

Certificates Mutilated, Lost, Destroyed or Stolen. If any Certificate shall become mutilated, the Trustee, at the expense of the Owner of said Certificate, will execute and deliver a new Certificate of like tenor and maturity in exchange and substitution for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee will be cancelled by it. If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and, if an indemnity, satisfactory to the Trustee indemnifying the Trustee, the Corporation and the District, will be given, the Trustee, at the expense of the Certificate Owner, will execute and deliver a new Certificate of like tenor and maturity and numbered as the Trustee will determine in lieu of and in substitution for the Certificate so lost, destroyed or stolen. The Trustee may require payment of an appropriate fee for each new Certificate delivered under the provisions of the Trust Agreement summarized in this subsection and of the expenses which may be incurred by the Trustee in carrying out the duties under the Trust Agreement. Any Certificate executed under the provisions of the Trust Agreement summarized by this paragraph in lieu of any Certificate alleged to be lost, destroyed or stolen will be equally and proportionately entitled to the benefits of the Trust Agreement with all other Certificates secured by the Trust Agreement. The Trustee will not be required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the principal amount of Certificates which may be executed and delivered under or for the purpose of determining any percentage of Certificates Outstanding under the Trust Agreement, but both the original and replacement Certificate will be treated as one and the same. Notwithstanding any other provision of the Trust Agreement summarized in this paragraph, in lieu of delivering a new Certificate in place of one which has been mutilated, lost, destroyed or stolen, and which has matured, or has been called for prepayment, the Trustee may make payment with respect to such Certificate upon receipt of the above-mentioned indemnity.

Payment. Subject to the provisions of the Letter of Representation, payment of interest with respect to any Certificate on any Certificate Payment Date or prepayment date will be made to the person appearing on the registration books of the Trustee as the Owner thereof as of the Record Date immediately preceding such Certificate Payment Date or prepayment date, as the case may be, such interest to paid to such Owner by wire transfer to the bank and account number within the United States of America on file with the Trustee as of the Record Date. Payments of defaulted interest will be paid by check of the Trustee mailed by first class mail to the registered Owners as of a special record date to be fixed by the Trustee in its sole discretion, notice of which will be given to the Owners not less than 15 days prior to such special record date. Subject to the provisions of the Letter of Representation, the principal payable upon maturity or prepayment with respect to the Certificates will be payable upon surrender at the Principal Office. Said amounts will be payable in lawful money of the United States of America. The Trustee has been authorized to pay or prepay the Certificates when duly presented for payment at maturity or on prepayment and to cancel all Certificates upon payment thereof.

Book-Entry System.

Election of Book-Entry System. Prior to the execution and delivery of the Certificates, the District may provide that such Certificates will be initially executed and delivered as book-entry Certificates. If the District elects to deliver any Certificates in book-entry, then the District will cause the delivery of a separate single fully registered Certificate (which may be typewritten) for each maturity date of such Certificates in an authorized denomination corresponding to that total principal amount of the Certificates designated to mature on such date. Upon initial execution and delivery, the ownership of each such Certificate will be registered in the Certificate register in the name of the Nominee, as nominee of the Depository and ownership of the Certificates, or any portion thereof may not thereafter be transferred except as provided in the provisions of the Trust Agreement summarized under this heading.

(a) With respect to book-entry Certificates, the District and the Trustee will have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in such book-entry Certificates. Without limiting the immediately preceding sentence, the District and the Trustee will have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in book-entry Certificates, (ii) the delivery to any Participant or any other person, other than an Owner as shown in the Certificate register, of any notice with respect to book-entry Certificates, including any notice of prepayment, (iii) the selection by the Depository and its Participants of the beneficial interests in book-entry Certificates to be prepaid in the event the District prepays the Certificates in part, or (iv) the payment by the Depository or any Participant or any other person, of any amount with respect to principal, premium, if any, or interest evidenced and represented by book-entry Certificates. The District and the Trustee may treat and consider the person in whose name each book-entry Certificate is registered in the Certificate register as the absolute Owner of such book-entry Certificate for the purpose of payment of principal, premium and interest with respect to such Certificate, for the purpose of giving notices of prepayment and other matters with respect to such Certificate, for the purpose of registering transfers with respect to such Certificate, and for all other purposes whatsoever. The Trustee will pay all principal, premium, if any, and interest evidenced and represented by the Certificates only to or upon the order of the respective Owner, as shown in the Certificate register, or his respective attorney duly authorized in writing, and all such payments will be valid and effective to fully satisfy and discharge the District's obligations with respect to payment of principal, premium, if any, and interest evidenced and represented by the Certificates to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Certificate register, will receive a Certificate evidencing the obligation to make payments of principal, premium, if any, and interest evidenced and represented by the Certificates. Upon delivery by the Depository to the Owner and the Trustee, of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions in the Trust Agreement with respect to Record Dates, the word "Nominee" in the Trust Agreement refers to such nominee of the Depository

(b) Delivery of Letter of Representations. In order to qualify the book-entry Certificates for the Depository's book-entry system, the District will execute and deliver to the Depository a Letter of Representations. The execution and delivery of a Letter of Representations will not in any way impose upon the District any obligation whatsoever with respect to persons having interests in such book-entry Certificates other than the Owners, as shown on the Certificate register. In addition to the execution and delivery of a Letter of Representations, the District will take such other actions, not inconsistent with the Trust Agreement, as are reasonably necessary to qualify book-entry Certificates for the Depository's book-entry program.

(c) Selection of Depository. In the event (i) the Depository determines not to continue to act as securities depository for book-entry Certificates, or (ii) the District determines that continuation of the book-entry system is not in the best interest of the Beneficial Owners of the Certificates or the District, then the District will discontinue the book-entry system with the Depository. If the District determines to replace the Depository with another qualified securities depository, the District will prepare or direct the preparation of a new single, separate, fully registered Certificate for each of the maturity dates of such book-entry Certificates, registered in the name of such successor or substitute qualified securities depository or its Nominee as provided in the Trust Agreement and summarized in subsection (e) below. If the District fails to identify another qualified securities depository to replace the Depository, then the Certificates will no longer be restricted to being registered in such Certificate register in the name of the Nominee, but will be registered in whatever name or names the Owners transferring or exchanging such Certificates will designate, in accordance with the provisions of the Trust Agreement summarized in "—Transfer and Exchange" above.

(d) Payments to Depository. Notwithstanding any other provision of the Trust Agreement to the contrary, so long as all Outstanding Certificates are held in book-entry and registered in the name of the Nominee, all payments with respect to principal, prepayment premium, if any, and interest evidenced and represented by such Certificate and all notices with respect to such Certificate will be made and given, respectively to the Nominees, as provided in the Letter of Representations or as otherwise instructed by the Depository and agreed to by the Trustee notwithstanding any inconsistent provisions in the Trust Agreement.

(e) Transfer of Certificates to Substitute Depository.

(i) The Certificates will be initially executed and delivered as provided in the Trust Agreement. If such Certificates are initially registered in the name of the Nominee, then registered ownership of such Certificates, or any portions thereof, may not thereafter be transferred except:

(A) to any successor of DTC or its nominee, or of any substitute depository designated pursuant to clause (B) of subsection (i) of the provisions of the Trust Agreement summarized in subsection (e) below ("Substitute Depository"); provided that any successor of DTC or Substitute Depository will be qualified under any applicable laws to provide the service proposed to be provided by it;

(B) to any Substitute Depository, upon (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository, or (2) a determination by the District that DTC (or its successor) is no longer able to carry out its functions as depository; provided that any such Substitute Depository will be qualified under any applicable laws to provide the services proposed to be provided by it; or

(C) to any person as provided in the Trust Agreement and summarized in subsection (e)(ii) below, upon (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository, or (2) a determination by the District that DTC or its successor (or Substitute Depository or its successor) is no longer able to carry out its functions as depository.

(ii) In the case of any transfer pursuant to the provisions of the Trust Agreement summarized in clauses (e)(i)(A) or (e)(i)(B) above, upon receipt of all Outstanding Certificates by the Trustee, together with a written request of the District to the Trustee designating the Substitute Depository, a single new Certificate, which the District will prepare or cause to be prepared, will be executed and delivered for each maturity of Certificates then Outstanding, registered in the name of such successor or such Substitute Depository or their Nominees, as the case may be, all as specified in such written request of the District. In the case of any transfer pursuant to the provisions of the Trust Agreement summarized in (e)(i)(C) above, upon receipt of all Outstanding Certificates by the Trustee, together with a written request of the District to the Trustee, new Certificates, which the District will prepare or cause to be prepared, will be executed and delivered in such denominations and registered in the names of such persons as are requested in such written request of the District, subject to the limitations of the provisions of the Trust Agreement, provided that the Trustee will not be required to deliver such new Certificates within a period of less than sixty (60) days from the date of receipt of such written request from the District.

(iii) In the case of a partial prepayment or an advance refunding of any Certificates evidencing a portion of the principal maturing in a particular year, DTC or its successor (or any Substitute Depository or its successor) will make an appropriate notation on such Certificates indicating the date and amounts of such reduction in principal, in form acceptable to the Trustee, all in accordance with the Letter of Representations. The Trustee will not be liable for such Depository's failure to make such notations or errors in making such notations.

(iv) The District and the Trustee will be entitled to treat the person in whose name any Certificate is registered as the Owner thereof for all purposes of the Trust Agreement and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the District; and the District and the Trustee will not have responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any Beneficial Owners of the Certificates. Neither the District nor the Trustee will have any responsibility or obligation, legal or otherwise, to any such Beneficial Owners or to any other party, including DTC or its successor (or Substitute Depository or its successor), except to the Owner of any Certificates, and the Trustee may rely conclusively on its records as to the identity of the Owners of the Certificates

Additional Certificates. Subsequent to the execution and delivery by the Trustee of the Certificates, and with the prior written consent of the Insurer, the Trustee will, upon written request or requests of the District Representative and the Corporation Representative, execute and deliver from time to time one or more series of Additional Certificates in such aggregate principal amount as may be set forth in such written request or requests, provided that there will have been compliance with all of the following conditions, which are thereby made conditions precedent to the preparation, execution and delivery of such Additional Certificates:

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

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

(c) The Lease shall have been amended by the parties thereto if necessary to (i) increase or adjust the Lease Payments due and payable on each Lease Payment Date to an amount sufficient to pay the principal, premium (if any) and interest payable with respect to all Outstanding Certificates, including all Additional Certificates as and when the same mature or become due and payable (except to the extent such principal, premium, and interest may be payable out of moneys then in the Reserve Fund or otherwise on deposit with the Trustee in accordance with the Trust Agreement), (ii) if appropriate, amend the definition of "Property" to include as part of the Property all or any portion of additions, betterments, extensions, improvements or replacements, or such other real or personal property (whether or not located upon the Property as such Property is constituted as of the date of the Trust Agreement), to be financed, acquired or constructed by the preparation, execution and delivery of such Additional Certificates, and (iii) make such other revisions to the Lease as are necessitated by the execution and delivery of such Additional Certificates (provided, however, that such other revisions will not prejudice the rights of the Owners of Outstanding Certificates as granted them under the terms of the Trust Agreement);

(d) There shall have been delivered to the Trustee a counterpart of the amendments required by the Trust Agreement;

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

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

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

(h) The District shall have provided S&P written notice of the proposed execution and delivery of such Additional Certificates at the addresses indicated in the Trust Agreement.

(i) There shall have been delivered to the Trustee an endorsement to or reissuance of the title insurance policy delivered under the Lease providing that the insured amount is at least equal to the aggregate principal amount of all of the Certificates and Additional Certificates outstanding upon the execution and delivery of such Additional Certificates;

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

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

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

DELIVERY COSTS FUND

Establishment of Delivery Costs Fund. The Trustee will establish a special fund designated as the "Riverside Unified School District 2019 Refunding Certificates of Participation Delivery Costs Fund," referred to herein as the "Delivery Costs Fund"; will keep the Delivery Costs Fund separate and apart from all other funds and moneys held by it; and will administer such fund as provided in the Trust Agreement.

Purpose. Moneys in the Delivery Costs Fund will be expended for Delivery Costs.

Deposit of Moneys; Payment of Delivery Costs.

(a) Deposits. There will be credited to the Deliver Costs Fund the following amounts: (1) the proceeds of sale of the Certificates required to be deposited therein pursuant to the Trust Agreement; (2) all investment earnings on moneys held in the Delivery Costs Fund, which will remain in the Delivery Costs Fund until expended or applied to the prepayment of Certificates as provided in the Trust Agreement; and (3) any other deposits made to the Delivery Costs Fund by the District.

(b) Disbursements. The Trustee shall disburse moneys in the Delivery Costs Fund from time to time to pay Delivery Costs directly or to reimburse the District for payment of Delivery Costs, upon receipt (either by mail or by facsimile transmission) by the Trustee of a Delivery Cost Requisition signed by the District Representative. The Trustee shall be absolutely protected in making any such disbursements in reliance upon a Delivery Cost Requisition, as applicable, signed by the District Representative.

Transfers of Unexpended Proceeds. On June 15, 2019, the Trustee will withdraw all remaining moneys in the Project Fund (other than any moneys retained therein to pay Delivery Costs not then due and payable and certified by the District Representative) and will either transfer such moneys to the Lease Payment Fund to be applied to the payment of principal and interest with respect to the Certificates as prescribed in the Trust Agreement, or at the written election of the District, will transfer such moneys to the Prepayment Fund to be applied to the prepayment of Certificates as described in the Trust Agreement or to the District for the purpose of capital expenditures of the District and, following final disbursement of any moneys retained in the Delivery Costs Fund to pay Delivery Costs, will close the Delivery Costs Fund.

LEASE PAYMENTS; LEASE PAYMENT FUND

Security Provisions.

(a) Assignment of Rights in Lease and Site Lease. The Corporation has, pursuant to the Assignment Agreement, assigned and set over to the Trustee certain of its rights in the Lease and the Site Lease, including but not limited to all of the Corporation's rights to receive and collect all of the Lease Payments, Reserve Replenishment Rent, the Prepayments and all other amounts required to be deposited in the Lease Payment Fund pursuant to the Lease and the Site Lease or pursuant to the Trust Agreement. All such Lease Payments, Reserve Replenishment Rent, Prepayments and such other amounts to which the Corporation may at any time be entitled (other than amounts due to the Corporation under the Lease) will be paid directly to the Trustee, and all of the Lease Payments, Reserve Replenishment Rent and Prepayments collected or received by the Corporation will be deemed to be held and to have been collected or received by the Corporation as the agent of the Trustee and if received by the Corporation at any time will be deposited by the Corporation with the Trustee within five Business Days after the receipt thereof, and all such Lease Payments will be forthwith deposited by the Trustee upon the receipt thereof in the Lease Payment Fund, and all such Prepayments will be forthwith deposited by the Trustee upon the receipt thereof in the Prepayment Fund, and all such Reserve Replenishment Rent will be forthwith deposited by the Trustee upon receipt thereof in the Reserve Fund.

(b) Security Interest in Moneys and Funds. The Corporation and the District, as their interests may appear, have granted to the Trustee for the benefit of the Owners a lien on and a security interest in all moneys in the funds held by the Trustee under the Trust Agreement (excepting only the Rebate Fund and any moneys to be deposited into the Rebate Fund), including without limitation, the Lease Payment Fund, the Reserve Fund (including payments of Reserve Replenishment Rent pursuant to the Trust Agreement), the Prepayment Fund, the Delivery Costs Fund and the Net Proceeds Fund, and all such moneys will be held by the Trustee in trust and applied to the respective purposes specified therein and in the Lease.

(c) Pledge of Lease Payments and Lease Proceeds. The Lease Payments and any Lease Proceeds are have been irrevocably pledged pursuant to the Trust Agreement to and will be used for the punctual payment of the interest and principal represented by the Certificates and the Lease Payments and Lease Proceeds will not be used for any other purpose while any of the Certificates remain Outstanding.

The pledge contained in the Trust Agreement and summarized in this subsection will constitute a first lien on the Lease Payments and Lease Proceeds in accordance with the terms thereof, subject to the Lease.

In order to secure the District's payment obligations with respect to the Policy Costs, as defined in the Trust Agreement, there has been granted and perfected in favor of the Insurer a security interest (subordinate only to that of the Owners) in all Lease Payments and Lease Proceeds pledged as security for the Certificates.

Establishment of Lease Payment Fund. The Trustee will establish a special fund designated as the "Riverside Unified School District 2019 Refunding Certificates of Participation Lease Payment Fund." All moneys at any time, from whatever sources deposited by the Trustee in the Lease Payment Fund will be held by the Trustee in trust for the benefit of the Owners of the Certificates. So long as any Certificates are Outstanding, neither the District nor the Corporation will have any beneficial right or interest in the Lease Payment Fund or the moneys deposited therein, except only as provided in the Trust Agreement, and such moneys will be used and applied by the Trustee as thereinafter set forth.

Deposits. There will be deposited in the Lease Payment Fund all Lease Payments and in the Prepayment Fund all Prepayments received by the Trustee, including any moneys received by the Trustee for deposit therein pursuant to the Lease, and any other moneys required to be deposited therein pursuant to the Lease, including without limitation provisions of the Lease regarding proceeds of rental interruption insurance or pursuant to the Trust Agreement, which moneys will be applied as a credit towards any Lease Payment then due.

Application of Moneys. Except as provided in the Trust Agreement, all amounts in the Lease Payment Fund will be used and withdrawn by the Trustee solely for the purpose of paying the principal and interest with respect to the Certificates as the same will become due and payable, in accordance with the provisions of the Trust Agreement, subject to the requirement that certain investment earnings may be transferred to the Rebate Fund, as provided in the Trust Agreement.

On each Certificate Payment Date, the Trustee first will set aside in the Lease Payment Fund an amount sufficient to pay the interest evidenced by the Certificates becoming due and payable on such date, and mail such amount (or wire transfer as provided in the Trust Agreement) to the Owners; and second will set aside an amount sufficient to pay the principal evidenced by the Certificates becoming due and payable on such Certificate Payment Date.

Surplus. Any funds remaining in the Lease Payment Fund after payment of all Certificates Outstanding, including payment of any applicable fees, expenses or other amounts owed to the Trustee pursuant to the Trust Agreement and any other Additional Payments due under the Lease, or provision made therefor satisfactory to the Trustee, and provision for any amounts required to be transferred to the Rebate Fund pursuant to the Trust Agreement, will be withdrawn by the Trustee and remitted to the District.

RESERVE FUND

Establishment of Reserve Fund. The Trustee will establish a special fund designated as the "Riverside Unified School District 2019 Refunding Certificates of Participation Reserve Fund," referred to therein as the "Reserve Fund." All moneys at any time on deposit in the Reserve Fund (including any Reserve Facility hereafter provided to satisfy the Reserve Requirement in whole or in part) will be held by the Trustee in trust for the benefit of the Owners of the Certificates, as a reserve for the payment when due of all the Lease Payments to be paid pursuant to the Lease and of all payments with respect to the Certificates and applied solely as provided therein.

Funding.

(a) Reserve Requirement. There will be maintained in the Reserve Fund an amount equal to the Reserve Requirement. Notwithstanding the foregoing, in the event of a partial prepayment or defeasance of the Certificates, the Reserve Requirement will thereafter be determined by the District and communicated to the Trustee in writing and any funds in excess of such redetermined Reserve Requirement will be utilized as set forth in the Trust Agreement. On the Closing Date, there will be deposited in the Reserve Fund the Reserve Policy, making an amount available thereunder and in the Reserve Fund equal to the Reserve Requirement. The Reserve Requirement may thereafter be satisfied by the District crediting to the Reserve Fund moneys or, with notice to S&P, a Reserve Facility or Facilities, or any combination thereof, which in the aggregate make funds available in the Reserve Fund in an amount equal to the Reserve Requirement; provided, however, the long-term unsecured debt or claim-paying ability or financial strength, as the case may be, of the provider of any such Reserve Facility, must be rated by S&P and Moody's, at the time of deposit, no lower than that of the District..

The term of any Reserve Facility will either be equal to the term of the Lease or a rollover of the Reserve Facility or other equivalent replacement will be required such that the aggregate term of all Reserve Facilities will equal the term of the Lease.

(b) Reserve Facility. Any amounts paid by the Insurer pursuant to the Reserve Policy and any other amounts paid pursuant to any other Reserve Facility will be deposited in the Reserve Fund. The District may substitute moneys for all or part of the amount available to be drawn under a Reserve Facility so long as, at the time of such substitution, the amount on deposit in the Reserve Fund, together with the amount available under all Reserve Facilities (taking into account any reduction in the amount available under such Reserve Facility to be made in connection with said substitution) will be at least equal to the Reserve Requirement. The District will not substitute any Reserve Facility in lieu of all or any portion of moneys on deposit in the Reserve Fund without the prior written consent of the Insurer (so long as the Insurer is not in default in its payment obligations under the Insurance Policy).

Amounts on deposit in the Reserve Fund which are not derived from payments under the Reserve Policy or any other Reserve Facility credited to the Reserve Fund to satisfy a portion of the Reserve Requirement will be used and withdrawn by the Trustee prior to using and withdrawing any amounts derived from payments under the Reserve Policy or any such Reserve Facility. In order to accomplish such use and withdrawal of such amounts not derived from payments under the Reserve Facility, the Trustee will, as and to the extent necessary, liquidate any investments purchased with such amounts.

(c) Delinquent Lease Payments. If there are no amounts currently due under the Reserve Policy and the sum of the amount on deposit in the Reserve Fund, plus the amount available under the Reserve Policy and any other Reserve Facilities, shall be reduced below the Reserve Requirement, the first payments of Lease Payments thereafter payable by the District and not needed to pay interest and principal components of Lease Payments payable to the Certificate Owners on the next Certificate Payment Date will be used to first, reimburse the Insurer and the provider of any other Reserve Facility for any repayment or payment obligation owing thereto for any draw on such other Reserve Facility to the Reserve Fund and second, to increase the balance in the Reserve Fund to an amount which, when added to the amount available under the Reserve Policy and any other Reserve Facilities, is equal to the Reserve Requirement.

(d) Certain Net Proceeds. Net Proceeds of rental interruption insurance will be deposited as provided in the Lease and the Trust Agreement.

(e) Reserve Replenishment Rent. Any Reserve Replenishment Rent payable pursuant to the Lease will be deposited in the Reserve Fund or paid to the Insurer or other provider of a Reserve Facility, as applicable.

Transfers of Excess. The Trustee shall, on or before February 15 and August 15 of each year, provide written notice to the District of any moneys which are estimated to be on hand in the Reserve Fund (including investment earnings) in excess of the Reserve Requirement on the next succeeding March 1 or September 1, as the case may be, and three (3) Business Days immediately preceding any Lease Payment Date, the Trustee shall transfer such excess moneys to the Lease Payment Fund to be applied to the Lease Payment then due from the District. In the event of such a partial prepayment or defeasance of Certificates, a proportionate amount in the Reserve Fund (determined on the basis of the principal evidenced by Certificates to be prepaid or redeemed, and the original aggregate principal evidenced by the Certificates, but not in excess of the amount of funds available as a result of the re-determination of the Reserve Requirement as provided in the Trust Agreement) will, at the direction of the District, be applied to the prepayment or defeasance of Certificates as provided in the Trust Agreement.

The transfers described above are in each case subject to the requirement that if the Certificate proceeds will have become subject to the arbitrage rebate provisions of Section 148(f) of the Code as described in the Trust Agreement then certain investment earnings are to be transferred to the Rebate Fund at the direction of the District as provided in the Trust Agreement.

Application of Reserve Fund in Event of Deficiency in Lease Payment Fund.

(a) At least five (5) Business Days immediately preceding any Certificate Payment Date, the Trustee will ascertain the necessity for a claim under the Reserve Policy in accordance with the terms thereof, and will provide notice to the Insurer in accordance with the terms of the Reserve Policy.

(b) Whether or not Lease Payments are then in abatement, if three (3) Business Days immediately preceding any Certificate Payment Date, the moneys available in the Lease Payment Fund do not equal the amount of the principal and interest with respect to the Certificates then coming due and payable, the Trustee first will apply the moneys available in the Reserve Fund to make delinquent Lease Payments on behalf of the District by transferring the amount necessary for such purpose to the Lease Payment Fund. All cash and investments in the Reserve Fund will be transferred to the Lease Payment Fund before any drawing will be made on the Reserve Policy or any other Reserve Facility. The Trustee will take whatever action is necessary to liquidate or draw upon investments of funds held in the Reserve Fund or draw upon the Reserve Facility securing the Reserve Fund to make such funds available for application as provided thereunder on the Certificate Payment Date.

(c) Draws on all Reserve Facilities (including the Reserve Policy) on which there is Available Coverage will be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Fund.

(d) The Trustee will repay any draws under the Reserve Policy (including interest accrued thereon at the Late Payment Rate) from Reserve Replenishment Rent paid by the District pursuant to the Lease. The Trustee will also pay all related reasonable expenses incurred by the Insurer (including interest accrued thereon at the Late Payment Rate), and all other Policy Costs, from Additional Payments paid by the District pursuant to the Lease. If the interest provisions of this subparagraph (d) shall result in an effective rate of interest which, for any period, exceeds the limit of the usury or any other laws applicable to the indebtedness created under the Trust Agreement, then all sums in excess of those lawfully collectible as interest for the period in question shall, without further agreement or notice between or by any party to the Trust Agreement, be applied as additional interest for any later periods of time when amounts are outstanding under the Trust Agreement to the extent that interest otherwise due thereunder for such periods plus such additional interest would not exceed the limit of the usury or such other laws, and any excess shall be applied upon principal immediately upon receipt of such moneys by the Insurer, with the same force and effect as if the District had specifically designated such extra sums to be so applied and the Insurer had agreed to accept such extra payment(s) as additional interest for such later periods. In no event shall any agreed-to or actual exaction as consideration for the indebtedness created under the Trust Agreement exceed the limits imposed or provided by the law applicable to this transaction for the use or detention of money or for forbearance in seeking its collection.

(e) Repayment of Policy Costs will commence in the first month following each draw, and each such monthly payment will be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw. Payment of any Policy Costs and reimbursements of amounts with respect to other Reserve Facilities will be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Fund.

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

(g) If the District fails to pay any Policy Costs in accordance with the requirements of the Trust Agreement, the Insurer will be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Trust Agreement other than remedies which would adversely affect owners of the Certificates. The Trust Agreement and the Lease will not be discharged or terminated until all Policy Costs owing the Insurer have been paid in full. The District's obligation to pay such amounts will expressly survive payment in full of the Certificates.

Trustee to Make All Lease Payments. If on any Certificate Payment Date the moneys on deposit in the Reserve Fund and the Lease Payment Fund (excluding amounts required for payment of principal or interest with respect to Certificates not presented for payment) are sufficient to pay all Outstanding Certificates, including all principal, interest and prepayment premiums (if any), the Trustee will, upon the written direction of the District Representative, transfer all amounts in the Reserve Fund to the Lease Payment Fund to be applied to the payment of the Lease Payments or Prepayments on behalf of the District and such moneys will be distributed to the Owners of Certificates in accordance with the Trust Agreement. Any amounts remaining in the Reserve Fund upon payment in full of all Outstanding Certificates and the Trustee's fees and expenses pursuant to the Trust Agreement and any other Additional Payments due under the Lease, or upon provision for such payments as provided in the Trust Agreement and provisions for any amounts required to be transferred to the Rebate Fund pursuant to the Trust Agreement, will at the written direction of the District, be withdrawn by the Trustee and paid to the District.

NET PROCEEDS FUND

Establishment of Net Proceeds Fund; Deposits. The Trustee will establish when required a special fund designated as the "Riverside Unified School District 2019 Refunding Certificates of Participation Net Proceeds Fund," referred to therein as the "Net Proceeds Fund," to be maintained and held in trust for the benefit of the Owners, subject to disbursement therefrom as provided therein. The Trustee will deposit Net Proceeds in the Net Proceeds Fund as provided in the Lease.

Disbursements.

(a) Casualty Insurance. The Trustee will disburse Net Proceeds for replacement or repair of the Property as provided in the Lease, or transfer such proceeds to the Prepayment Fund upon notification of the District Representative as provided in the Lease. Pending such application, such Net Proceeds may be invested by the Trustee as directed by the District in Permitted Investments that mature not later than such times moneys are expected to be needed to pay such costs of repair or replacement. After all of the Certificates have been paid and the entire amount of principal and interest with respect to the Certificates has been paid in full, or provision made for payment satisfactory to the Trustee, including provision for all amounts required to be transferred to the Rebate Fund pursuant to the Trust Agreement, the Trustee will pay any remaining moneys in the Net Proceeds Fund to the District after payment of any amounts due to the Trustee pursuant to the Trust Agreement and any other Additional Payments due under the Lease.

(b) Title Insurance. Proceeds of any policy of title insurance received by the Trustee with respect to the Property will be applied and disbursed by the Trustee upon the written request of the District as follows:

(i) If the District determines that the title defect giving rise to such proceeds has not substantially interfered with its use and occupancy of the Property and will not result in an abatement of Lease Payments and Additional Payments payable by the District under the Lease (such determination to be certified by the District in writing), such proceeds will be remitted to the District and used for any lawful purpose thereof; or

(ii) If the District determines that the title defect giving rise to such proceeds has substantially interfered with its use and occupancy of the Property and will result in an abatement of Lease Payments and Additional Payments payable by the District under the Lease, then the Trustee, with the prior consent of the Insurer, will immediately deposit such proceeds in the Prepayment Fund and such proceeds will be applied to the prepayment of Certificates in the manner provided in the Trust Agreement.

Cooperation. The Corporation and the Trustee will cooperate fully with the District at the expense of the District in filing any proof of loss with respect to any insurance policy maintained pursuant to the Lease and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Property or any item or portion thereof; provided, however, the Trustee will not be obligated to take any action thereunder if it is not indemnified to its satisfaction from and against any liability or expense arising therefrom.

MONEYS IN FUNDS; INVESTMENT

Held in Trust. The moneys and investments held by the Trustee under the Trust Agreement are irrevocably held in trust for the benefit of the Owners and, in the case of the Rebate Fund, for payment as required to the United States Treasury, and for the purposes therein specified, and such moneys, and any income or interest earned thereon, will be expended only as provided in the Trust Agreement, and will not be subject to levy or attachment or lien by or for the benefit of any creditor of the Corporation, the Trustee or the District, or any of them.

Investments Authorized.

(a) By Trustee. Subject to the further provisions of the Trust Agreement, moneys held by the Trustee thereunder will be invested and reinvested on maturity by the Trustee pursuant to the Trust Agreement. The Trustee will report any such investments to the District on a monthly basis in its regular statements. Such investments and reinvestments will be made giving full consideration for the time at which funds are required to be available based upon information supplied by the District.

Investments purchased with funds on deposit in the Lease Payment Fund and Prepayment Fund will mature not later than the Certificate Payment Date or prepayment date, as appropriate, immediately succeeding the investment. Investments purchased with funds on deposit in the Delivery Costs Fund will not mature later than the dates upon which such funds will be needed to be expended for the payment of Delivery Costs.

(b) Upon Direction of the District. The District Representative will direct by facsimile or electronic mail such investment in specific Permitted Investments not less than two Business Days prior to the date that such Permitted Investment is to take effect, confirmed by written order filed with the Trustee. In the event that the District Representative does not so direct the Trustee, the Trustee will invest in the Permitted Investments described in paragraph (B)(5) of the definition thereof contained in the Trust Agreement.

(c) Registration. Such investments, if registerable, will be registered in the name of the Trustee for the benefit of the Owners and held by the Trustee or its nominee.

(d) Trustee as Purchaser or Agent. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by the Trust Agreement. The Trustee may act as purchaser or agent in the making or disposing of any investment. The Trustee or any of its affiliates may act as a sponsor of, or as an advisor to any provider of, Permitted Investments thereunder. The District has acknowledged that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions as they occur, the District specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the District periodic cash transaction statements which include detail for all investment transactions made by the Trustee thereunder.

(e) Trustee Standard of Care. Except as otherwise provided in the Trust Agreement, the Trustee will not be responsible or liable for any loss suffered in connection with any investment of funds or sale of such investment made by it in accordance with the Trust Agreement or disposition made by it in accordance with the Trust Agreement.

Disposition of Investments. Any income, profit or loss on the investment of moneys held by the Trustee thereunder will be credited to the respective fund for which it is held, except as otherwise provided therein.

Accounting. The Trustee will furnish to the District, not less than monthly, an accounting (which may be in the form of its regular statements) of all investments made by the Trustee and all funds and amounts held by the Trustee; provided, that the Trustee will not be obligated to deliver an accounting for any fund or account that (i) has a balance of zero and (ii) has not had any activity since the last reporting date. The Trustee will keep accurate records of all funds administered by it and of all Certificates paid and discharged.

Valuation and Disposition of Investments.

(a) Valuation. Subject to the provisions of the Trust Agreement, for the purpose of determining the amount in any fund, all Permitted Investments (except investment agreements) credited to such fund will be valued at the lower of the cost or the market price, exclusive of accrued interest. With respect to all funds and accounts, investments will be valued by the Trustee (i) not less often than annually, and as otherwise directed by the District, and (ii) upon a draw on the Reserve Fund. In making any such valuations, the Trustee may conclusively rely upon, such valuation services as may be available to the Trustee, including those within its regular accounting system.

(b) Disposition. Subject to the provisions of the Trust Agreement, the Trustee will sell, or present for prepayment, any Permitted Investment so purchased by the Trustee whenever it will be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited.

Commingling of Moneys in Funds. The Trustee may, and upon the written request of the District Representative will, commingle any of the funds held by it pursuant to the Trust Agreement into a separate fund or funds for investment purposes only; provided, however, that all funds or accounts held by the Trustee thereunder will be accounted for separately notwithstanding such commingling by the Trustee. The District will ensure that any such commingling complies with Section 1.148-4 of the Treasury Regulations, and will provide direction to the Trustee accordingly.

THE TRUSTEE

Appointment of Trustee.

(a) Appointment. The U.S. Bank National Association, a national banking association organized under the laws of the United States of America, has been appointed as Trustee by the Corporation and the District.

(b) Qualifications. The Corporation and the District agree that they will maintain a Trustee having a corporate trust office in New York, New York, San Francisco, California, or Los Angeles, California capable of exercising trust powers in the State of California, supervised by the Office of the Comptroller of the Currency with a combined capital (exclusive of borrowed capital) and a surplus of at least Two Hundred and Fifty Million Dollars ($250,000,000), or a state charted commercial bank that is a member of the Federal Reserve System and has at least $1 billion of assets or otherwise approved by the Insurer in writing, and subject to supervision or examination by federal or state authority, so long as any Certificates are Outstanding. If such bank, national banking association, or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to then for the purpose of the Trust Agreement the combined capital and surplus of such bank, national banking association, or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(c) Removal. So long as there is no Event of Default then in effect, with the consent of the Insurer, so long as the Policy is in full force and effect and the Insurer is not in default of its obligations thereunder, the District may remove the Trustee initially appointed, and any successor thereto, and may appoint a successor or successors thereto.

(d) Resignation. The Trustee may, upon prior written notice to the District, the Insurer and the Corporation, resign; provided that such resignation shall not take effect until a successor Trustee is appointed as provided in this Section. Upon receiving such notice of resignation, the District shall promptly appoint a successor Trustee; provided that, so long as the Policy is in full force and effect and the Insurer is not in default of its obligations thereunder, the successor Trustee shall be approved by the Insurer. In the event the District does not name a successor Trustee within thirty (30) days of receipt of notice of the Trustee's resignation, then the Trustee may petition a court of suitable jurisdiction to seek the immediate appointment of a successor Trustee.

(e) Successor. Any successor Trustee shall be a bank, national banking association, or trust company meeting the qualifications as set forth in Subsection (b) above. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee, provided that, so long as the Policy is in full force and effect and the Insurer is not in default of its obligations thereunder, no removal or resignation of the Trustee shall take effect until a successor Trustee that is approved by the Insurer shall be qualified and appointed. Upon such acceptance, the successor Trustee shall mail notice thereof the Owners at their respective addresses set forth on the Certificate registration books maintained pursuant to the Trust Agreement.

The Insurer will receive prior written notice from the Trustee of any name change of the Trustee

Merger or Consolidation. Any company or banking association into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it will be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company will be eligible under the Trust Agreement, will be the successor to the Trustee without the execution or filing of any paper or further act, anything therein to the contrary notwithstanding.

Protection of the Trustee.

(a) Reliance Upon Papers or Documents. The Trustee will be protected and will incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, facsimile transmission, electronic mail, request, consent, direction, waiver, certificate, statement, affidavit, voucher, bond, requisition or other paper or document which it will in good faith believe to be genuine and to have been passed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of the Trust Agreement, and the Trustee will be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may, in the absence of bad faith on its part, accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements.

The Trustee has agreed to accept and act upon instructions or directions pursuant to the Trust Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate will be amended and replaced whenever a person is to be added or deleted from the listing. If the District elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions will be deemed controlling. The Trustee will not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The District has agreed to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

(b) Reliance Upon Opinions of Counsel. The Trustee may consult with counsel, who may be counsel to the District, with regard to legal questions and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered by it thereunder in good faith in accordance therewith. Before being required to take any action, the Trustee may require an opinion of Independent Counsel acceptable to the Trustee which opinion will be made available to the other parties thereto upon request, which counsel may be counsel to any of the parties thereto, or a verified certificate of any party thereto, or both, concerning the proposed action. If it does so in good faith, Trustee will be absolutely protected in relying thereon.

(c) Reliance Upon Requested Certificates. Whenever in the administration of its duties under the Trust Agreement, the Trustee will deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action thereunder, such matter (unless other evidence in respect thereof be therein specifically prescribed), in the absence of bad faith on its part, will be deemed to be conclusively proved and established by the certificate of the District Representative or the Corporation Representative and such certificate will be full warranty to the Trustee, in the absence of bad faith on its part, for any action taken or suffered under the provisions of the Trust Agreement upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Rights of the Trustee.

(a) Ownership of Certificates. The Trustee may become the Owner with the same rights it would have if it were not Trustee; may acquire and dispose of other bonds or evidence of indebtedness of the District with the same rights it would have if it were not the Trustee; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners, whether or not such committee will represent the Owners of the majority in principal amount of the Certificates then Outstanding.

(b) Attorneys, Agents, Receivers. The Trustee may execute any of the trusts or powers thereof and perform the duties required of it thereunder by or through attorneys, agents, or receivers, will not be responsible for the actions or omissions of such attorneys, agents or receivers if appointed by it with reasonable care, and will be entitled to advice of counsel concerning all matters of trust and its duty thereunder; provided that the Trustee will not assign any of its trust responsibilities without the prior written consent of the District.

(c) Funds and Accounts. In addition to the funds and accounts established or required to be established pursuant to the Trust Agreement, the Trustee may establish such additional funds and accounts as it deems necessary or appropriate to perform its duties thereunder.

Standard of Care. So long as there is no Event of Default, (a) the Trustee will not be liable in connection with the performance of its duties thereunder, except for its own negligence or willful misconduct, and (b) the Trustee will only perform those duties specifically set forth therein and no implied duties, covenants or obligations will be read into the Trust Agreement. In the event of and during the continuance of an Event of Default, the Trustee will exercise such care in performing its duties thereunder as a prudent person would exercise in the conduct of his affairs.

Compensation of the Trustee. As an Additional Payment under the Lease, the District will from time to time on demand, pay to the Trustee reasonable compensation for its services and the services of any accountants, consultants, attorneys and other experts as may be engaged by the Trustee to provide services under the Trust Agreement pursuant to a written agreement between the District and the Trustee, and the reimbursement for all expenses incurred in and about the performance of its powers and duties under the Trust Agreement. The District’s obligation thereunder will remain valid and binding notwithstanding maturity and payment of the Certificates or the resignation or removal of the Trustee.

Indemnification of Trustee. The District will, to the extent permitted by law, indemnify and save the Trustee and its officers, directors, agents, and employees harmless from and against all claims, losses, costs, expenses, liability and damages, including legal fees and expenses, arising out of (i) the use, maintenance, condition, construction or management of, or from any work or thing done on, the Property by the District, (ii) any breach or default on the part of the District in the performance of any of its obligations under the Trust Agreement and any other agreement made and entered into for purposes of the Property, (iii) any act of negligence of the District or of any of its agents, contractors, servants, employees or licensees with respect to the Property, (iv) any act of negligence of any assignee of, or purchaser from, the District or of any of its or their agents, contractors, servants, employees or licensees with respect to the Property, (v) the expenditure of Delivery Costs, or (vi) the exercise and performance by the Trustee of its powers and duties under the Trust Agreement or any related document, (vii) the sale of the Certificates and the carrying out of any of the transactions contemplated by the Certificates or the Trust Agreement or (viii) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made in light of the circumstances in which they were made, not misleading in any official statement or other disclosure document utilized in connection with the sale of the Certificates. The indemnification set forth in the Trust Agreement will extend to the Trustee's officers, agents, employees, successors and assigns. No indemnification will be made under the Trust Agreement or elsewhere in the Trust Agreement or other agreements for willful misconduct or negligence by the Trustee, its officers, directors, agents, employees, successors or assigns. The District's obligations thereunder will remain valid and binding notwithstanding maturity and payment of the Certificates, or the resignation or removal of the Trustee.

In accepting the trust thereby created, the Trustee acts solely as Trustee for the Owners and not in its individual capacity, and all persons, including, without limitation, the Owners, Corporation and the District, having any claim against the Trustee arising from the Trust Agreement will look only to the funds and accounts held by the Trustee thereunder for payment, except as otherwise provided therein or where the Trustee has breached its standard of care as described in the Trust Agreement. Under no circumstances will the Trustee be liable in its individual capacity for the obligations evidenced by the Certificates.

No provision of the Trust Agreement will require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties thereunder or in the exercise of any of its rights or powers.

The Trustee will not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Certificates at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee or in the exercise of any right thereunder.

The Trustee is authorized and directed to execute in its capacity as Trustee the Assignment Agreement.

Every provision of the Trust Agreement, the Lease, the Site Lease and the Assignment Agreement relating to the conduct or liability of the Trustee will be subject to the provisions of the Trust Agreement.

The Trustee will have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Certificates.

The Trustee will not to be deemed to have knowledge of any Event of Default thereunder or under the Lease unless a Responsible Officer of the Trustee has actual knowledge thereof at its Principal Office.

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

The Trustee will be under no obligation to exercise any of the rights or powers vested in it by the Trust Agreement at the request, order or direction of any of the Owners pursuant to the provisions of the Trust Agreement unless such Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby.

The Trustee may consult with counsel, who may be counsel of or to the District, with regard to legal questions, and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered by it under the Trust Agreement in good faith and in accordance with the Trust Agreement.

MODIFICATION OR AMENDMENT OF AGREEMENTS

Amendments Permitted.

(a) With Consent. The Trust Agreement, the Lease and the Site Lease, and the respective rights and obligations of the Corporation, the District and the Owners under the respective agreements, may be modified or amended at any time, by a supplemental agreement or amendment thereto which shall become effective with the prior written consent of the Insurer and the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, exclusive of Certificates disqualified as provided in the Trust Agreement, with notice to S&P. No such modification or amendment shall:

(i) extend or have the effect of extending the fixed maturity of any Certificate or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof or reducing any premium payable upon the prepayment thereof, or

(ii) reduce or have the effect of reducing the percentage of Certificates required for the affirmative vote or written consent to an amendment or modification of the Trust Agreement, the Lease, or the Site Lease, or

(iii) modify any of the rights or obligations of the Trustee without its written assent thereto, or

(iv) amend the provisions summarized under the subheading "MODIFICATION OR AMENDMENT OF AGREEMENTS – Amendments Permitted" above, without the prior written consent of the Owners of all Certificates then outstanding.

The Trustee shall have the right to require such Opinions of Counsel as it deems necessary concerning (i) the lack of material adverse effect of the amendment on Owners and (ii) that the amendment will not, in and of itself, affect the tax status of interest with respect to the Certificates. Any such supplemental agreement or amendments thereto will become effective as provided in the Trust Agreement. The Trustee may rely on an Opinion of Counsel that each such amendment is authorized or permitted pursuant to the Trust Agreement.

(b) Without Consent. The Trust Agreement, the Lease and the Site Lease, and the rights and obligations of the Owners, and the Lease and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement or amendments thereto, with notice to any rating agency then rating the Certificates, without the consent of any such Owners, but with the consent of the Insurer, only to the extent permitted by law and only:

(i) to add to the covenants and agreements of the District and the Corporation thereunder,

(ii) to cure, correct or supplement any ambiguous or defective provision contained therein or therein,

(iii) in regard to matters arising thereunder or thereunder, as the parties thereto or thereto may deem necessary or desirable (which may be based upon opinions as provided in the Trust Agreement), will not adversely affect the interest of the Owners,

(iv) to substitute the Property, or a portion thereof, in accordance with the Lease,

(v) to make such additions, deletions or modifications as may be necessary or appropriate to assure the exclusion from gross income for federal income tax purposes of the interest component of Lease Payments and the interest payable with respect to the Certificates,

(vi) to add to the rights of the Trustee,

(vii) to maintain the rating or ratings assigned to the Certificates, or

(viii) to provide for the execution and delivery of Additional Certificates in accordance with the provisions of the Trust Agreement.

No such modification or amendment, however, will modify any of the rights or obligations of the Trustee without its written assent thereto. Any such supplemental agreement will become effective upon execution and delivery by the parties thereto or thereto as the case may be. The Trustee may rely upon an opinion of counsel that each amendment is authorized or permitted pursuant to the Trust Agreement.

Procedure for Amendment with Written Consent of the Owners. The Trust Agreement, the Lease, or the Site Lease may be amended by supplemental agreement of the parties to such respective agreements as provided in the Trust Agreement in the event the consent of the Owners is required pursuant to the Trust Agreement. Such supplemental agreement, together with a request to the Owners for their consent thereto, will be mailed by the Trustee to each Owner of a Certificate at his address as set forth in the Certificate registration books maintained pursuant to the Trust Agreement, but failure to receive copies of such supplemental agreement and request so mailed will not affect the validity of the supplemental agreement when assented to as in the Trust Agreement provided.

Such supplemental agreement will not become effective unless there will be filed with the Trustee the written consent of the Owners of at least a majority in aggregate principal amount of the Certificates then Outstanding (exclusive of Certificates disqualified as provided in the Trust Agreement) and notices will been mailed as thereinafter in the Trust Agreement provided. Any such consent will be binding upon the Owner of the Certificate giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice thereinafter in the Trust Agreement provided for has been mailed.

After the Owners of the required percentage of Certificates shall have filed their consent to such supplemental agreement, the Trustee will mail a notice to the Owners of the Certificates in the manner provided in the Trust Agreement for the mailing of such supplemental agreement, stating in substance that such supplemental agreement has been consented to by the Owners of the required percentage of Certificates and will be effective as provided in the Trust Agreement (but failure to mail copies of said notice will not affect the validity of such supplemental agreement or consents thereto). A record, consisting of the papers required by the Trust Agreement to be filed with the Trustee, will be proof of the matters therein stated until the contrary is proved. The Trustee may obtain and conclusively rely on an opinion of counsel with regard to such matters.

Disqualified Certificates. Certificates owned or held by or for the account of the District or the Corporation or by any person directly or indirectly controlled or controlled by, or under direct or indirect common control with the District or the Corporation (except any Certificates held in any pension or retirement fund) will not be deemed Outstanding for the purpose of any vote, consent, waiver or other action or any calculation of Outstanding Certificates provided for in the Trust Agreement, and will not be entitled to vote upon, consent to, or take any other action provided for in the Trust Agreement. Upon request of the Trustee, the District and the Corporation will specify in a certificate to the Trustee those Certificates disqualified pursuant to the Trust Agreement and the Trustee may conclusively rely on such certificate.

The District or the Trustee may adopt appropriate regulations to require each Owner, before his consent provided for in the Trust Agreement will be deemed effective, to reveal if the Certificates as to which such consent is given are disqualified as provided in the Trust Agreement.

Effect of Supplemental Agreement. From and after the time any supplemental agreement becomes effective pursuant to the Trust Agreement, the Lease, or the Site Lease, as the case may be, will be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties thereto or thereto and all Owners of Certificates Outstanding, as the case may be, will thereafter be determined, exercised and enforced thereunder subject in all respects to such modification and amendment, and all the terms and conditions of any supplemental agreement will be deemed to be part of the terms and conditions of the Trust Agreement or the Lease, as the case may be, for any and all purposes.

Endorsement or Replacement of Certificates Delivered After Amendments. The Trustee may determine that Certificates delivered after the effective date of any action taken as provided in the Trust Agreement will bear a notation, by endorsement, in form approved by the District, as to such action. In that case, upon demand of the Owner of any Outstanding Certificate at such effective date and presentation of his Certificate for such purpose at the Principal Office, a suitable notation will be made on such Certificate. The District may determine that new Certificates, so modified as in the opinion of the District is necessary to conform to such Owner's action, will be prepared, executed and delivered. In that case, upon demand of the Owner of any Certificate then Outstanding, such new Certificate will be exchanged in the Principal Office without cost to such Owner, for a Certificate of the same character then Outstanding, upon surrender of such Certificate.

Amendatory Endorsement of Certificates. Subject to the Trust Agreement, the provisions of the Trust Agreement will not prevent an Owner from accepting any amendment as to the particular Certificates held by him, provided that due notification thereof is made on such Certificates.

Copies of Amendments Delivered to S&P. Copies of any modifications or amendments to the Trust Agreement, the Lease, the Site Lease or the Assignment Agreement shall be delivered by the District to S&P at least 10 days prior to the effective date thereof.

COVENANTS; NOTICES

Compliance With and Enforcement of the Lease. The District has covenanted and agreed with the Owners and the Insurer to perform all obligations and duties imposed on it under the Lease. The Corporation has covenanted and agreed with the Owners to perform all obligations and duties imposed on it under the Lease.

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

Payment of Taxes. The District will pay all taxes as provided in the Lease.

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

Prosecution and Defense of Suits. The District will promptly, and also upon request of the Trustee, the Insurer, or any Owner, from time to time take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Property, whether now existing or hereafter developing and will prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and will indemnify and save the Trustee, and every Owner harmless from all loss, cost, damage and expense including reasonable attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

District Budgets. In accordance with the Lease, the District Representative will certify to the Trustee on or before July 1 of each year that the District has included all Lease Payments (other than Lease Payments of advance rental), Reserve Replenishment Rent and Additional Payments due under the Lease in the Fiscal Year covered by its annual budget and the amount so included. If the District fails to certify that it has included all such Lease Payments, Reserve Replenishment Rent and Additional Payments in such annual budget, the Trustee will promptly provide the District written notice specifying that the District has failed to observe and perform its covenant and agreement in the Lease and requesting that such failure be remedied within 30 days, or such failure will constitute an Event of Default under the Lease. The Trustee will forward a copy of such notice to the Corporation and the Insurer. Upon receipt of such notice, the District shall notify the Trustee of the proceedings proposed to be taken by the District, and shall keep the Trustee advised of all proceedings thereafter taken by the District.

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

Continuing Disclosure. The District has covenanted that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Trust Agreement, failure of the District to comply with the Continuing Disclosure Certificate will not be considered an Event of Default or an event of default thereunder; however, any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under the Trust Agreement and the Continuing Disclosure Certificate.

LIMITATION OF LIABILITY

Limited Liability of the District. Except for the payment of Lease Payments, Reserve Replenishment Rent, Additional Payments and Prepayments when due in accordance with the Lease and the performance of the other covenants and agreements of the District contained therein and in the Lease, the District will have no obligation or liability to any of the other parties or to the Owners with respect to the Trust Agreement or the terms, execution, delivery or transfer of the Certificates, or the distribution of Lease Payments to the Owners by the Trustee.

No Liability of the District or Corporation for Trustee Performance. Except as expressly provided therein, neither the District nor the Corporation will have any obligation or liability to any other parties or to the Owners with respect to the performance by the Trustee of any duty imposed upon it under the Trust Agreement.

Limited Liability of Trustee.

(a) No Investment Advice. The Trustee will have no obligation or responsibility for providing information to the Owners concerning the investment character of the Certificates.

(b) Sufficiency of the Trust Agreement or Lease Payments. The Trustee makes no representations as to the validity or sufficiency of the Certificates, will incur no responsibility in respect thereof, other than in connection with the duties or obligations therein or in the Certificates assigned to or imposed upon it. The Trustee will not be responsible for the sufficiency or enforceability of the Lease, the Site Lease or the Assignment Agreement. The Trustee will not be liable for the sufficiency or collection of any Lease Payments or other moneys required to be paid to it under the Lease (except as provided in the Trust Agreement), its right to receive moneys pursuant to said Lease, or the value of or title to the Property.

(c) Actions of Corporation and the District. The Trustee will have no obligation or liability to any of the other parties or the Owners with respect to the Trust Agreement or failure or refusal of any other party to perform any covenant or agreement made by any of them under the Trust Agreement or the Lease, but will be responsible solely for the performance of the duties and obligations expressly imposed upon it thereunder as provided in the Trust Agreement.

(d) Recitals and Agreements of Corporation and the District. The recitals of facts, covenants and agreements therein and in the Certificates contained will be taken as statements, covenants and agreements of the District or the Corporation (as the case may be), and the Trustee assumes no responsibility for the correctness of the same.

Limitation of Rights to Parties and Certificate Owners. Nothing in the Trust Agreement or in the Certificates expressed or implied is intended or will be construed to give any person other than the District, the Corporation, the Trustee, the Insurer, and the Owners, any legal or equitable right, remedy or claim under or in respect of the Trust Agreement or any covenant, condition or provision thereof; and all such covenants, conditions and provisions are and will be for the sole and exclusive benefit of the District, the Corporation, the Trustee, the Insurer, and the Owners.

No Liability of the Corporation to the Owners. Except as expressly provided therein, the Corporation will not have any obligation or liability to the Owners with respect to the payment when due of the Lease Payments by the District or with respect to the observance or performance by the District of the other agreements, conditions, and covenants imposed upon the District by the Lease or by the Trust Agreement.

EVENTS OF DEFAULT AND REMEDIES OF CERTIFICATE OWNERS

Assignment of Rights. The parties thereto acknowledge that pursuant to the Assignment Agreement the Corporation has transferred, assigned and set over to the Trustee for the benefit of the Owners, certain of the Corporation's rights under the Lease and the Site Lease.

Events of Default.

(a) Remedies. If an Event of Default will happen, then, and in each and every such case during the continuance of such Event of Default, the Trustee may exercise any and all remedies available pursuant to law or granted pursuant to the Lease, including writs of manadamus; provided, however, that notwithstanding anything therein or in the Lease to the contrary, THERE WILL BE NO RIGHT UNDER ANY CIRCUMSTANCES TO ACCELERATE THE MATURITIES OF THE CERTIFICATES OR OTHERWISE TO DECLARE ANY LEASE PAYMENTS NOT THEN IN DEFAULT TO BE IMMEDIATELY DUE AND PAYABLE; provided further that so long as the Insurer is not in default of its payment obligations under the Insurance Policy, the Insurer will control all remedies available upon an Event of Default. The Lease has been incorporated by reference.

(b) Actual Knowledge. The Trustee will not be deemed to have knowledge of any Event of Default unless and until a Responsible Officer shall have actual knowledge thereof, or shall have received written notice thereof at its Principal Office.

(c) Action on Default. If an Event of Default (within the meaning of the Lease) will happen, then such Event of Default will constitute an Event of Default thereunder. The Trustee may give notice, as assignee of the Corporation, of an Event of Default under the Lease or thereunder to the District, and shall do so if directed to do so by the Insurer or the Owners of not less than a majority of the aggregate principal evidenced by Certificates then Outstanding. In each and every case during the continuance of an Event of Default, the Trustee (a) may, at the direction of the Owners of not less than a majority of the aggregate principal evidenced by Certificates then Outstanding, with the consent of the Insurer, and (b) shall, at the direction of the Insurer and upon notice in writing to the District and the Corporation, exercise any of the remedies granted to the Corporation under the Lease and, in addition, take whatever action at law or in equity may appear necessary or desirable to enforce its rights as assignee pursuant to the Assignment Agreement or to protect and enforce any of the rights vested in the Trustee or the Owners by the Trust Agreement or by the Certificates, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement or for the enforcement of any other legal or equitable right, including any one or more of the remedies set forth in the Trust Agreement.

Application of Funds. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Trust Agreement or of the Lease, will be deposited into the Lease Payment Fund and be applied by the Trustee after payment of all amounts due and payable under the Trust Agreement and the Lease in the following order upon presentation of the several Certificates, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid

First, Costs and Expenses: to the payment of the costs, fees and expenses of the Trustee in declaring such Event of Default and in performing its duties thereunder, including reasonable compensation to its or their agents, attorneys and counsel;

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

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

Fourth, Insurance: to the extent not included in clauses First, Second and Third above, to the payment of all amounts then due to the Insurer, as certified in writing to the Trustee. The Trustee may conclusively rely upon certification of the Insurer.

Institution of Legal Proceedings. If one or more Events of Default will happen and be continuing, the Trustee may, and, upon the written request of the Owners of a majority in principal amount of the Certificates then Outstanding, and upon being indemnified to its satisfaction therefor, will, proceed to protect or enforce its rights or the rights of the Owners by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained therein or in the Lease, or in aid of the execution of any power therein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee will deem most effectual in support of any of its rights or duties thereunder; provided that such written request will not be otherwise than in accordance with provisions of law and the Trust Agreement and that the Trustee will have the right to decline to follow any such written request if the Trustee will be advised by counsel that the action or proceeding so requested may not be taken lawfully or if the Trustee in good faith will determine that the action or proceeding so requested would be unjustly prejudicial to the Certificate Owners not a party to such written request or expose the Trustee to liability.

Non Waiver. Nothing in the Trust Agreement or in the Certificates will affect or impair the obligation of the District which is absolute and unconditional, to pay or prepay the Lease Payments as provided in the Lease. No delay or omission of the Trustee or of any Owner of any of the Certificates to exercise any right or power arising upon the happening of any Event of Default will impair any such right or power or will be construed to be a waiver of any such Event of Default or an acquiescence therein, and every power and remedy given by the Trust Agreement to the Trustee or to the Owners may be exercised from time to time and as often as will be deemed expedient by the Trustee or the Owners.

Remedies Not Exclusive. No remedy therein conferred upon or reserved to the Trustee or to the Owners is intended to be exclusive of any other remedy, and every such remedy will be cumulative and will be in addition to every other remedy given thereunder or now or hereafter existing, at law or in equity or by statute or otherwise.

Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, will have taken any action, by judicial proceedings or otherwise, pursuant to its duties thereunder, whether upon its own discretion, or upon the request of the Owners of a majority in principal amount of the Certificates then Outstanding, it will have full power, in the exercise of its discretion for the best interest of the Owners of the Certificates, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee will not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed the Owners of at least a majority in principal amount of the Outstanding Certificates under the Trust Agreement opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Limitation on Certificate Owners' Right to Sue. No Owner of any Certificate executed thereunder will have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Trust Agreement, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default under the Lease; (b) such Owner shall, so long as the Insurer is not in default of its payment obligations under the Insurance Policy, have secured the Insurer's consent to such institution, (c) the Owners of a majority in aggregate principal amount of all the Certificates then Outstanding shall have made written request upon the Trustee to exercise the powers thereinbefore granted or to institute such action, suit or proceeding in its own name; (d) said Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (e) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (f) there shall have been a default in the payment of such Owner's proportionate interest in the Lease Payments as the same become due.

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

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

Agreement to Pay Attorneys' Fees and Expenses. In the event any party to the Trust Agreement should default under any of the provisions thereof and the nondefaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement or observance of any obligation or agreement on the part of the defaulting party contained therein, the defaulting party has agreed that it will on demand therefor pay to the nondefaulting party the reasonable fees of such attorneys and such other expenses so incurred by the nondefaulting party.

MISCELLANEOUS

Defeasance.

(a) Methods. If and when any Outstanding Certificates will be paid and discharged in any one or more of the following ways -

(i) Payment or Prepayment: by well and truly paying or causing to be paid the principal, interest and prepayment premiums (if any) with respect to such Certificates Outstanding, as and when the same become due and payable;

(ii) Cash: prior to maturity, by depositing with the Trustee (or such other independent escrow agent as the District selects), in trust, an amount of cash which (including cash then on deposit in the Lease Payment Fund, in the event of prepayment or provision for payment of all Outstanding Certificates, and cash then on deposit Reserve Fund, in the event of prepayment or provision for payment of all Outstanding Certificates or as otherwise provided in the Trust Agreement) is fully sufficient to pay and discharge such Certificates (including all principal and interest represented thereby and prepayment premiums if any) at or before their maturity date; or

(iii) Government Obligations: prior to maturity, by irrevocably depositing with the Trustee (or such other independent escrow agent as the District selects), in trust, Government Obligations together with cash, if required (including cash then on deposit in the Lease Payment Fund, in the event of prepayment or provision for payment of all Outstanding Certificates, and cash then on deposit Reserve Fund, in the event of prepayment or provision for payment of all Outstanding Certificates or as otherwise provided in the Trust Agreement), in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon, be fully sufficient to pay and discharge such Certificates (including all principal and interest represented thereby and prepayment premiums if any) at or before their maturity date;

and all other amounts due thereunder and under the Lease have been paid in full, then, notwithstanding that any Certificates will not have been surrendered for payment, all obligations of the Corporation, the Trustee and the District with respect to such Certificates will cease and terminate, except only the obligation of the Trustee to pay or cause to be paid, from Lease Payments paid by or on behalf of the District from funds deposited pursuant to paragraphs (i) and (iii) of the Trust Agreement, to the Owners of the Certificates not so surrendered and paid all sums due with respect thereto, and in the event of deposits pursuant to paragraphs (ii) and (iii) of the Trust Agreement, the Certificates will continue to represent direct and proportionate interests of the Owners thereof in Lease Payments under the Lease.

(b) Surplus Moneys. Any funds held by the Trustee, at the time of payment or provision for payment of all Outstanding Certificates pursuant to the one of the procedures described in paragraphs (a)(i) through (a)(iii) of the Trust Agreement, which are not required for the payment to be made to Owners, will be paid over to the District, after the payment of any amounts due to the Trustee pursuant to the Trust Agreement, and any other Additional Payments due under the Lease.

(c) Surviving Provisions. Notwithstanding the satisfaction and discharge thereof, the Trustee will retain such rights, powers and privileges thereunder as may be necessary or convenient for the payment of the principal, interest and prepayment premium, if any, with respect to the Certificates and for the registration, transfer and exchange of the Certificates.

(d) Opinions and Reports. Prior to any defeasance becoming effective under the Trust Agreement, the District will cause to be delivered (i) an executed copy of a report, addressed to the Trustee, the District and the Insurer, in form and substance acceptable to the Trustee, the Insurer and the District of an Accountant, verifying that the Government Obligations and cash, if any, satisfy the requirements of the Trust Agreement, (ii) a copy of the escrow deposit agreement entered into in connection with such defeasance acceptable to the Insurer, (iii) a copy of an Opinion of Counsel, dated the date of such defeasance and addressed to the Trustee, the District, and the Insurer, in form and substance acceptable to the District and the Insurer, covering the validity and enforceability of the escrow agreement and substantially to the effect that such Certificates are no longer Outstanding under the Trust Agreement, and (iv) a certificate of discharge of the Certificates from the Trustee.

Notwithstanding any other provision of the Trust Agreement, the Trust Agreement will not be discharged until all Policy Costs owing to the Insurer and all amounts due or to become due to the Insurer have been paid in full. The District's obligation to pay such amounts will expressly survive payment in full of the Certificates.

The Insurer will be entitled to receive copies of substantially final drafts of the above-referenced documents not less than five (5) Business Days prior to the funding of the escrow.

Non-Presentment of Certificates. In the event any Certificate will not be presented for payment when the principal with respect thereto becomes due, either at maturity, or at the date fixed for prepayment thereof, if moneys sufficient to pay such Certificate shall have been deposited in the Prepayment Fund or Lease Payment Fund, as applicable, all liability of the District to the Owner thereof for payment of such Certificate will forthwith cease, terminate and be completely discharged, and thereupon it will be the duty of the Trustee to hold such moneys, without liability for interest thereon, for the benefit of the Owner of such Certificate who will thereafter be restricted exclusively to such moneys, for any claim of whatever nature on his or her part under the Trust Agreement or on, or with respect to, said Certificate.

Any moneys so deposited with and held by the Trustee not so applied to the payment of interest or principal with respect to Certificates within two (2) years after the date on which the same shall have become due will be paid by the Trustee to the District, free from the trusts created by the Trust Agreement. In addition, Trustee will be indemnified from and against any and all liabilities to third parties resulting from its actions under the Trust Agreement. Thereafter, Owners will be entitled to look only to the District for payment, and then only to the extent of the amount so repaid by the Trustee. The District will not be liable for any interest on the sums paid to it pursuant to the provisions of the Trust Agreement summarized in this paragraph and will not be regarded as a trustee or trustees of such money.

Acquisition of Certificates by District. All Certificates acquired by the District, whether by purchase, gift or otherwise, will be surrendered by the District to the Trustee for cancellation.

Records. The Trustee will keep complete and accurate records of all moneys received and disbursed by it under the Trust Agreement, which will be available for inspection by the District, the Corporation and any Owner, or the agent of any of them, at any time during regular business hours upon reasonable prior notice.

Waiver of Notice. Whenever in the Trust Agreement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any case the giving or receipt of such notice will not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Separability of Invalid Provisions. In case any one or more of the provisions contained in the Trust Agreement or in the Certificates will for any reason be held to be invalid, illegal or unenforceable in any respect, then such invalidity, illegality or unenforceability will not affect any other provision of the Trust Agreement, and the Trust Agreement will be construed as if such invalid or illegal or unenforceable provision had never been contained therein. The parties thereto thereby declare that they would have entered into the Trust Agreement and each and every other section, paragraph, sentence, clause or phrase thereof and authorized the delivery of the Certificates pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of the Trust Agreement may be held illegal, invalid or unenforceable.

Provisions Relating to Certificate Insurance. Notwithstanding any other provision in the Trust Agreement to the contrary, the following provisions will apply for the benefit of the Insurer:

(a) Any notice that is required to be given to any Owners, Information Services, or the Depository will be given to the Insurer.

(b) Notwithstanding any other provision herein, in determining whether the rights of the Owners will be adversely affected by an action taken pursuant to the terms and provisions of the Trust Agreement, the Trustee will consider the effect of such action on the Owners as if there were no Insurance Policy.

(c) The Insurer will be deemed to be the sole Owner of all of the Certificates for purposes of

(i) exercising all remedies and directing the Trustee to take actions or for any other purposes following an Event of Default (as defined in the Lease), and

(ii) granting any consent, direction or approval, exercising any privilege, casting any vote, or taking any action permitted by or required hereunder, as the case may be, to be granted or taken by the Owners of the Certificates pertaining to defaults and remedies, or the duties and obligations of the Trustee.

(d) As a term of the Trust Agreement and each Certificate, the Trustee and Owners have appointed the Insurer as their agent and attorney-in-fact with respect to the Certificates and agreed that the Insurer may at any time during the continuation of any Insolvency Proceeding direct all matters relating to such Insolvency Proceeding, including without limitation all matters relating to any (i) Claim, (ii) the direction of any appeal of any order relating to any Claim, (iii) the posting of any surety, supersedeas or performance bond pending any such appeal, and (iv) the right to vote to accept or reject any plan of adjustment. In addition, the Trustee and Owners have delegated and assigned to the Insurer, to the fullest extent permitted by law, their rights with respect to the Certificates in the conduct of any Insolvency Proceeding, including without limitation all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding.

(e) Any provision in the Trust Agreement expressly recognizing or granting rights in and to the Insurer may not be amended in any manner that affects the rights of the Insurer without the prior written consent of the Insurer.

(f) Whenever the consent of the Owners of Certificates is required pursuant to the provisions of the Trust agreement, the Insurer’s prior written consent will also be required.

(g) Payment Procedures Under the Insurance Policy.

(i) If, on the third Business Day prior to a Certificate Payment Date there is not on deposit with the Trustee, after making all transfers and deposits required under the Trust Agreement, moneys sufficient to pay the principal and interest with respect to the Certificates due on such Certificate Payment Date, the Trustee will give notice to the Insurer and to the Insurer's Fiscal Agent by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Certificate Payment Date, there continues to be a deficiency in the amount available to pay the principal and interest with respect to the Certificates due on such Certificate Payment Date, the Trustee will make a claim under the Insurance Policy and give notice to the Insurer and the Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest with respect to the Certificates and the amount required to pay principal with respect to the Certificates, confirmed in writing to the Insurer and the Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Insurance Policy.

(ii) The Trustee will designate any portion of payment of principal evidenced by Certificates paid by the Insurer, whether by virtue of mandatory sinking fund prepayment, if any, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Certificates registered to the then current Certificate Owner, whether DTC or its nominee or otherwise, and will issue a replacement Certificate to the Insurer, registered in the name of Assured Guaranty Municipal Corp., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Certificate will have no effect on the amount of principal or interest payable by the District with respect to any Certificate or the subrogation rights of the Insurer.

(iii) The Trustee will keep a complete and accurate record of all funds deposited by the Insurer into the Policy Payments Account and the allocation of such funds to payment of interest and principal with respect to any Certificate. The Insurer will have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

(iv) Upon payment of a claim under the Insurance Policy, the Trustee will establish the Policy Payments Account. The Trustee will receive any amount paid under the Insurance Policy in trust on behalf of Certificate Owners and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts will be disbursed by the Trustee to Certificate Owners in the same manner as principal and interest payments are to be made with respect to the Certificates under the sections of the Trust Agreement regarding payment of Certificates. It will not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything in the Trust Agreement to the contrary, the District has agreed to pay to the Insurer, (i) a sum equal to the total of all Insurer Advances; and (ii) to the extent permitted by law and subject to the Lease, interest on such Insurer Advances equal to the Insurer Reimbursement Amounts. The Late Payment Rate will be computed on the basis of the actual number of days elapsed over a year of 360 days. The District has covenanted and agreed that the Insurer Reimbursement Amounts are secured by a lien on and pledge of the funds on deposit with the Trustee and payable from such funds on a parity with interest and principal due with respect to the Certificates.

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

(h) The Insurer will, to the extent it makes any payment of principal or interest with respect to the Certificates, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Insurance Policy (which subrogation rights shall also include the rights of any such recipients in connection with any Insolvency Proceeding). Each obligation of the District to the Insurer under the Trust Agreement and each Related Document will survive discharge or termination of such Related Document.

(i) The District will pay or reimburse the Insurer, to the extent permitted by law and subject to the Lease, any and all charges, fees, costs and expenses that the Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in any Related Document; (ii) the pursuit of any remedies under the Trust Agreement or any other Related Document or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Trust Agreement or any other Related Document whether or not executed or completed, or (iv) any litigation or other dispute in connection with the Trust Agreement or any other Related Document or the transactions contemplated thereby, other than costs resulting from the failure of the Insurer to honor its obligations under the Insurance Policy. The Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Trust Agreement or any other Related Document.

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

(k) The rights granted to the Insurer under the Trust Agreement or any other Related Document to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Insurance Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer’s contractual rights and will not be construed or deemed to be taken for the benefit, or on behalf, of the Certificate Owners and such action does not evidence any position of the Insurer, affirmative or negative, as to whether the consent of the Certificate Owners or any other person is required in addition to the consent of the Insurer.

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

(m) Amounts paid by the Insurer pursuant to the Insurance Policy will not be deemed paid for the purposes of the Trust Agreement and the Certificates relating to such payments will remain Outstanding and the principal and interest evidenced thereby will continue to be due and owing until paid by the District in accordance with the Trust Agreement.

(n) The Trustee will notify the Insurer of any failure of the District to provide notices, certification and other information under the Trust Agreement.

(o) So long as any Certificates insured by the Insurer remain Outstanding or any amounts are owed to the Insurer by the District, the District will not enter into any interest rate exchange agreement, cap, collar, floor, ceiling or other agreement or instrument involving reciprocal payment obligations between the District and a counterparty based on interest rates applied to a notional amount of principal, without the prior written consent of the Insurer.

(p) No contract shall be entered into or any action taken by which the rights of the Insurer may be impaired or prejudiced in any material respect, except upon the prior written consent of the Insurer.

Information to be Provided to the Insurer. The District will furnish to the Insurer or the Trustee, as the case may be, the following:

(a) Annual audited financial statements within nine months after the end of the District's fiscal year (together with a certification of the District that it is not aware of any default or Event of Default under the Trust Agreement or the Lease), and the District's annual budget within 30 days after the approval thereof together with such other information, data or reports as the Insurer shall reasonably request from time to time. Annual reports and notices of enumerated events filed through the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") portal will be deemed delivered to the Insurer;

(b) Notice of any draw upon the Reserve Fund within two Business Days after knowledge thereof other than (i) withdrawals of amounts in excess of the Reserve Requirement and (ii) withdrawals in connection with a refunding of Certificates;

(c) Notice of any default known to the Trustee or District within five Business Days after knowledge thereof;

(d) Prior notice of the advance refunding or prepayment of any of the Certificates, including the principal amount, maturities and CUSIP numbers thereof;

(e) Notice of the resignation or removal of the Trustee and the appointment of, and acceptance of duties by, any successor thereto;

(f) Notice of the commencement of any Insolvency Proceeding by or against the Corporation or the District;

(g) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal or interest with respect to the Certificates;

(h) A full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver to the Related Documents;

(i) All reports, notices and correspondence to be delivered to Certificate Holders under the terms of the Related Documents; and

(j) The Insurer will have the right to receive such additional information as it may reasonably request.

(k) Interested Parties. Nothing in the Trust Agreement expressed or implied is intended or shall be construed to confer upon, or to give grant to any person or entity, other than the District, the Corporation, the Trustee, and the Owners of the Certificates, any right, remedy or claim under or by reason of the Trust Agreement or any covenant, condition or stipulation thereof, and all covenants, stipulations, promises and agreements in the Trust Agreement contained by and on behalf of the District shall be for the sole and exclusive benefit of the District, the Corporation, the Insurer, the Trustee, and the registered Owners of the Certificates.

THE ASSIGNMENT AGREEMENT

The Assignment Agreement provides for the transfer, assignment and setting over by the Corporation to the Trustee, for the benefit of the Owners of Certificates, all of the Corporation's rights under the Lease (excepting only the Corporation's rights to recover attorneys' fees and expenses in the event the Corporation is a non-defaulting party to a Lease after a default), including, without limitation, (1) the right to receive and collect all of the Lease Payments, Additional Payments, Prepayments and Reserve Replenishment Rent from the District under the Lease; (2) the right to receive and collect any proceeds of any insurance maintained pursuant to the Lease, or any condemnation award rendered with respect to the Property or any lease of the Property in the event of a default by the District under the Lease; (3) the right to take all actions and give all consents under the Lease; (4) the right to exercise such rights and remedies conferred on the Corporation under the Lease as may be necessary or convenient (a) to enforce payment of the Lease Payments, Additional Payments, Prepayments, Reserve Replenishment Rent and any other amounts required to be deposited in the Lease Payment Fund, the Prepayment Fund, the Reserve Fund or the Net Proceeds Fund established under the Trust Agreement, or (b) otherwise to protect the interests of the Corporation in the event of a default by the District under the Lease; and (5) the right of the Corporation to receive rentals in excess of Lease Payments as compensation for re-letting the Property upon events of default under the Lease. The Trustee accepts such assignment for the benefit of the Owners of the Certificates, subject to the provisions of the Trust Agreement.

THE SITE LEASE

Pursuant to the Site Lease, the District, as lessor, leases to the Corporation, as lessee, right, title and interest in the Property. The term of the Site Lease will commence as of the date of the Lease to the Site Lease and will remain in effect until the expiration of the term of the Lease. The Property will be simultaneously leased back to the District under the Lease, and title will remain in the District.

APPENDIX B

PROPOSED FORM OF OPINION OF SPECIAL COUNSEL FOR THE CERTIFICATES

January 29, 2019

Board of Education
Riverside Unified School District

$4,170,000
RIVERSIDE UNIFIED SCHOOL DISTRICT
2019 Refunding Certificates of Participation
Evidencing the Fractional Interests of the
Owners Thereof in Lease Payments to be
Made by the
RIVERSIDE UNIFIED SCHOOL DISTRICT

Members of the Board of Education:

We have examined a certified copy of the record of the proceedings relative to the execution and delivery of $4,170,000 principal amount of Riverside Unified School District 2019 Refunding Certificates of Participation and dated the Date of Delivery (the "Certificates"), evidencing the fractional interests of the registered owners thereof in the right to receive certain Lease Payments (as that term is defined in the Trust Agreement hereinafter mentioned) under and pursuant to that certain Lease/Purchase Agreement (the "Lease"), dated as of January 1, 2019, between the Riverside Unified School District (the "District") and the Riverside Unified School District School Facilities Corporation, a nonprofit corporation duly organized and existing under and by virtue of the laws of the State of California (the "Corporation"), all of which right to receive such Lease Payments has been assigned without recourse by the Corporation to U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America, as trustee (the "Trustee"), pursuant to the Trust Agreement, dated as of January 1, 2019, by and among the District, the Corporation and the Trustee (the "Trust Agreement"), which Certificates have been executed by the Trustee pursuant to the terms of the Trust Agreement.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to certify the same by independent investigation.

In our opinion, such proceedings show lawful authority for the execution and delivery by the District of the Trust Agreement and the Lease under the laws of the State of California now in force, and the Lease and the Trust Agreement have been duly authorized, executed and delivered by the District and, assuming due authorization, execution and delivery by the Trustee and the Corporation as appropriate, are valid and binding obligations of the District, enforceable against the District in accordance with their respective terms. The Certificates, assuming due execution and delivery by the Trustee, are entitled to the benefits of the Trust Agreement. The obligation of the District to make the Lease Payments under the Lease does not constitute a debt of the District or the State of California, or of any political subdivision thereof, within the meaning of any constitutional debt limit or restriction, does not violate any statutory debt limitation, and does not constitute an obligation for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation.

We are further of the opinion that under existing statutes, regulations, rulings and judicial decisions, the portion of each Lease Payment constituting interest with respect to the Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

We are further of the opinion that the portion of each Lease Payment constituting interest (and original issue discount) with respect to the Certificates is exempt from State of California personal income tax.

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

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Trust Agreement and the Tax Certificate permit certain actions to be taken or to be omitted if a favorable opinion of Special Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Certificate if any such action is taken or omitted based upon the advice of counsel other than ourselves. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Certificates.

The opinions expressed herein as to the exclusion from gross income of the portion of each Lease Payment constituting interest (and original issue discount) with respect to the Certificates are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the execution and delivery of the Certificates to assure that such portion of each Lease Payment constituting interest (and original issue discount) with respect to the Certificates will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the portion of each Lease Payment constituting interest (and original issue discount) with respect to the Certificates to be included in gross income for federal income tax purposes retroactive to the date of execution and delivery of the Certificates. The District has covenanted to comply with all such requirements.

It is possible that subsequent to the delivery of the Certificates there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Certificates or the market value of the Certificates. No assurance can be given that subsequent to the delivery of the Certificates such changes or interpretations will not occur.

With respect to the opinions expressed herein, the rights and obligations under the Certificates, the Lease and the Trust Agreement are subject to bankruptcy, insolvency, moratorium and other laws affecting the enforcement of creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

STRADLING YOCCA CARLSON & RAUTH

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APPENDIX C

2017-18 AUDITED FINANCIAL STATEMENTS OF RIVERSIDE UNIFIED SCHOOL DISTRICT

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RIVERSIDE UNIFIED
SCHOOL DISTRICT

AUDIT REPORT

For the Fiscal Year Ended
June 30, 2018

RIVERSIDE UNIFIED SCHOOL DISTRICT
For the Fiscal Year Ended June 30, 2018
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Financial Section

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INDEPENDENT AUDITORS' REPORT

Board of Education
Riverside Unified School District
Riverside, 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 Riverside Unified School District, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.* 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 Riverside Unified School District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Kevin Brejnak, CPA, CFE | Peter Glenn, CPA | Michael Klein, CPA, CMA, EA

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Change in Accounting Principle
As discussed in Note 1.I.1. to the basic financial statements, the District has changed its method for accounting and reporting for postemployment benefits other than pensions during fiscal year 2017-18 due to the adoption of Governmental Accounting Standards Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". The adoption of this standard required retrospective application resulting in a $15,685,884 reduction of previously reported net position at July 1, 2017. Our opinion is not modified with respect to this matter.

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

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The supplementary information on pages 65 to 68 and the schedule of expenditures of federal awards on page 69 are the responsibility of management and were derived from and relate 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on pages 64 and 70 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards,* we have also issued our report dated November 20, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Nigro+Nigro, PC

Murrieta, California
November 20, 2018

This discussion and analysis of Riverside Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Net position of governmental activities decreased by approximately $3.5 million.
- Governmental expenses were about $534.7 million. Revenues were about $531.1 million.
- The District spent $20.7 million in new capital assets during the year.
- The District decreased its outstanding long-term debt by $23.3 million.
- Grades K-12 average daily attendance (ADA) decreased by 527, or 1.3%.

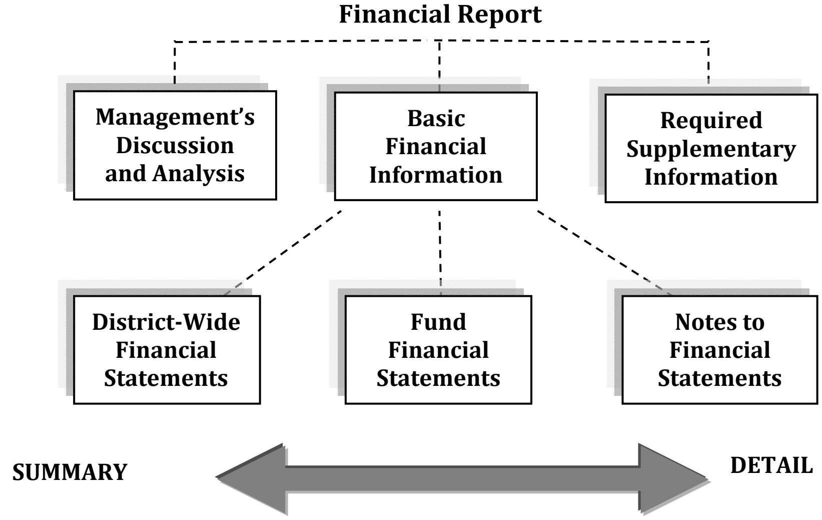
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
  - The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
  - Short and long-term financial information about the activities of the District that operate like businesses (self-insurance funds) are provided in the *proprietary funds statements.*
  - *Fiduciary funds* statement provides information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1. Organization of Riverside Unified School District's Annual Financial Report



OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities of the District that operate like a business, such as self-insurance funds	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances	• Statement of Net Position • Statement of Revenues, Expenses & Changes in Net Position • Statement of Cash Flows	• Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

District-Wide Statements
The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District'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 district-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of school buildings and other facilities.

- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

Fund Financial Statements
The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.

- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues.

The District has three kinds of funds:

- ***Governmental funds*** – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.

- ***Proprietary funds*** – When the District charges other District funds for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and Statement of Activities. In fact, the District's internal service fund is included within the governmental activities reported in the district-wide statements but provide more detail and additional information, such as cash flows. The District uses the internal service fund to report activities that relate to the District's self-insured program for workers' compensation claims and liability and property losses.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements (continued)

- ***Fiduciary funds*** – The District is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was lower on June 30, 2018, than it was the year before – decreasing 2.1% to $161.7 million (See Table A-1).

Table A-1: Statement of Net Position

	Governmental Activities		Variance Increase
	2018	2017*	(Decrease)
Assets			
Current assets	$ 314,480,332	$ 317,768,089	$ (3,287,757)
Capital assets	547,764,133	546,294,936	1,469,197
Total assets	862,244,465	864,063,025	(1,818,560)
Deferred outflows of resources	189,613,073	127,646,850	61,966,223
Liabilities			
Current liabilities	41,539,323	37,774,900	3,764,423
Long-term liabilities	318,017,040	341,296,904	(23,279,864)
Net pension liability	512,293,895	426,517,745	85,776,150
Total liabilities	871,850,258	805,589,549	66,260,709
Deferred inflows of resources	18,333,435	20,904,136	(2,570,701)
Net position			
Net investment in capital assets	393,352,713	387,628,967	5,723,746
Restricted	95,644,020	84,715,596	10,928,424
Unrestricted	(327,322,888)	(307,128,373)	(20,194,515)
Total net position	$ 161,673,845	$ 165,216,190	$ (3,542,345)

*As restated

Changes in net position, governmental activities. The District's total revenues increased 2.5% to $531.1 million (See Table A-2). The increase is due primarily to increased tax collections for general obligation bonds debt service and increases in the local control funding formula.

The total cost of all programs and services increased 2.5% to $534.7 million. The District's expenses are predominantly related to educating and caring for students, 82.0%. The purely administrative activities of the District accounted for just 4.6% of total costs.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Table A-2: Statement of Activities

	Governmental Activities		Variance Increase (Decrease)
	2018	**2017**	
Revenues			
Program Revenues:			
Charges for services	$ 9,049,082	$ 8,712,014	$ 337,068
Operating grants and contributions	101,251,244	111,137,998	(9,886,754)
Capital grants and contributions	657,434	2,024,950	(1,367,516)
General Revenues:			
Property taxes	116,936,586	96,870,789	20,065,797
Federal and state aid not restricted	294,375,327	293,735,289	640,038
Other general revenues	8,877,079	5,861,421	3,015,658
Total Revenues	531,146,752	518,342,461	12,804,291
Expenses			
Instruction-related	379,444,334	378,746,794	697,540
Pupil services	58,933,927	57,270,256	1,663,671
Administration	24,797,730	25,301,928	(504,198)
Plant services	55,196,651	54,278,208	918,443
All other activities	16,316,455	33,055,724	(16,739,269)
Total Expenses	534,689,097	548,652,910	(13,963,813)
Increase (decrease) in net position	$ (3,542,345)	$ (30,310,449)	$ 26,768,104
Total Net position	$ 161,673,845	$ 165,216,190	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of $247.3 million, which is below last year's ending fund balance of $255.8 million. The primary cause of the decreased fund balance is due to spending down funds on construction projects and deficit spending in the General Fund.

Table A-3: The District's Fund Balance

	Fund Balances				
	July 1, 2017	Revenues	Expenditures	Other Sources and (Uses)	June 30, 2018
Fund					
General Fund	$ 98,523,784	$ 472,284,330	$ 493,442,243	$ (2,477,231)	$ 74,888,640
Adult Education Fund	3,028,457	3,553,214	4,254,379	(5,639)	2,321,653
Child Development Fund	-	3,127,236	3,124,322	(2,914)	-
Cafeteria Fund	5,654,069	24,684,776	23,446,525	(1,740)	6,890,580
Building Fund	104,798,701	1,476,610	10,008,897	3,773,693	100,040,107
Capital Facilities Fund	8,784,730	6,026,467	2,452,949	-	12,358,248
County School Facilities Fund	5,200,381	657,435	562,211	(773,693)	4,521,912
Special Reserve Fund (Capital Outlay)	7,765,914	4,839,568	2,550,195	2,415,592	12,470,879
Capital Outlay Fund for Blended Component Units	198,281	6,242	123,123	2,522,060	2,603,460
Bond Interest and Redemption Fund	18,823,890	23,670,907	12,999,727	-	29,495,070
Debt Service Fund	3,062,824	12,291	1,870,513	483,229	1,687,831
	$ 255,841,031	$ 540,339,076	$ 554,835,084	$ 5,933,357	$ 247,278,380

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget. The major budget amendments fall into these categories:

- Revenues – increased by $25.0 million primarily to reflect changes in estimates from federal and state sources.
- Expenditures – increased $27.9 million mainly due to the rebudget of carryover funds and increased personnel cost estimates.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about $41.6 million, the actual results for the year show that revenues fell short of expenditures by roughly $21.2 million. Actual revenues were $8.5 million less than anticipated, and expenditures were $29.0 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2018, that will be carried over into the 2018-19 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2017-18 the District had invested $20.7 million in new capital assets, related to the District's facility acquisition and modernization plan. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was approximately $19.2 million.

Table A-4: Capital Assets at Year End, Net of Depreciation

	Governmental Activities 2018	Governmental Activities 2017	Variance Increase (Decrease)
Land	$ 46,041,909	$ 46,041,909	$ -
Buildings and improvements	493,494,664	478,106,950	15,387,714
Furniture and equipment	3,002,944	1,864,993	1,137,951
Construction in progress	5,224,616	20,281,084	(15,056,468)
Total	$ 547,764,133	$ 546,294,936	$ 1,469,197

Long-Term Debt

At year-end the District had $318.0 million in general obligation bonds, certificates of participation, claims liabilities, and employment benefits – a decrease of 6.8% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

Table A-5: Outstanding Long-Term Debt at Year-End

	Governmental Activities 2018	Governmental Activities 2017*	Variance Increase (Decrease)
General obligation bonds	$ 239,629,641	$ 245,067,569	$ (5,437,928)
Certificates of participation	17,425,346	18,595,382	(1,170,036)
Compensated Absences	5,951,078	5,821,335	129,743
Claims Liabilities	7,806,710	6,509,959	1,296,751
Other Postemployment Benefits	47,204,265	65,302,659	(18,098,394)
Total	$ 318,017,040	$ 341,296,904	$ (23,279,864)

*As restated

FACTORS BEARING ON THE DISTRICT'S FUTURE

The 2018-19 State Budget

Final Budget Package Includes $15.9 Billion in Total Reserves
The Legislature passed the final budget package on June 14, 2018. Total reserves in the final budget package are lower than the proposed level in the May Revision, but roughly the same as the level proposed by the Governor in January. The budget package also reflects various choices that shifted spending priorities compared to the Governor's proposal. In particular, the final budget package reduces payments for deferred maintenance by $700 million—relative to the Governor's proposal—freeing up a like amount of funding. Correspondingly, the final budget package reflects higher General Fund spending for homeless grants and the universities, among others. The Governor signed the *2018-19 Budget Act* and 26 other budget related bills on June 27 and June 28, 2018.

Overall Spending
The budget assumed total state spending of $197.2 billion (excluding federal and bond funds), an increase of 7% over revised totals for 2017-18. General Fund spending in the budget package is $138.7 billion—an increase of $11.6 billion, or 9%, over the revised 2017-18 level. Special fund spending increased $1.3 billion, or 2%, over the revised 2017-18 level.

Considerable New Spending on Education
The budget package contains significant increases for every education segment. For elementary and secondary schools, the state surpasses the Local Control Funding Formula target rates set in 2013-14. For early education, the budget contains higher spending for more slots, rate increases, staff training, and facilities.

Proposition 98 Establishes Minimum Spending Level
This minimum spending requirement is commonly called the minimum guarantee. The minimum guarantee is determined by three main formulas (known as tests) and various inputs, including General Fund revenue, per capita personal income, and K-12 student attendance. The state can spend at the minimum guarantee or any level above it. If the minimum guarantee increases after budget enactment due to updated inputs, the state owes a "settle-up" obligation. In some years, the state also creates or pays "maintenance factor." Maintenance factor is created when General Fund revenue growth is weak relative to changes in per capita personal income. Maintenance factor is paid when General Fund revenue growth is stronger.

Higher Proposition 98 Spending in 2016-17 and 2017-18
From the June 2017 budget plan to the June 2018 budget plan, spending increased $252 million in 2016-17 and $1.1 billion in 2017-18. These upward revisions are attributable mainly to higher General Fund revenue. As part of the 2017-18 increase, the state is making an additional maintenance factor payment of $789 million (on top of a previous $536 million payment). After making the $1.3 billion total payment, the state will have eliminated all remaining maintenance factor for the first time since 2005-06. In both 2016-17 and 2017-18, the state is spending at the calculated minimum guarantee.

2018-19 Spending up Notably Over Revised 2017-18 Level
For 2018-19, total Proposition 98 spending across all segments is $78.4 billion, an increase of $2.8 billion (3.7%) from the revised 2017-18 level. Test 2 is the operative test in 2018-19, with the increase in the guarantee attributable to a 3.67% increase in per capita personal income. Though the administration projects a 0.29% decline in student attendance for 2018-19, the budget makes no downward adjustment to the minimum guarantee. This is because the budget assumes that attendance *increases* the previous year (in 2017-18), thereby triggering a hold harmless provision in the State Constitution that negates any attendance declines over the subsequent two years. The budget sets total Proposition 98 spending in 2018-19 equal to the administration's May Revision estimate of the minimum guarantee.

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

The 2018-19 State Budget (continued)

$67.9 Billion Proposition 98 Spending on K-12 Education in 2018-19
The enacted 2018-19 level is $2.4 billion (3.6%) more than the revised 2017-18 level and $3.2 billion (4.9%) more than the *2017-18 Budget Act* level. The budget increases spending per student by $579 (5.2%) over the *2017-18 Budget Act* level, bringing Proposition 98 spending per student up to $11,645.

Package Includes Mix of Ongoing and One-Time Spending
The budget includes $5.7 billion in Proposition 98 augmentations for K-12 education across the three-year budget period. Of the $5.7 billion, $4 billion (70%) is ongoing and $1.7 billion (30%) is one time. From an accounting perspective, the increase is scored across multiple fiscal years and includes settle-up and some unspent funds from prior years that have been repurposed. In addition to the Proposition 98 increase, the budget includes $594 million in Proposition 51 bond authority for school facility projects and $100 million in non-Proposition 98 funding for kindergarten school facilities.

Fully Implements the Local Control Funding Formula (LCFF) for Schools, Then Further Increases Rates
In the January budget, the Governor proposed fully implementing LCFF and reaching the target funding rates. The final budget reaches and then goes beyond full implementation. Specifically, the budget closes the gap to the target rates and funds the statutory 2.71% cost-of-living adjustment (COLA) to those rates. In addition, the budget provides nearly an extra 1 percentage point increase in the LCFF rates—effectively funding a 3.7% COLA in 2018-19. The administration estimates that the combined ongoing cost of both full implementation and the augmented COLA is $3.7 billion. This augmentation brings total LCFF spending for school districts and charter schools to $61.1 billion, a 6.4% increase over the revised 2017-18 level. School districts and charter schools may use LCFF monies for any educational purpose.

Funds One-Time Discretionary Grants
The largest one-time spending initiative for K-12 education is $1.1 billion that local education agencies (LEAs) may use for any educational purpose. Funding is distributed based on student attendance (an estimated $183 per average daily attendance). If an LEA owes any funding to the federal government according to a 2014 settlement over Medi-Cal billing practices, the State Controller is to deduct this obligation from the LEA's discretionary grant. The budget assumes that these Medi-Cal obligations total $145 million statewide (though the administration believes actual payments likely will come in lower). The remainder of each LEA's discretionary grant will be scored against any outstanding mandate claims. As less than one-third of LEAs have any such claims, it is estimated that only $202 million of the funding provided will count toward the K-12 mandates backlog. It is estimated that the total remaining mandate backlog at the end of 2018-19 will be $668 million.

All of these factors were considered in preparing the Riverside Unified School District budget for the 2018-19 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Mays Kakish, Chief Business Officer and Governmental Relations at Riverside Unified School District, 3380 14th Street Avenue, Riverside, California 92501 or (951) 788-7135.

RIVERSIDE UNIFIED SCHOOL DISTRICT
Statement of Net Position
June 30, 2018

	Total Governmental Activities
ASSETS	
Cash	$ 290,549,954
Investments	7,566,222
Accounts receivable	15,767,901
Prepaid expenses	152,591
Inventories	443,664
Non-depreciable assets	51,266,525
Depreciable assets	752,502,997
Less, accumulated depreciation	(256,005,389)
Total assets	862,244,465
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts on refunding	5,492,612
Deferred outflows related to OPEB	2,812,372
Deferred outflows related to pensions	181,308,089
Total deferred outflows of resources	189,613,073
LIABILITIES	
Accounts payable	34,626,348
Claims liabilities	2,602,237
Unearned revenue	4,310,738
Long-term liabilities:	
Due or payable within one year	20,360,622
Due or payable after one year	297,656,418
Net pension liability	512,293,895
Total liabilities	871,850,258
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	18,333,435
NET POSITION	
Net investment in capital assets	393,352,713
Restricted for:	
Capital projects	23,180,525
Debt service	31,182,901
Categorical programs	41,280,594
Unrestricted	(327,322,888)
Total net position	$ 161,673,845

RIVERSIDE UNIFIED SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:					
Instructional Services:					
Instruction	$ 317,721,919	$ 400,457	$ 52,036,609	$ 657,434	$ (264,627,419)
Instruction-Related Services:					
Supervision of instruction	23,227,134	30,562	8,176,026	-	(15,020,546)
Instructional library, media and technology	4,551,220	36	7,976	-	(4,543,208)
School site administration	33,944,061	11,134	3,236,132	-	(30,696,795)
Pupil Support Services:					
Home-to-school transportation	11,925,442	-	15,467	-	(11,909,975)
Food services	21,431,324	2,496,722	19,359,204	-	424,602
All other pupil services	25,577,161	2,948	4,551,751	-	(21,022,462)
General Administration Services:					
Data processing services	6,318,400	-	-	-	(6,318,400)
Other general administration	18,479,330	198,626	3,158,482	-	(15,122,222)
Plant Services	55,196,651	2,507,588	7,155,420	-	(45,533,643)
Ancillary Services	5,963,213	-	22,756	-	(5,940,457)
Community Services	252,581	-	95	-	(252,486)
Enterprise Activities	40,426	-	-	-	(40,426)
Interest on Long-Term Debt	9,919,114	-	-	-	(9,919,114)
Other Outgo	141,121	3,401,009	3,531,326	-	6,791,214
Total Governmental Activities	$ 534,689,097	$ 9,049,082	$ 101,251,244	$ 657,434	(423,731,337)

General Revenues:	
Property taxes	116,936,586
Federal and state aid not restricted to specific purpose	294,375,327
Interest and investment earnings	1,389,399
Miscellaneous	7,487,680
Total general revenues	420,188,992
Change in net position	(3,542,345)
Net position - July 1, 2017, as originally stated	180,902,074
Restatement - change in accounting principle	(15,685,884)
Net position - July 1, 2017, as restated	165,216,190
Net position - June 30, 2018	$ 161,673,845

RIVERSIDE UNIFIED SCHOOL DISTRICT

Balance Sheet - Governmental Funds

June 30, 2018

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash	$ 91,631,490	$ 97,507,182	$ 17,000,000	$ 29,495,070	$ 23,398,381	$ 259,032,123
Investments	-	-	-	-	7,566,222	7,566,222
Accounts receivable	9,314,700	457,517	1,141,676	-	4,674,266	15,588,159
Due from other funds	4,159,123	3,018,732	-	-	3,029,359	10,207,214
Inventories	97,718	-	-	-	345,946	443,664
Prepaid expenditures	152,591	-	-	-	-	152,591
Total Assets	$ 105,355,622	$ 100,983,431	$ 18,141,676	$ 29,495,070	$ 39,014,174	$ 292,989,973
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	$ 22,901,917	$ 892,710	$ 5,656,868	$ -	$ 368,247	$ 29,819,742
Due to other funds	3,254,327	50,614	126,560	-	8,149,612	11,581,113
Unearned revenue	4,310,738	-	-	-	-	4,310,738
Total Liabilities	30,466,982	943,324	5,783,428	-	8,517,859	45,711,593
Fund Balances						
Nonspendable	400,309	-	-	-	355,856	756,165
Restricted	33,247,485	100,040,107	12,358,248	29,495,070	22,790,821	197,931,731
Committed	23,097,527	-	-	-	4,119,122	27,216,649
Assigned	8,224,072	-	-	-	3,230,516	11,454,588
Unassigned	9,919,247	-	-	-	-	9,919,247
Total Fund Balances	74,888,640	100,040,107	12,358,248	29,495,070	30,496,315	247,278,380
Total Liabilities and Fund Balances	$ 105,355,622	$ 100,983,431	$ 18,141,676	$ 29,495,070	$ 39,014,174	$ 292,989,973

RIVERSIDE UNIFIED SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2018

Total fund balances - governmental funds			$ 247,278,380
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, at historical cost	$ 803,769,522	
	Accumulated depreciation	(256,005,389)	
	Net internal service fund capital assets	(10,004)	
			547,754,129
In governmental funds, postemployment benefits costs are recognized as expenditures in the period they are paid. In the government-wide statements, postemployment benefits costs are recognized in the period that they are incurred. The net OPEB liability at the end of the period was:			(47,204,265)
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:			(4,260,693)
Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the government-wide statements it is recognized as a deferred outflow of resources. The remaining deferred amounts on refunding at the end of the period were:			5,492,612
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 related to pensions are reported as follows:			
	Deferred outflows of resources	181,308,089	
	Deferred inflows of resources	(18,333,435)	
			162,974,654
The net pension liability is not due and payable in the current reporting period, and therefore is not reported as a liability in the fund financial statements.			(512,293,895)
In governmental funds, deferred outflows and inflows of resources related to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources related to OPEB are reported, as follows:			
	Deferred outflows of resources		2,812,372
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:			
	General obligation bonds payable	239,629,641	
	Certificates of participation payable	17,425,346	
	Compensated absences payable	5,951,078	
			(263,006,065)
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds are:			22,126,616
Total net position - governmental activities			$ 161,673,845

RIVERSIDE UNIFIED SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

For the Fiscal Year Ended June 30, 2018

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES						
LCFF sources	$ 369,479,397	$ -	$ -	$ -	$ -	$ 369,479,397
Federal sources	27,927,669	-	-	-	20,607,459	48,535,128
Other state sources	65,213,086	-	-	203,192	12,649,561	78,065,839
Other local sources	9,664,178	1,476,610	6,026,467	23,467,715	3,623,742	44,258,712
Total Revenues	472,284,330	1,476,610	6,026,467	23,670,907	36,880,762	540,339,076
EXPENDITURES						
Current:						
Instruction	314,741,875	-	-	-	4,942,100	319,683,975
Instruction-related services:						
Supervision of instruction	23,246,400	-	-	-	503,543	23,749,943
Instructional library, media and technology	3,541,519	-	-	-	-	3,541,519
School site administration	32,069,626	-	-	-	786,495	32,856,121
Pupil support services:						
Home-to-school transportation	11,454,862	-	-	-	-	11,454,862
Food services	12,874	-	-	-	22,308,357	22,321,231
All other pupil services	25,184,709	-	-	-	60,292	25,245,001
Ancillary services	6,108,082	-	-	-	-	6,108,082
Community services	258,109	-	-	-	-	258,109
General administration services:						
Data processing services	6,118,950	-	-	-	-	6,118,950
Other general administration	17,256,360	-	373,100	-	-	17,629,460
Plant services	45,394,992	-	18,616	-	609,725	46,023,333
Transfers of indirect costs	(1,008,758)	-	-	-	1,008,758	-
Capital Outlay	8,921,522	10,008,897	2,061,233	-	3,841,485	24,833,137
Intergovernmental	141,121	-	-	-	-	141,121
Debt Service:						
Principal	-	-	-	4,490,000	1,170,036	5,660,036
Interest	-	-	-	8,509,727	700,477	9,210,204
Total Expenditures	493,442,243	10,008,897	2,452,949	12,999,727	35,931,268	554,835,084
Excess (Deficiency) of Revenues Over (Under) Expenditures	(21,157,913)	(8,532,287)	3,573,518	10,671,180	949,494	(14,496,008)
OTHER FINANCING SOURCES (USES)						
Interfund transfers in	42,874	3,773,693	-	-	2,933,142	6,749,709
Interfund transfers out	(2,520,105)	-	-	-	(5,046,257)	(7,566,362)
Issuance of non-obligatory debt	-	-	-	-	6,750,010	6,750,010
Total Other Financing Sources and Uses	(2,477,231)	3,773,693	-	-	4,636,895	5,933,357
Net Change in Fund Balances	(23,635,144)	(4,758,594)	3,573,518	10,671,180	5,586,389	(8,562,651)
Fund Balances, July 1, 2017	98,523,784	104,798,701	8,784,730	18,823,890	24,909,926	255,841,031
Fund Balances, June 30, 2018	$ 74,888,640	$ 100,040,107	$ 12,358,248	$ 29,495,070	$ 30,496,315	$ 247,278,380

RIVERSIDE UNIFIED SCHOOL DISTRICT

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2018

Total net change in fund balances - governmental funds		$ (8,562,651)
Amounts reported for governmental *activities* in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is 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, governmental funds	20,651,430	
Depreciation expense	(19,182,233)	
Net:		1,469,197
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 a reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were:		5,660,036
In governmental funds, postemployment benefits (OPEB) expenses are recognized when employer 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 contributions was:		20,910,766
In governmental funds, if debt is issued at a premium, the premium is recognized as an Other Financing Source in the period it is incurred. In the government-wide statements, the premium is amortized over the life of the debt. Amortization of the premium for the period is:		947,928
Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In governmental funds these charges are recognized as an expenditure. However, in the statement of activities, these amounts are amortized over the life of the debt. The difference between current year amounts and the current year amortization is:		(384,152)
In governmental funds, pension costs are recognized when employer contributions are made, in the statement of activities, pension costs are recognized on the accrual basis. This year the difference between the accrual basis pension costs and actual employer contributions was:		(23,667,445)
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 that 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:		(1,262,683)
In the statement of activities, compensated absences are measured by the amounts *earned* during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually *paid*.) This year vacation leave earned exceeded the amounts used by:		(129,743)
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental activities in the statement of activities. The net increase in the internal service fund was:		1,476,402
Change in net position of governmental activities		$ (3,542,345)

RIVERSIDE UNIFIED SCHOOL DISTRICT
Statement of Net Position – Proprietary Fund
June 30, 2018

	Governmental Activities Internal Service Fund
ASSETS	
Cash	$ 31,517,831
Accounts receivable	177,223
Due from other funds	1,455,026
Total assets	33,150,080
LIABILITIES	
Accounts payable	535,909
Due to other funds	78,608
Claims liabilities, current portion	2,602,237
Claims liabilities, long-term portion	7,806,710
Total liabilities	11,023,464
NET POSITION	
Restricted	22,126,616
Total net position	$ 22,126,616

RIVERSIDE UNIFIED SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2018

	Governmental Activities Internal Service Fund
OPERATING REVENUES	
State revenue	$ 445
Charges to other funds	26,920,859
Other local revenues	1,374,663
Total operating revenues	28,295,967
OPERATING EXPENSES	
Certificated salaries	46,258
Classified salaries	529,511
Employee benefits	212,751
Books and supplies	55,318
Services and other operating expenditures	27,204,387
Total operating expenses	28,048,225
Operating Income (Loss)	247,742
NON-OPERATING REVENUES (EXPENSES)	
Interfund transfers in	816,653
Interest income	412,007
Total non-operating revenues (expenses)	1,228,660
Change in net position	1,476,402
Net position, July 1, 2017	20,650,214
Net position, June, 30, 2018	$ 22,126,616

RIVERSIDE UNIFIED SCHOOL DISTRICT
Statement of Cash Flows - Proprietary Fund
For the Fiscal Year Ended June 30, 2018

	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments made to other funds	$ 27,337,685
Cash payments for payroll, insurance and operating expenses	(25,794,621)
Net cash provided (used) by operating activities	1,543,064
CASH FLOWS FROM INVESTING ACTIVITIES	
Transfer in from other fund	816,653
Interest on investments	353,841
Net cash provided (used) by investing activities	1,170,494
Net increase in cash	2,713,558
Cash, July 1, 2017	28,804,273
Cash, June 30, 2018	$ 31,517,831

ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating Income (Loss)	$ 247,742
(Increase) Decrease in operating assets	
Due from other funds	(938,305)
Accounts receivable	(19,977)
Increase (Decrease) in operating liabilities	
Accounts payable	467,389
Claims liabilities	1,729,001
Due to other funds	47,210
Prepaid expenses	10,004
Net cash provided (used) by operating activities	$ 1,543,064

RIVERSIDE UNIFIED SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2018

	Agency Funds		Trust Funds		
	Student Body Funds	Debt Service Fund for Special Tax Bonds	Scholarship Fund	Retiree Benefit Fund	Total
ASSETS					
Cash	$ 1,580,249	$ 764,069	$ 285,856	$ -	$ 2,630,174
Investments	-	11,854,622	-	21,612,774	33,467,396
Accounts receivable	17,165	-	1,384	-	18,549
Inventories	123,595	-	-	-	123,595
Prepaid expenses	3,607	-	-	-	3,607
Total Assets	$ 1,724,616	$ 12,618,691	287,240	21,612,774	36,243,321
LIABILITIES					
Accounts payable	$ 41,040	$ -	20,828	-	61,868
Due to other funds	-	-	2,519	-	2,519
Due to bondholders	-	12,618,691	-	-	12,618,691
Due to student groups	1,683,576	-	-	-	1,683,576
Total Liabilities	$ 1,724,616	$ 12,618,691	23,347	-	14,366,654
NET POSITION					
Restricted for student scholarships			263,893	-	263,893
Restricted for retiree benefits			-	21,612,774	21,612,774
Total Net Position			$ 263,893	$ 21,612,774	$ 21,876,667

RIVERSIDE UNIFIED SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Position

For the Fiscal Year Ended June 30, 2018

	Trust Funds	
	Scholarship Fund	**Retiree Benefit Fund**
ADDITIONS		
Interest	$ 4,191	$ 817,666
Net increase in fair value of investments	-	259,188
Other local sources	47,156	-
Total Additions	51,347	1,076,854
DEDUCTIONS		
Books and supplies	3,378	-
Other services & operating expenses	67,003	171,885
Total Deductions	70,381	171,885
Net increase (decrease) in net position	(19,034)	904,969
Net Position - July 1, 2017	282,927	20,707,805
Net Position - June 30, 2018	$ 263,893	$ 21,612,774

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Riverside Unified School District ("the District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

A. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District. For Riverside Unified School District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

For financial reporting purposes, the component units have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*, and thus are included in the financial statements using the blended presentation method as if they were part of the District's operations because the Board of Trustees of the component units is essentially the same as the Board of Trustees of the District and because their purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Riverside USD Financing Authority ("the Authority") financial activity are presented in the financial statements as the Capital Projects for Blended Component Units Fund and the Debt Service for Blended Component Units Fund. Certificates of participation and other debt issued by the Authority are included as long-term liabilities in the government-wide financial statements. Individually prepared financial statements are not prepared for the Authority.

The Riverside Unified School District Community Facilities Districts (CFDs) financial activity is presented in the financial statements as the Capital Projects Fund for Blended Component Units and in the Fiduciary Funds Statement as the Debt Service Fund for Special Tax Bonds. Special Tax Bonds issued by the CFDs are not included in the long-term obligations of the *Statement of Net Position* as they are not obligations of the District. Individually prepared financial statements are not prepared for each of the CFDs.

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial Statements
The statement of net position and the statement of activities display information about the primary government (the District) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Government-Wide Financial Statements (continued)
Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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

Fund Financial Statements
The fund financial statements provide information about the District's funds, including its fiduciary funds and blended component units. Separate statements for each fund category - *governmental*, *proprietary*, and *fiduciary* - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Major Governmental Funds
The District reports the following major governmental funds:

General Fund: This fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Building Fund: This fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of general obligation bonds.

Capital Facilities Fund: This fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act.

Bond Interest and Redemption Fund: This fund is used to account for the accumulation of resources for, and the repayment of, District bonds, interest, and related costs.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Non-Major Governmental Funds
The District maintains the following non-major governmental funds:

Special Revenue Funds:

Adult Education Fund: This fund is used to account for resources committed to adult education programs maintained by the District.

Child Development Fund: This fund is used to account for resources committed to child development programs maintained by the District.

Cafeteria Fund: This fund is used to account for revenues received and expenditures made to operate the District's food service operations.

Capital Projects Funds:

County School Facilities Fund: This fund is used to account for state apportionments provided for modernization of school facilities under SB50.

Special Reserve Fund for Capital Outlay Projects: This fund is used to account for funds set aside for Board designated construction projects.

Capital Projects Fund for Blended Component Units: This fund is used to account for the activity of the certificates of participation and of the Community Facilities Districts.

Debt Service Funds:

Debt Service Fund: This fund is used to account for the accumulation of resources for, and the repayment, of certificates of participation, interest and related costs.

Proprietary Funds
Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary fund:

Internal Service Funds are used to account for services rendered on a cost-reimbursement basis within the District. The District maintains one internal service fund, the Self-Insurance Fund, which is used to account for resources committed to the District's self-insured property and liability, workers compensation, and health benefits insurance programs.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Fiduciary Funds
Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the District's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. The District maintains the following fiduciary funds:

Agency Funds: The District maintains a separate agency fund for each school that operates an Associated Student Body (ASB) Fund, whether it is organized or not. The District also maintains a Debt Service Fund for Special Tax Bonds to account for debt service activity of the CFDs.

Scholarship Funds: These funds are used to report formal arrangements under which principal and interest benefit other individuals, private organizations, or other governments. This fund was established to account for funds received and held with the purpose of providing scholarships for eligible students.

2. Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements
Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

3. Revenues - Exchange and Non-Exchange Transactions
Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

3. Revenues - Exchange and Non-Exchange Transactions (continued)
The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

C. Budgetary Data
The budgetary process is prescribed by provisions of the California *Education Code* and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

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

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Cash Equivalents
The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

2. Inventories and Prepaid Items
Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

3. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Description	Estimated Lives
Buildings and Improvements	20-50 years
Furniture and Equipment	2-15 years

4. Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined 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.

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position 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 statement of net position 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 will not be recognized as an inflow of resources (revenue) until that time.

6. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated vacation leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

7. Pensions
For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California State Teachers Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) plans and addition to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

8. Postemployment Benefits Other Than Pensions (OPEB)
For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Riverside Unified School District Retiree Benefits Plan ("the Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

9. Fund Balances
The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

Restricted: Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

Committed: The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

9. Fund Balances (continued)

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

10. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets -** This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

- **Restricted -** This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- **Unrestricted net position -** This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

F. Minimum Fund Balance Policy

During the 2010-11 fiscal year, pursuant to GASB Statement No. 54, the District adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than two percent of total General Fund expenditures and other financing uses.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed unless the governing board has provided otherwise in its commitment or assignment actions.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Property Tax Calendar

The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. The Board of Supervisors levies property taxes as of September 1 on property values assessed on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and is delinquent with penalties on December 10, and the second is generally due on February 1 and is delinquent with penalties on April 10. Secured property taxes become a lien on the property on January 1.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

I. New GASB Pronouncements

During the 2017-18 fiscal year, the following GASB Pronouncements became effective:

1. In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits, or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

   This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

2. In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncements (continued)

3. In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

    - Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
    - Reporting amounts previously reported as goodwill and “negative” goodwill
    - Classifying real estate held by insurance entities
    - Measuring certain money market investments and participating interest-earning investment contracts at amortized cost
    - Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
    - Recognizing on-behalf payments for pensions or OPEB in employer financial statements
    - Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
    - Classifying employer-paid member contributions for OPEB
    - Simplifying certain aspects of the alternative measurement method for OPEB
    - Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

4. In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2018, are reported at fair value and consisted of the following:

		Governmental Activities			
		Governmental Funds	Proprietary Fund	Total	Fiduciary Funds
Pooled Funds:					
Cash in county treasury		$ 258,739,275	$ 30,452,831	$ 289,192,106	$ 285,856
Deposits:					
Cash on hand and in banks		132,938	-	132,938	1,580,249
Cash in revolving fund		159,910	-	159,910	-
Cash with fiscal agent		-	1,065,000	1,065,000	764,069
Total Deposits		292,848	1,065,000	1,357,848	2,344,318
Total Cash		$ 259,032,123	$ 31,517,831	$ 290,549,954	$ 2,630,174
Investments:	Rating				
US Bank - Money Market	N/A	$ 5,522,262	$ -	$ 5,522,262	$ 11,566,508
US Bank - US Government Bonds	AA+	2,043,960	-	2,043,960	288,114
Mutual Fund - Fixed Income		-	-	-	7,840,062
Mutual Fund - Domestic Equity		-	-	-	10,827,758
Mutual Fund - International Equity		-	-	-	1,945,996
Mutual Fund - Real Estate		-	-	-	998,958
Total Investments		$ 7,566,222	$ -	$ 7,566,222	$ 33,467,396

Investment security ratings reported as of June 30, 2018, are defined by Standard and Poors.

Pooled Funds
In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2018, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Custodial Credit Risk – Deposits
Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit).

NOTE 2 – CASH AND INVESTMENTS (continued)

Custodial Credit Risk – Deposits (continued)
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, $3,303,435 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

Investments – Interest Rate Risk
The District's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investment policy limits investment purchases to investments with a term not to exceed three years. Investments purchased with maturity terms greater than three years require approval by the Board of Education. Investments purchased with maturities greater than one year require written approval by the Superintendent prior to commitment. Maturities of investments held at June 30, 2018 consist of the following:

		Maturity		
	Fair Value	Less Than One Year	One Year Through Five Years	Fair Value Measurement
Investment maturities:				
US Bank - Money Market	$ 17,088,770	17,088,770	$ -	Level 2
US Bank - US Government Bonds	2,332,074	2,043,960	288,114	Level 2
Mutual Fund - Fixed Income	7,840,062	7,840,062	-	Level 2
Mutual Fund - Domestic Equity	10,827,758	10,827,758	-	Level 2
Mutual Fund - International Equity	1,945,996	1,945,996	-	Level 2
Mutual Fund - Real Estate	998,958	998,958	-	Level 2
Totals	$ 41,033,618	$ 40,745,504	$ 288,114	

Investments – Credit Risk
The District's investment policy limits investment choices to obligations of local, state and federal agencies, commercial paper, certificates of deposit, repurchase agreements, corporate notes, banker acceptances, and other securities allowed by State Government Code Section 53600. At June 30, 2018, all investments represented governmental securities which were issued, registered and held by the District's agent in the District's name.

NOTE 2 – CASH AND INVESTMENTS (continued)

Investments – Concentration of Credit Risk
The District does not place limits on the amount it may invest in any one issuer. At June 30, 2018, the District had the following investments that represent more than five percent of the District's net investments.

US Bank - Money Market	41.6%
Mutual Fund - Fixed Income	19.1%
Mutual Fund - Domestic Equity	26.4%
Mutual Fund - International Equity	4.7%

Fair Value Measurements
The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 – Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that date if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized – Investments in the Riverside County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

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

NOTE 3 – ACCOUNTS RECEIVABLE

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

	Governmental Funds					Proprietary Fund	Fiduciary Funds	
	General Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total	Self-Insurance Fund	Associated Student Body Funds	Scholarship Fund
Federal Government:								
Categorical aid programs	$ 5,162,826	$ -	$ -	$ 3,544,514	$ 8,707,340	$ -	$ -	$ -
State Government:								
Lottery	1,742,400	-	-	-	1,742,400	-	-	-
Special education	105,272	-	-	-	105,272	-	-	-
Categorical aid programs	1,137,413	-	-	722,172	1,859,585	-	-	-
Local:								
Interest	392,401	457,517	67,072	92,269	1,009,259	136,036	-	1,384
Food service sales	-	-	-	259,584	259,584	-	-	-
Other local	774,388	-	1,074,604	55,727	1,904,719	41,187	17,165	-
Total	$ 9,314,700	$ 457,517	$ 1,141,676	$ 4,674,266	$ 15,588,159	$ 177,223	$ 17,165	$ 1,384

NOTE 4 – INTERFUND ACTIVITIES

A. Balances Due To/From Other Funds

Balances due/to other funds at June 30, 2018, consisted of the following:

	Due from other funds				
	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds	Self-Insurance Fund
General Fund	$ -	$ 18,732	$ 1,782,677	$ 1,801,409	$ 1,452,918
Building Fund	31,882	-	18,732	50,614	-
Capital Facilities Fund	126,560	-	-	126,560	-
Non-Major Governmental Funds	3,919,554	3,000,000	1,227,950	8,147,504	2,108
Self-Insurance Fund	78,608	-	-	78,608	-
Fiduciary Funds	2,519	-	-	2,519	-
Total	$ 4,159,123	$ 3,018,732	$ 3,029,359	$ 10,207,214	$ 1,455,026

The most significant interfund payables are as follows: $570,000 due to the General Fund from the Child Development Fund for a temporary loan and $2,300,000 from the Cafeteria Fund for a temporary loan. A balance of $788,399 is due to the General Fund from the Cafeteria Fund for indirect costs and $109,804 is due to the General Fund from the Adult Education Fund for indirect costs. $3,000,000 and $1,227,950 is due to the Building Fund and the Special Reserve Fund for Capital Outlay Projects, respectively, from the Capital Projects Fund for Blended Component Units for projects costs.

NOTE 4 – INTERFUND ACTIVITIES (continued)

B. Transfers To/From Other Funds

Transfers to/from other funds for the fiscal year ended at June 30, 2018, consisted of the following:

General Fund transfer to Special Reserve Fund for Capital Outlay Projects for project costs	$ 1,220,223
General Fund transfer to Debt Service Fund for long-term debt payments	483,229
General Fund transfer to Self Insurance Fund for premium payments	816,653
Adult Education Fund transfer to General Fund for program supplies	5,639
Child Development Fund transfer to General Fund for program costs	2,914
Cafeteria Fund transfer to Special Reserve Fund for Capital Outlay Projects for engineering services	1,740
County School Facilities Fund transfer to Building Fund for bond projects	773,693
Special Reserve Fund for Capital Outlay Projects transfer to General Fund for expenditure reimbursement	34,321
Capital Projects Fund for Blended Component Units transfer to Building Fund for project costs	3,000,000
Capital Projects Fund for Blended Component Units transfer to Special Reserve Fund for Capital Outlay Projects for projects costs	1,227,950
	$ 7,566,362

NOTE 5 – FUND BALANCES

At June 30, 2018, fund balances of the District's governmental funds are classified as follows:

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest & Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable:						
Revolving cash	$ 150,000	$ -	$ -	$ -	$ 9,910	$ 159,910
Stores inventories	97,718	-	-	-	345,946	443,664
Prepaid expenditures	152,591	-	-	-	-	152,591
Total Nonspendable	400,309	-	-	-	355,856	756,165
Restricted:						
Categorical programs	33,247,485	-	-	-	1,142,529	34,390,014
Food service program	-	-	-	-	6,534,724	6,534,724
Capital projects	-	100,040,107	12,358,248	-	13,425,737	125,824,092
Debt service	-	-	-	29,495,070	1,687,831	31,182,901
Total Restricted	33,247,485	100,040,107	12,358,248	29,495,070	22,790,821	197,931,731
Committed:						
Other commitments	23,097,527	-	-		4,119,122	27,216,649
Total Committed	23,097,527	-	-	-	4,119,122	27,216,649
Assigned:						
Other assignments	8,224,072	-	-	-	3,230,516	11,454,588
Total Assigned	8,224,072	-	-	-	3,230,516	11,454,588
Unassigned:						
Reserve for economic uncertainties	9,919,247	-	-	-	-	9,919,247
Total Unassigned	9,919,247	-	-	-	-	9,919,247
Total	$ 74,888,640	$ 100,040,107	$ 12,358,248	$ 29,495,070	$ 30,496,315	$ 247,278,380

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

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

	Balance, July 1, 2017	Additions	Retirements	Balance, June 30, 2018
Capital assets not being depreciated:				
Land	$ 46,041,909	$ -	$ -	$ 46,041,909
Construction in progress	20,281,084	5,037,722	20,094,190	5,224,616
Total capital assets not being depreciated	66,322,993	5,037,722	20,094,190	51,266,525
Capital assets being depreciated:				
Buildings and improvements	699,621,037	33,671,488	-	733,292,525
Furniture and equipment	17,174,062	2,036,410	-	19,210,472
Total capital assets being depreciated	716,795,099	35,707,898	-	752,502,997
Accumulated depreciation for:				
Buildings and improvements	(221,514,087)	(18,283,774)	-	(239,797,861)
Furniture and equipment	(15,309,069)	(898,459)	-	(16,207,528)
Total accumulated depreciation	(236,823,156)	(19,182,233)	-	(256,005,389)
Total capital assets being depreciated, net	479,971,943	16,525,665	-	496,497,608
Governmental activity capital assets, net	$ 546,294,936	$ 21,563,387	$ 20,094,190	$ 547,764,133

Depreciation expense is allocated to the following functions in the statement of activities:

Governmental Activities:	
Instruction	$ 13,039,800
Supervision of instruction	602,276
Instructional library, media and technology	214,649
School site administration	1,516,723
Home-to-school transportation	446,319
Food services	2,605
All other pupil services	709,313
Data processing services	213,435
All other general administration	600,057
Plant services	1,837,056
Total depreciation expense	$ 19,182,233

NOTE 7 – GENERAL LONG-TERM DEBT

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

	Balance, July 1, 2017	Additions	Deductions	Balance, June 30, 2018	Amount Due Within One Year
General Obligation Bonds:					
Principal Payments	$ 229,220,000	$ -	$ 4,490,000	$ 224,730,000	$ 18,260,000
Unamortized Issuance Premium	15,847,569	-	947,928	14,899,641	947,928
Total G.O. Bonds	245,067,569	-	5,437,928	239,629,641	19,207,928
Certificates of Participation	18,595,382	-	1,170,036	17,425,346	1,152,694
Compensated Absences	5,821,335	129,743	-	5,951,078	-
Claims Liabilities	6,509,959	1,296,751	-	7,806,710	-
Other Postemployment Benefits*	65,302,659	6,005,813	24,104,207	47,204,265	-
Total	$ 341,296,904	$ 7,432,307	$ 30,712,171	$ 318,017,040	$ 20,360,622

**Beginning balance of OPEB has been restated due to changes in the accounting methods used to implement GASB Statement No.75.*

Payments for general obligation bonds are made by the Bond Interest and Redemption Fund. Certificates of participation payments are made by the Debt Service Fund. The claims liabilities will be paid from the Self-Insurance Fund. Accumulated vacation and other postemployment benefits will be paid for by the fund for which the employee worked.

A. General Obligation Bonds

Prior-Year Defeasance of Debt

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new refunding bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2018, none of the defeased bonds remain outstanding.

The difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. At June 30, 2018, deferred amounts on refunding of bonds were $5,411,138.

Election of 2016

On November 8, 2016, an election was held at which registered voters in the District approved by more than 55% of the votes a measure which authorizes the District to issue general obligation bonds in the maximum aggregate amount of $392,000,000. On May 25, 2017, the District issued $100,000,000 general obligation bonds. The bonds will be used to finance the repair, upgrading, acquisition, construction, and equipping of District sites and facilities and pay the costs of issuance of the bonds.

A summary of general obligation bonds issued by the District is shown below:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2017	Additions	Deductions	Balance, June 30, 2018
2011 Refunding	10/5/2011	2/1/2027	2.0%-5.0%	$ 46,125,000	$ 32,420,000	$ -	$ 1,590,000	30,830,000
2015 Refunding	6/17/2015	8/1/2030	2.0%-5.0%	48,810,000	44,450,000	-	2,525,000	41,925,000
2016 Refunding	5/25/2016	8/1/2038	0.7%-4.32%	53,365,000	52,350,000	-	375,000	51,975,000
2016 (A)	5/25/2017	8/1/2041	3.0%-5.0%	100,000,000	100,000,000	-	-	100,000,000
				$ 248,300,000	$ 229,220,000	$ -	$ 4,490,000	$ 224,730,000

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

The annual requirements to amortize all general obligation bonds payable outstanding as of June 30, 2018, are as follows:

Fiscal Year	Principal	Interest	Total
2018-2019	$ 18,260,000	$ 9,475,318	$ 27,735,318
2019-2020	19,030,000	8,714,469	27,744,469
2020-2021	8,160,000	8,071,531	16,231,531
2021-2022	9,635,000	7,702,496	17,337,496
2022-2023	8,165,000	7,255,178	15,420,178
2023-2028	42,300,000	29,508,209	71,808,209
2028-2033	43,700,000	20,165,780	63,865,780
2033-2038	47,250,000	11,343,788	58,593,788
2038-2042	28,230,000	1,958,432	30,188,432
Total	$ 224,730,000	$ 104,195,201	$ 328,925,201

B. Certificates of Participation

On May 1, 2009, the Riverside Unified School District School Facilities Corporation issued certificates of participation in the amount of $8,605,000. The certificates were issued to prepay the District's COP for the 1998 School Facility Bridge Refunding Program, provide a reserve account and pay issuance costs. The interest rate of the certificates ranges from 3.0% to 5.0% and mature on September 1, 2027. At June 30, 2018, the principal balance outstanding was $5,500,000.

On June 1, 2015, the Riverside Unified School District Facilities Corporation issued certificates of participation in the amount of $10,000,000. The funds will be used by the District to acquire certain school facilities and pay the issuance costs. The interest rate for the certificates is 3.69%, and the certificates fully mature on June 1, 2035. At June 30, 2018, the principal outstanding balance was $9,230,000.

Prior-Year Defeasance of Debt – 2016 COP Refunding

In prior years, the District defeased certain certificates of participation by placing the proceeds of new refunding certificates in an irrevocable trust to provide for all future debt service payments on the old certificates. Accordingly, the trust account assets and the liability for the defeased certificates are not included in the District's financial statements. At June 30, 2018, none of the defeased certificates remain outstanding.

The difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. At June 30, 2018, deferred amounts on refunding of certificates of participation were $81,474. At June 30, 2018, the principal outstanding balance was $2,695,346.

NOTE 7 – GENERAL LONG-TERM DEBT (continued)

B. Certificates of Participation (continued)

Annual interest and redemption requirements for the Certificates of Participation outstanding at June 30, 2018, are as follows:

Fiscal Year	Principal	Interest	Total
2018-2019	$ 1,152,694	$ 668,637	$ 1,821,331
2019-2020	1,136,197	626,971	1,763,168
2020-2021	1,179,164	583,622	1,762,786
2021-2022	1,218,774	537,481	1,756,255
2022-2023	1,272,944	488,485	1,761,429
2023-2028	6,620,573	1,614,804	8,235,377
2028-2033	2,860,000	638,001	3,498,001
2033-2035	1,985,000	105,532	2,090,532
Total	$ 17,425,346	$ 5,263,533	$ 22,688,879

C. Claims Liability

The District has an outstanding long-term liability for incurred, but not reported, claims for the District's self-insured programs in the amount of $7,806,710. The total claims liability is reported in Note 9, but only the long-term portion is reported here.

D. Non-Obligatory Debt

Non-obligatory debt relates to debt issuances by the Community Facility Districts, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Marks-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders, and may initiate foreclosure proceedings. Special assessment debt of $106,525,000 as of June 30, 2018, does not represent debt of the District and, as such, does not appear in the financial statements.

NOTE 8 – JOINT VENTURES

The Riverside Unified School District participates in joint ventures under joint powers agreements with the Alliance of Schools for Cooperative Insurance Programs (ASCIP). The District pays an annual premium to the entity for its health, workers' compensation, and property liability coverage. The relationships between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

NOTE 8 – JOINT VENTURES (continued)

The ASCIP JPA provides workers compensation as well as property and liability insurance coverage for its member districts. The JPA is governed by a board consisting of a representative from each member district. The governing board controls the operations of its JPA independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPAs.

Condensed unaudited financial information for the year ended June 30, 2018, is as follows:

	ASCIP
Assets	$ 432,804,369
Deferred Outflows	1,683,588
Liabilities	239,767,762
Deferred Inflows	604,583
Net Position	$ 194,115,612
Revenues	$ 271,484,105
Expenses	262,183,364
Change in Net Position	$ 9,300,741

NOTE 9 – RISK MANAGEMENT

Property and Liability
The Property and Liability Program, for which the District retains risk of loss, is administered by the Self-Insurance Fund. Excess property and liability coverage is obtained through Alliance of Schools for Cooperative Insurance Programs (ASCIP). General liability claims in excess of a $100,000 self-insured retention are covered up to $5,000,000 per occurrence. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Workers' Compensation
Workers' compensation claims in excess of a $500,000 self-insured retention are covered up to $10,000,000 per occurrence through ASCIP.

Employee Medical Benefits
Employee life, health, and disability programs are administered through the purchase of commercial insurance and self-insurance.

Unpaid Claims Liabilities
The District establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses.

NOTE 9 – RISK MANAGEMENT (continued)

Unpaid Claims Liabilities (continued)
The following represent the changes in approximate aggregate liabilities for the District's workers' compensation and health insurance program from July 1, 2016 to June 30, 2018:

	Health Insurance	Workers' Compensation
Liability Balance, July 1, 2016	$ 1,667,000	$ 6,509,493
Claims and changes in estimates	16,661,363	1,294,451
Claims payments	(16,567,363)	(884,997)
Liability Balance, June 30, 2017	1,761,000	6,918,947
Claims and changes in estimates	20,303,841	3,297,505
Claims payments	(20,303,841)	(3,191,188)
Liability Balance, June 30, 2018	$ 1,761,000	$ 7,025,264
Assets available to pay claims at June 30, 2018	$ 4,244,097	$ 14,489,203

NOTE 10 – COMMITMENTS AND CONTINGENCIES

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

B. Litigation
The District is involved in various litigation. In the opinion of legal counsel, the District does not anticipate that the outcome of any of the litigation will have a material impact on the financial statements.

C. Construction Commitments
As of June 30, 2018, the District had commitments with respect to unfinished capital projects of $20.6 million. A detailed listing of outstanding construction commitments at June 30, 2018, is as follows:

Project Description	Remaining Construction Commitments	Expected Date of Completion
Maxine Frost Elementary School*	1,014,318	TBD
Madison Elementary School - HVAC & Energy Management System	387,975	6/1/2019
Henry W. Longfellow Elementary School - Lighting & HVAC	31,972	7/1/2018
University Heights Middle School - Lighting & HVAC	113,886	7/1/2018
Grant Education Center Renovation	7,838,671	6/1/2020
District Office ADA, Seismic & Security Upgrades	6,973,900	6/1/2020
Abraham Lincoln High School Auto Shop Lab	786,752	6/1/2019
Board Room Modernization	3,460,211	6/1/2020
	$ 20,607,685	

*Project has been placed on hold indefinitely.

NOTE 11 – PENSION PLANS

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

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

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 380,853,493	$ 130,604,225	$ 16,785,887	$ 46,386,611
CalPERS	131,440,402	50,703,864	1,547,548	25,391,774
Total	$ 512,293,895	$ 181,308,089	$ 18,333,435	$ 71,778,385

The details of each plan are as follows:

A. California State Teachers' Retirement System (CalSTRS)

Plan Description
The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided
The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Benefits Provided (continued)
The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	60	62
Monthly Benefits as a Percentage of Eligible Compensation	2.0%-2.4%	2.0%-2.4%
Required Employee Contribution Rate	10.25%	9.205%
Required Employer Contribution Rate	14.43%	14.43%
Required State Contribution Rate	9.328%	9.328%

Contributions
Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District's total contributions were $32,600,983.

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:		
District's proportionate share of net pension liability	$	380,853,493
State's proportionate share of the net pension liability associated with the District		88,944,000
Total	$	469,797,493

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2018	**Fiscal Year Ending June 30, 2017**	**Change Increase/ (Decrease)**
Measurement Date	June 30, 2017	June 30, 2016	
Proportion of the Net Pension Liability	0.411800%	0.403000%	0.008800%

For the year ended June 30, 2018, the District recognized pension expense of $46,386,611. In addition, the District recognized pension expense and revenue of $4,015,055 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 32,600,983	$ -
Net change in proportionate share of net pension liability	26,037,252	-
Difference between projected and actual earnings on pension plan investments	-	10,143,189
Changes of assumptions	70,557,557	-
Differences between expected and actual experience in the measurement of the total pension liability	1,408,433	6,642,698
Total	$ 130,604,225	$ 16,785,887

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years.

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

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/(Inflows) of Resources
2019	$ 6,796,242
2020	21,609,499
2021	16,148,732
2022	6,215,572
2023	15,996,357
Thereafter	14,450,953
Total	$ 81,217,355

Actuarial Methods and Assumptions

Total pension liability for STRS was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.1%
Consumer Price of Inflation	2.75%
Wage Growth	3.5%

CalSTRS changed the mortality assumptions based on the July 1, 2010, through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance–PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study.

NOTE 11 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Actuarial Methods and Assumptions (continued)
For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity	47%	6.30%
Fixed Income	12%	0.30%
Real Estate	13%	5.20%
Private Equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
Cash/Liquidity	2%	-1.00%

Discount Rate
The discount rate used to measure the total pension liability was 7.1%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.1%) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 559,213,838
Current discount rate (7.10%)	380,853,493
1% increase (8.10%)	236,101,985

On Behalf Payments
The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $18,470,488 (9.328% of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures. On behalf payments have not been included in the budgeted amounts reported in the General Fund - Budgetary Comparison Schedule.

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS)

Plan Description
Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided
CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire Date	December 31, 2012	January 1, 2013
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Retirement Age	55	62
Monthly Benefits as a Percentage of Eligible Compensation	1.1%-2.5%	1.0%-2.5%
Required Employee Contribution Rate	7.00%	6.00%
Required Employer Contribution Rate	15.531%	15.531%

Contributions
Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Contributions (continued)
The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total District contributions were $11,494,902.

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $131,440,402. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2018	**Fiscal Year Ending June 30, 2017**	**Change Increase/ (Decrease)**
Measurement Date	June 30, 2017	June 30, 2016	
Proportion of the Net Pension Liability	0.550600%	0.509200%	0.041400%

For the year ended June 30, 2018, the District recognized pension expense of $25,391,774. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 11,494,902	$ -
Net change in proportionate share of net pension liability	10,754,117	-
Difference between projected and actual earnings on pension plan investments	4,546,939	-
Changes of assumptions	19,198,938	1,547,548
Differences between expected and actual experience in the measurement of the total pension liability	4,708,968	-
Total	$ 50,703,864	$ 1,547,548

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4 years.

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

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/(Inflows) of Resources
2019	$ 10,721,473
2020	16,021,749
2021	11,708,054
2022	(789,862)
2023	-
Thereafter	-
Total	$ 37,661,414

Actuarial Methods and Assumptions

Total pension liability for SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Experience Study	July 1, 1997 through June 30, 2011
Actuarial Cost Method	Entry age normal
Discount Rate	7.15%
Consumer Price of Inflation	2.75%
Wage Growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include 20 years of mortality improvements, using Scale BB published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the 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 administration expenses.

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees Retirement System (CalPERS) (continued)

Actuarial Methods and Assumptions (continued)
The target asset allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity	47%	5.38%
Fixed Income	19%	2.27%
Inflation Assests	6%	1.39%
Private Equity	12%	6.63%
Real Estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.90%

Discount Rate
The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 193,390,951
Current discount rate (7.15%)	131,440,402
1% increase (8.15%)	80,047,233

C. Social Security
As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use the Social Security as its alternative plan.

D. Payables to the Pension Plans
At June 30, 2017, the District did not have any outstanding payables for outstanding contributions to the CalSTRS and CalPERS pension plans, respectively, required for the fiscal year ended June 30, 2018.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS

A. Plan Description

Plan description
The Riverside Unified School District has established the Futuris Public Entity Investment Trust. This Trust is an IRS Section 115 Trust that is used for the purposes of investment and disbursement of funds irrevocably designated by the District for the payment of its obligations to eligible employees and former employees of the District and their eligible dependents and beneficiaries for life, sick, hospitalization, major medical, accident, disability, dental and other similar benefits (sometimes referred to as "other post-employment benefits," or "OPEB.") This Trust was established and is managed in compliance with the applicable Governmental Accounting Standards Board (GASB) standards for OPEB.

The District's governing body has established by resolution a Retirement Board of Authority (the "Board") to supervise the Trust. The Board has been established to manage, direct, and control the Fiduciary, Trust Settlor and Administrative functions. As mandated by the California Government Code, the Board shall perform all its duties with the care, skill, and diligence that a prudent person would utilize. The Board shall also act solely in the interest of plan participants and beneficiaries with the sole purpose of providing benefits to them and paying only necessary and reasonable expenses for administrating the Trust. The Board shall oversee that the Trust's assets are diversified in order to minimize the risk of large investment losses. The Board will have the exclusive authority to establish, execute, and interpret the Trust's written Investment Policy Statement (IPS) which profiles the long-term investment objectives of the Trust.

Benefits provided
The Plan provides healthcare and vision benefits for retirees and their dependents. Benefits are provided through a third-party insurer. An employee who is covered by the medical plan has met eligibility requirements listed below is eligible to elect post-retirement coverage at retirement.

<u>Certificated Retirees:</u> Attainment of age 55 and the completion of 15 years of full-time service out of the last 19 years prior to retirement.

<u>Management, Confidential, and Cabinet Retirees:</u> Retirement under PERS or STRS, attainment of age 50 (PERS) or 55 (STRS) and completion of 15 years of full-time service with 5 years of District service immediately prior to retirement.

<u>Classified Retirees:</u> Attainment of age 50 and completion of 10 years of District service.

Employees covered by benefit terms
At July 1, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	242
Active employees	3,300
Total	3,542

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

A. Plan Description (continued)

Contributions
The funding policy of the plan sponsor is to contribute annually an amount sufficient to satisfy benefit payment requirements to participants.

Medicare Premium Payment (MPP) Program
The Medicare Premium Payment Program is a cost-sharing multiple-employer other postemployment benefit plan established pursuant to Chapter 1032, Statutes of 2000 (SB 1435). CalSTRS administers the MPP Program, through the Teachers' Health Benefit Fund. The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the Defined Benefit Program who were retired or began receiving a disability allowance prior to July 1, 2012, and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services on a monthly basis.

B. Net OPEB Liability
The District's net OPEB liability for the District plan was measured as of July 1, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net MPP Program OPEB liability was measured as of June 30, 2017, and was determined by an actuarial valuation as of June 30, 2016.

Actuarial assumptions
The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	District Plan	MPP Program
Valuation Date	July 1, 2017	June 30, 2016
Experience Study	N/A	July 1, 2010, through June 30, 2015
Discount rate	3.72%	3.58%
Salary increases	2.50%	N/A
Investment rate of return	6.90%	N/A
Healthcare cost trend rates	7.25% for fiscal year end 2018, decreasing 0.25% per year to an ultimate rate of 5.00%	3.7% for Medicare Part A, and 4.1% for Medicare Part B

District Plan
The discount rate for GASB 75 has been set equal to 3.72% which is a blend of the rate of return on assets equal to 6.90% and the Municipal GO AA 20-year yield curve rate as of June 30, 2017, which is 3.56%.

Mortality rates were based on the RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2017.

MPP Program
The discount rate used to measure the total OPEB liability was 3.58 percent. The MPP Program is funded on a pay-as-you-go basis, and under the pay-as-you-go method, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.58 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017, was applied to all periods of projected benefit payments to measure the total OPEB liability.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

B. Net OPEB Liability (continued)

MPP Program (continued)
CalSTRS changed the mortality assumptions based on the July 1, 2010, through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

C. Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	**Plan Fiduciary Net Position**	**Net OPEB Liability**
Balance at July 1, 2017	$ 62,234,999	$ -	$ 62,234,999
Changes for the year:			
Service cost	3,148,069	-	3,148,069
Interest	2,378,137	-	2,378,137
Employer contributions	-	22,936,140	(22,936,140)
Actual investment income	-	773,214	(773,214)
Administrative expense	-	(65,409)	65,409
Benefit payments	(2,936,140)	(2,936,140)	-
Changes of benefit terms	329,461	-	329,461
Net changes	2,919,527	20,707,805	(17,788,278)
Balance at June 30, 2018*	$ 65,154,526	$ 20,707,805	44,446,721
District's Proportionate Share of the Net MPP OPEB Liability			2,757,544
District's Total Reported Net OPEB Liability			$ 47,204,265

* Measurement date is July 1, 2017

Sensitivity of the total OPEB liability to changes in the discount rate
The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease 2.72%	Discount Rate 3.72%	1% Increase 4.72%
District Plan	$ 50,166,911	$ 44,446,721	$ 39,222,194

	1% Decrease 2.58%	Discount Rate 3.58%	1% Increase 4.58%
MPP Program	$ 3,052,793	$ 2,757,544	$ 2,470,351

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (continued)

C. Changes in the Net OPEB Liability (continued)

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates
The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (6.25% decreasing to 4.0%)	Healthcare Cost Trend Rates (7.25% decreasing to 5.0%)	1% Increase (8.25% decreasing to 6.0%)
District Plan	$ 38,247,043	$ 44,446,721	$ 51,668,029

	1% Decrease (2.7% Part A and 3.1% Part B)	Medicare Cost Trend Rates (3.7% Part A and 4.1% Part B)	1% Increase (4.7% Part A and 5.1% Part B)
MPP Program	$ 2,491,863	$ 2,757,544	$ 3,020,571

OPEB plan fiduciary net position
Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Futuris Trust financial report.

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2018, the District recognized OPEB expense of $20,910,766. At June 30, 2018, the District reported deferred outflows of resources resulting from District contributions subsequent to the measurement date of the net OPEB liability of $2,812,372, which will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. There were no other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB.

E. Payable to the OPEB Plan
At June 30, 2018, the District reported no payables for outstanding contributions to Futuris Trust for the year ended June 30, 2018.

Required Supplementary Information

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RIVERSIDE UNIFIED SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual*	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Pos (Neg)
Revenues				
LCFF Sources	$ 369,968,342	$ 369,877,446	$ 369,479,397	$ (398,049)
Federal Sources	26,601,223	32,240,363	27,927,669	(4,312,694)
Other State Sources	53,699,755	69,400,077	65,213,086	(4,186,991)
Other Local Sources	5,500,943	9,229,900	9,664,178	434,278
Total Revenues	455,770,263	480,747,786	472,284,330	(8,463,456)
Expenditures				
Current:				
Certificated Salaries	222,357,774	228,350,038	226,576,145	1,773,893
Classified Salaries	68,584,176	70,436,380	72,707,655	(2,271,275)
Employee Benefits	111,667,228	115,867,757	114,465,751	1,402,006
Books and Supplies	30,144,189	37,443,155	21,737,577	15,705,578
Services and Other Operating Expenditures	54,760,941	55,427,727	47,503,784	7,923,943
Capital Outlay	6,915,301	14,712,600	10,310,210	4,402,390
Intergovernmental	80,000	156,500	141,121	15,379
Total Expenditures	494,509,609	522,394,157	493,442,243	28,951,914
Excess (Deficiency) of Revenues Over (Under) Expenditures	(38,739,346)	(41,646,371)	(21,157,913)	20,488,458
Other Financing Sources and Uses				
Interfund Transfers In	-	2,914	42,874	39,960
Interfund Transfers Out	-	-	(2,520,105)	(2,520,105)
Total Other Financing Sources and Uses	-	2,914	(2,477,231)	(2,480,145)
Net Change in Fund Balance	(38,739,346)	(41,643,457)	(23,635,144)	18,008,313
Fund Balances, July 1, 2017	98,523,784	98,523,784	98,523,784	-
Fund Balances, June 30, 2018	$ 59,784,438	$ 56,880,327	$ 74,888,640	$ 18,008,313

RIVERSIDE UNIFIED SCHOOL DISTRICT

Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2018

Last Ten Fiscal Years*

	2017	2016	2015	2014
CalSTRS				
District's proportion of the net pension liability	0.4118%	0.4030%	0.3980%	0.3670%
District's proportionate share of the net pension liability	$ 380,853,493	$ 325,950,430	$ 267,949,520	$ 214,463,790
State's proportionate share of the net pension liability associated with the District	88,944,000	185,585,085	141,715,378	129,503,796
Totals	$ 469,797,493	$ 511,535,515	$ 409,664,898	$ 343,967,586
District's covered-employee payroll	$ 220,000,906	$ 203,826,337	$ 184,818,401	$ 166,812,727
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	173.11%	159.92%	144.98%	128.57%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	77%
CalPERS				
District's proportion of the net pension liability	0.5506%	0.5092%	0.4901%	0.4797%
District's proportionate share of the net pension liability	$ 131,440,402	$ 100,567,315	$ 72,241,224	$ 54,457,630
District's covered-employee payroll	$ 70,221,774	$ 61,123,972	$ 54,339,648	$ 61,956,188
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	187.18%	164.53%	132.94%	87.90%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%	83%

Notes to Schedule:

Changes in Benefit Terms

A summary of the plan provisions that were used for a specific plan can be found in each plan's annual valuation report.

Change of Assumptions and Methods

CalSTRS:

The assumptions used in determining the Total Pension Liability of the STRP changed as a result of the actuarial experience study for the period starting July 1, 2010 and ending June 30, 2015. The assumption changes were to price inflation, wage growth, discount rate and the mortality tables.

CalPERS:

In Fiscal Year 2016-17, the financial reporting discount rate for the PERF B was lowered from 7.65 percent to 7.15 percent. In December 2016, the CalPERS Board approved lowering the funding discount rate used in the PERF B from 7.50 percent to 7.00 percent, which is to be phased-in over a three-year period (7.50 percent to 7.375 percent, 7.375 percent to 7.25 percent, and 7.25 percent to 7.00 percent) beginning with the June 30, 2017, valuation reports. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate.

In Fiscal Year 2014-15, the financial reporting discount rate was increased from 7.50 percent to 7.65 percent resulting from eliminating the 15 basis-point reduction for administrative expenses. The funding discount rate remained at 7.50 percent during this period, and remained adjusted for administrative expenses.

* *This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

RIVERSIDE UNIFIED SCHOOL DISTRICT

Schedule of Pension Contributions

For the Fiscal Year Ended June 30, 2018

Last Ten Fiscal Years*

	2018	2017	2016	2015
CalSTRS				
Contractually required contribution	$ 32,600,983	$ 27,676,114	$ 21,870,566	$ 16,411,874
Contributions in relation to the contractually required contribution	32,600,983	27,676,114	21,870,566	16,411,874
Contribution deficiency (excess):	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 225,925,038	$ 220,000,906	$ 203,826,337	$ 184,818,401
Contributions as a percentage of covered-employee payroll	14.43%	12.58%	10.73%	8.88%
CalPERS				
Contractually required contribution	$ 11,494,902	$ 9,752,400	$ 7,241,357	$ 6,396,320
Contributions in relation to the contractually required contribution	11,494,902	9,752,400	7,241,357	6,396,320
Contribution deficiency (excess):	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 74,012,633	$ 70,221,774	$ 61,123,972	$ 54,339,648
Contributions as a percentage of covered-employee payroll	15.531%	13.888%	11.847%	11.771%

* *This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

RIVERSIDE UNIFIED SCHOOL DISTRICT

Schedule of Changes in the District's Net OPEB Liability and Related Ratios
For the Fiscal Year Ended June 30, 2018

		2018
Total OPEB liability		
Service cost	$	3,148,069
Interest		2,378,137
Changes of benefit terms		329,461
Benefit payments		(2,936,140)
Net change in total OPEB liability		2,919,527
Total OPEB liability - beginning		62,234,999
Total OPEB liability - ending	$	65,154,526
Plan fiduciary net position		
Contributions - employer	$	20,000,000
Net investment income		773,214
Administrative expense		(65,409)
Net change in plan fiduciary net position		20,707,805
Plan fiduciary net position - beginning		-
Plan fiduciary net position - ending	$	20,707,805
District's net OPEB liability	$	44,446,721
Plan fiduciary net position as a percentage of the total OPEB liability		31.78%
Covered-employee payroll	$	273,898,274
District's net OPEB liability as a percentage of covered-employee payroll		16.23%

Notes to Schedule:

This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

RIVERSIDE UNIFIED SCHOOL DISTRICT
Schedule of Changes in the District's Net OPEB Liability and Related Ratios – MPP Program
For the Fiscal Year Ended June 30, 2018

(Dollars in Thousands, except for District's proportionate share)

	2017
Total OPEB liability	
Interest	$ 12,928
Differences between expected and actual experience	(41)
Changes of assumptions	(31,240)
Benefit payments, including refunds of member contributions	(28,929)
Net change in total OPEB liability	(47,282)
Total OPEB liability - beginning	468,031
Total OPEB liability - ending	$ 420,749
Plan fiduciary net position	
Contributions - employer	$ 29,117
Net investment income	11
Premiums paid	(28,929)
Administrative expense	(168)
Net change in plan fiduciary net position	31
Plan fiduciary net position - beginning	10
Plan fiduciary net position - ending	$ 41
Net OPEB liability	$ 420,708
District's proportionate share of net OPEB liability	$ 2,757,544
Plan fiduciary net position as a percentage of the total OPEB liability	0.01%
Covered-employee payroll	N/A
District's net OPEB liability as a percentage of covered-employee payroll	N/A

Notes to Schedule:

As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

RIVERSIDE UNIFIED SCHOOL DISTRICT
Schedule of OPEB Contributions
For the Fiscal Year Ended June 30, 2018

	2018
Actuarially determined contribution	$ 2,936,140
Contributions in relation to the actuarially determined contribution	22,936,140
Contribution deficiency (excess)	$ (20,000,000)
Covered-employee payroll	$ 273,898,274
Contributions as a percentage of covered-employee payroll	8.37%

Notes to Schedule:

Contributions shown in this schedule are for the District Plan only.

The MPP Program is funded on a pay-as-you-go basis from a portion of monthly employer contributions to CalSTRS. In accordance with Education Code Section 25930, contributions that would otherwise be credited to the CalSTRS defined benefit pension program each month are instead credited to the MPP Program.

The employer has elected to make an annual contribution equal to the benefit payments. The employer share of net benefits is the difference between the expected benefit payments and the retiree contributions. It is sometimes referred to as "pay-as-you-go."

The expected benefit payments are actuarially determined to reflect the age difference between the overall covered group and the retiree group.

Actuarially determined contributions, which are based on the expected "pay-as-you-go" cost, and actual contributions are from the measurement periods ending June 30 of the year prior to the year-end of the reporting periods shown. This is the first valuation under GASB 75 for the reported Plan.

This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule present both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Proportionate Share of the Net Pension Liability

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- The proportion (percentage) of the collective net pension liability (similar to the note disclosure)
- The proportionate share (amount) of the collective net pension liability
- The employer's covered-employee payroll
- The proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll
- The pension plan's fiduciary net position as a percentage of the total pension liability

Schedule of Pension Contributions

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements: the employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

This schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents information of the measurement date of the net OPEB liability.

Schedule of OPEB Contributions

This is a 10-year schedule presenting for each year certain information if an actuarially determined contribution is calculated for employers or nonemployer contributing entities. The schedule should identify whether the information relates to the employers, nonemployer contributing entities, or both.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At June 30, 2018, the District incurred the following excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule:

Appropriations Category	Excess Expenditures
General Fund:	
Classified Salaries	$ 2,271,275
Interfund Transfers Out	2,520,105

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Supplementary Information

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Riverside Unified School District is governed by a five member, elected, Board of Education. The District encompasses an area of about 92 square miles located in the northwestern portion of Riverside County approximately 47 miles east of the Los Angeles civic center. The District encompasses major portions of the City of Riverside. The District was established in 1963 through the unification of the Riverside City School District and the Riverside City High School District. The District operates twenty-nine elementary schools, seven middle schools, five high schools, and nine specialty schools consisting of one adult school, one alternative school of choice, two continuation high schools, one STEM academy, one virtual school, one opportunity school, one special education school, and one preschool.

Governing Board

Member	**Office**	**Term Expires**
Patricia Lock-Dawson	President	December 2020
Dr. Angelov Farooq	Vice President	December 2020
Kathy Y. Allavie	Clerk	December 2018
Tom Hunt	Member	December 2020
Brent Lee	Member	December 2018

DISTRICT ADMINISTRATORS

David Hansen, Ed.D.,
Superintendent

Lynn Carmen Day,
Chief Academic Officer

Mays Kakish,
Chief Business Officer and Governmental Relations

Kyley Ybarra,
Assistant Superintendent, Department of Personnel Leadership and Development

Antonio Garcia,
Assistant Superintendent, Professional Growth Systems

Dr. Ryan Lewis,
Assistant Superintendent, Curriculum and Instruction, K-12

Sergio San Martin,
Assistant Superintendent, Operations

Timothy Walker,
Assistant Superintendent, Pupil Services, SELPA, Special Education

Dr. Jacqueline Perez,
Assistant Superintendent, Instructional Support K-12

RIVERSIDE UNIFIED SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2018

	Second Period Report Certificate No. (9E0A67DE)	Annual Report Certificate No. (180B1D62)
Regular ADA:		
Transitional Kindergarten through Third	11,468.68	11,474.46
Fourth through Sixth	9,284.16	9,271.59
Seventh through Eighth	6,070.90	6,060.11
Ninth through Twelfth	12,315.29	12,247.37
Total Regular ADA	39,139.03	39,053.53
Special Education, Nonpublic, Nonsectarian Schools:		
Transitional Kindergarten through Third	3.10	2.83
Fourth through Sixth	7.44	6.93
Seventh through Eighth	16.52	14.43
Ninth through Twelfth	40.78	35.50
Total Special Education, Nonpublic, Nonsectarian Schools	67.84	59.69
Total ADA	39,206.87	39,113.22

RIVERSIDE UNIFIED SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2018

Grade Level	Required Minutes	2017-18 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	57,280	181	Complied
Grade 1	50,400	51,600	181	Complied
Grade 2	50,400	51,600	181	Complied
Grade 3	50,400	51,600	181	Complied
Grade 4	54,000	54,062	181	Complied
Grade 5	54,000	54,062	181	Complied
Grade 6	54,000	54,062	181	Complied
Grade 7	54,000	57,570	180	Complied
Grade 8	54,000	57,610	180	Complied
Grade 9	64,800	65,010	180	Complied
Grade 10	64,800	65,010	180	Complied
Grade 11	64,800	65,010	180	Complied
Grade 12	64,800	65,010	180	Complied

RIVERSIDE UNIFIED SCHOOL DISTRICT

Schedule of Financial Trends and Analysis

For the Fiscal Year Ended June 30, 2018

General Fund	(Budget) 2019[3]	2018	2017	2016
Revenues and other financing sources	$ 476,070,266	$ 472,327,204	$ 462,050,323	$ 454,643,418
Expenditures	484,481,230	493,442,243	476,886,484	424,371,192
Other uses and transfers out	-	2,520,105	3,064,727	3,846,490
Total outgo	484,481,230	495,962,348	479,951,211	428,217,682
Change in fund balance (deficit)	(8,410,964)	(23,635,144)	(17,900,888)	26,425,736
Ending fund balance	$ 66,477,676	$ 74,888,640	$ 98,523,784	$ 116,424,672
Available reserves [1]	$ 9,689,630	$ 9,919,247	$ 9,599,025	$ 8,564,354
Available reserves as a percentage of total outgo	2.0%	2.0%	2.0%	2.0%
Total long-term debt	$ 809,950,313	$ 830,310,935	$ 767,814,649	$ 578,061,723
Average daily attendance at P-2 [2]	38,828	39,207	39,734	39,687

The General Fund balance has decreased by $41,536,032 over the past two years. The fiscal year 2018-19 adopted budget projects a decrease of $8,410,964. For a district of this size, the state recommends available reserves of at least 2% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred an operating deficit in two of the past three years, and anticipates incurring an operating deficit during the 2018-19 fiscal year. Long-term debt has increased by $252.2 million over the past two years.

Average daily attendance has decreased by 480 over the past two years. A decrease of 379 ADA is anticipated during the fiscal year 2018-19.

[1] Available reserves consist of all unassigned fund balances in the General Fund.

[2] Excludes Adult Education ADA.

[3] Revised Final Budget September, 2018.

There were no differences between the Annual Financial and Budget Report and the Audited Financial Statements in any funds.

RIVERSIDE UNIFIED SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Department of Education (CDE):				
School Breakfast Program - Especially Needy	10.553	13526	$ 3,660,714	
National School Lunch Program	10.555	13523	12,400,690	
USDA Donated Foods	10.555	N/A	1,486,898	
Subtotal Child Nutrition Cluster				$ 17,548,302
Nutritional Education and Obesity Program	10.561	N/A		114,932
Child and Adult Care Food Program	10.558	13393	2,352,519	
Cash in Lieu of Commodities	10.558	13389	169,338	
Subtotal Child and Adult Care Food Program				2,521,857
Total U.S. Department of Agriculture				20,185,091
U.S. Department of Defense:				
Reserve Officer Training Corps (ROTC)	12.357	N/A		273,218
Total U.S. Department of Defense				273,218
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Adult Basic Education (ABE):				
Adult Basic Education & ESL	84.002A	14508	235,066	
Adult Secondary Education	84.002	13978	95,626	
English Literacy & Civics Education	84.002A	14109	91,676	
Subtotal Adult Basic Education Cluster				422,368
Every Student Succeeds Act (ESSA):				
Title I, Part A, Basic Grants	84.010	14329		11,265,517
Title I, Part G, Advanced Placement Test Fee Reimbursement	84.330B	23900		20,841
Title II, Part A, Supporting Effective Instruction	84.367	14341		1,638,730
Title II, Part B, CA Mathematics and Science Partnerships	84.366	14512		86,005
Title III, Limited English Proficiency (LEP) Student Program	84.365	10084	550,274	
Title III, Immigrant Education Program	84.365	15146	59,144	
Subtotal English Language Acquisition Grants Cluster				609,418
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14681		1,362,722
Title X McKinney-Vento Homeless Assistance Grants	84.196	14332		138,606
Carl D. Perkins Career and Technical Education: Secondary Sec 131	84.048	14894		284,537
Passed through Riverside County SELPA:				
Individuals with Disabilities Education Act (IDEA):				
Basic Local Assistance Entitlement, Part B	84.027	13379	7,120,880	
Local Assistance, Part B, Private School ISPs	84.027	10115	9,592	
Preschool Grants, Part B, Sec 619	84.173	13430	205,943	
Preschool Local Entitlement, Part B, Sec 611	84.027A	13682	1,085,206	
Mental Health Allocation Plan, Part B	84.027A	14468	493,391	
Preschool Staff Development, Part B	84.173A	13431	4,372	
Subtotal Special Education Cluster (IDEA)				8,919,384
Early Intervention Grants	84.181	24314		115,379
Total U.S. Department of Education				24,863,507
U.S. Department of Health & Human Services:				
Passed through Riverside County Office of Education (RCOE):				
Head Start	93.600	10016	1,159,613	
Head Start Child Care Partnership Grant	93.600	15291	116,574	
Subtotal Head Start Cluster				1,276,187
Passed through California Department of Health Services:				
Medi-Cal Administrative Activities	93.778	10060	1,438,872	
Medi-Cal Billing Option	93.778	10013	44,900	
Subtotal Medicaid Cluster				1,483,772
Total U.S. Department of Health & Human Services				2,759,959
Total Expenditures of Federal Awards				$ 48,081,775

Of the Federal expenditures presented in the schedule, the District provided no Federal awards to subrecipients.

RIVERSIDE UNIFIED SCHOOL DISTRICT
Schedule of Charter Schools
For the Fiscal Year Ended June 30, 2018

Charter School	Included in Financial Statements
REACH Leadership Academy (#1409)	Not included
Encore High School for the Arts - Riverside (#1747)	Not included

RIVERSIDE UNIFIED SCHOOL DISTRICT

Combining Balance Sheet - Non-Major Governmental Funds

For the Fiscal Year Ended June 30, 2018

	Adult Education Fund	Child Development Fund	Cafeteria Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Debt Service Fund	Total Non-Major Governmental Funds
ASSETS								
Cash	$ 2,132,952	$ 347,756	$ 5,849,898	$ 4,517,905	$ 10,082,408	$ -	$ 467,462	$ 23,398,381
Investments	-	-	-	-	-	6,831,410	734,812	7,566,222
Accounts receivable	320,650	409,534	3,848,672	22,739	70,343	-	2,328	4,674,266
Due from other funds	-	-	92,957	-	2,453,173	-	483,229	3,029,359
Inventories	-	-	345,946	-	-	-	-	345,946
Total Assets	$ 2,453,602	$ 757,290	$ 10,137,473	$ 4,540,644	$ 12,605,924	$ 6,831,410	$ 1,687,831	$ 39,014,174
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	$ 17,836	$ 62,412	$ 152,954	$ -	$ 135,045	$ -	$ -	$ 368,247
Due to other funds	114,113	694,878	3,093,939	18,732	-	4,227,950	-	8,149,612
Total Liabilities	131,949	757,290	3,246,893	18,732	135,045	4,227,950	-	8,517,859
Fund Balances								
Nonspendable	-	-	355,856	-	-	-	-	355,856
Restricted	1,142,529	-	6,534,724	4,521,912	6,300,365	2,603,460	1,687,831	22,790,821
Committed	-	-	-	-	4,119,122	-	-	4,119,122
Assigned	1,179,124	-	-	-	2,051,392	-	-	3,230,516
Total Fund Balances	2,321,653	-	6,890,580	4,521,912	12,470,879	2,603,460	1,687,831	30,496,315
Total Liabilities and Fund Balances	$ 2,453,602	$ 757,290	$ 10,137,473	$ 4,540,644	$ 12,605,924	$ 6,831,410	$ 1,687,831	$ 39,014,174

See accompanying note to supplementary information.

RIVERSIDE UNIFIED SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2018

	Adult Education Fund	Child Development Fund	Cafeteria Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Capital Projects Fund for Blended Component Units	Debt Service Fund	Total Non-Major Governmental Funds
REVENUES								
Federal sources	$ 422,368	$ -	$ 20,185,091	$ -	$ -	$ -	$ -	$ 20,607,459
Other state sources	3,070,801	3,007,619	1,291,907	581,882	4,697,352	-	-	12,649,561
Other local sources	60,045	119,617	3,207,778	75,553	142,216	6,242	12,291	3,623,742
Total Revenues	3,553,214	3,127,236	24,684,776	657,435	4,839,568	6,242	12,291	36,880,762
EXPENDITURES								
Current:								
Instruction:								
Instruction related-services	2,464,091	2,478,009	-	-	-	-	-	4,942,100
Supervision of instruction	47,823	455,720	-	-	-	-	-	503,543
School site administration	786,495	-	-	-	-	-	-	786,495
Pupil support services:								
Food services	-	5,742	22,302,615	-	-	-	-	22,308,357
All other pupil services	-	60,292	-	-	-	-	-	60,292
General administration services:								
Plant services	245,869	13,689	350,167	-	-	-	-	609,725
Transfers of indirect costs	109,489	110,870	788,399	-	-	-	-	1,008,758
Capital outlay	600,612	-	5,344	562,211	2,550,195	123,123	-	3,841,485
Debt service:								
Principal	-	-	-	-	-	-	1,170,036	1,170,036
Interest	-	-	-	-	-	-	700,477	700,477
Total Expenditures	4,254,379	3,124,322	23,446,525	562,211	2,550,195	123,123	1,870,513	35,931,268
Excess (Deficiency) of Revenues Over (Under) Expenditures	(701,165)	2,914	1,238,251	95,224	2,289,373	(116,881)	(1,858,222)	949,494
OTHER FINANCING SOURCES (USES)								
Interfund transfers in	-	-	-	-	2,449,913	-	483,229	2,933,142
Interfund transfers out	(5,639)	(2,914)	(1,740)	(773,693)	(34,321)	(4,227,950)	-	(5,046,257)
Isasuance of non-obligatory debt	-	-	-	-	-	6,750,010	-	6,750,010
Total Other Financing Sources and Uses	(5,639)	(2,914)	(1,740)	(773,693)	2,415,592	2,522,060	483,229	4,636,895
Net Change in Fund Balances	(706,804)	-	1,236,511	(678,469)	4,704,965	2,405,179	(1,374,993)	5,586,389
Fund Balances, July 1, 2017	3,028,457	-	5,654,069	5,200,381	7,765,914	198,281	3,062,824	24,909,926
Fund Balances, June 30, 2018	$ 2,321,653	$ -	$ 6,890,580	$ 4,521,912	$ 12,470,879	$ 2,603,460	$ 1,687,831	$ 30,496,315

NOTE 1 – PURPOSE OF SCHEDULES

Individual Combining Financial Statements
Individual combining balance sheets and statements of revenues, expenditures and changes in fund balance have been presented for the non-major funds to provide additional information to the users of these financial statements. These statements have been prepared using the basis of accounting described in the notes to financial statements.

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

Schedule of Instructional Time
The District has participated in the Incentives for Longer Instructional Day and Longer Instructional Year. The District has not met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual financial report to the audited financial statements.

Schedule of Expenditures of Federal Awards
The schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements. The District did not elect to use the ten percent de minimis indirect cost rate.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2018.

	CFDA Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances		$ 48,535,128
Differences between Federal Revenues and Expenditures:		
Medi-Cal Billing Option	93.778	(19,023)
Medi-Cal Administrative Activities	93.778	(434,330)
Total Schedule of Expenditures of Federal Awards		$ 48,081,775

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of Charter Schools
This schedule lists all charter schools chartered by the District, and displays information for each charter school and whether or not the charter school is included in the District audit.

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Other Independent Auditors' Reports

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Education
Riverside Unified School District
Riverside, 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 Riverside Unified School District as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Riverside Unified School District's basic financial statements, and have issued our report thereon dated November 20, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Riverside Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Riverside Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Riverside Unified School District's internal control.

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

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.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Kevin Brejnak, CPA, CFE | Peter Glenn, CPA | Michael Klein, CPA, CMA, EA

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

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Nigro + Nigro, PC

Murrieta, California
November 20, 2018

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Education
Riverside Unified School District
Riverside, California

Report on State Compliance
We have audited Riverside Unified School District's compliance with the types of compliance requirements described in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Riverside Unified School District's state government programs as noted on the following page for the fiscal year ended June 30, 2018.

Management's Responsibility
Management is responsible for compliance with state laws, regulations, and the terms and conditions of its State programs.

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of Riverside Unified School District's state programs based on our audit of the types of compliance requirements referred to on the following page. 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 *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. 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 on the following page that could have a direct and material effect on a state program occurred. An audit includes examining, on a test basis, evidence about Riverside Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

Description	Procedures Performed
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes

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Description	Procedures Performed
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
School Districts, County Offices of Education, and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	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
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

Unmodified Opinion on Compliance with State Programs

In our opinion, Riverside Unified School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2018.

Nigro+Nigro, PC

Murrieta, California
November 20, 2018

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

Board of Education
Riverside Unified School District
Riverside, California

Report on Compliance for Each Major Federal Program
We have audited Riverside Unified School District's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Riverside Unified School District's major federal programs for the year ended June 30, 2018. Riverside Unified School District's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility
Our responsibility is to express an opinion on compliance for each of Riverside Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Riverside Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program
In our opinion, Riverside Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Kevin Brejnak, CPA, CFE | Peter Glenn, CPA | Michael Klein, CPA, CMA, EA

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Report on Internal Control Over Compliance

Management of Riverside Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Riverside Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Nigro+Nigro, PC

Murrieta, California
November 20, 2018

Findings and Questioned Costs

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SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section 500.516	No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster
10.558	Child and Adult Food Care Program

Dollar threshold used to distinguish between Type A and Type B programs:	$ 1,442,453
Auditee qualified as low-risk auditee?	Yes

State Awards

Type of auditors' report issued on compliance for state programs:	Unmodified

SECTION II - FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards.* Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

Five Digit Code	AB 3627 Finding Types
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
50000	Federal Compliance
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 financial statement findings in 2017-18.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings required to be reported by the Uniform Guidance, Section 200.516 (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings or questioned costs in 2017-18.

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

There were no state award findings or questioned costs in 2017-18.

Original Finding No.	Finding	Code	Recommendation	Current Status
Finding 2017-001: School-Wide Plans	Code of Federal Regulations (CFR) Title 34 – Education, Part 200, section 200.28(e), requires grantees and sub-grantees to complete a school-wide plan which contains certain required components, one of which is a transition plan for assisting preschool children in the successful transition to the schoolwide program. The school-wide plans for Adams Elementary, Longfellow Elementary and Victoria Elementary lacked the required element regarding a transition plan for assisting preschool children in the successful transition to the schoolwide program.	50000	The District should closely monitor the reporting of the school-wide plans and include a transition plan for assisting preschool children in the successful transition to the schoolwide program in its school-wide plans to ensure that all required elements are being addressed.	Implemented.
Finding 2017-002: School Accountability Report Card	In accordance with Education Code §33126, the school is to provide an accountability report card to include safety, cleanliness, and adequacy of school facilities, to include any needed maintenance to ensure good repair. The condition reported should be supported by the school's Facilities Inspection Tool (FIT), School Facilities Condition Evaluation as required by Ed Code §17002. In addition, according to Education Code §35256, the governing board must publish the School Accountability Report Card (SARC) for each school by February 1st of each year. It was noted that the School Facility Repair Status on the SARC for Franklin Elementary and North High did not match the FIT forms.	72000	We recommend that an employee verify the information presented in the SARC prior to publishing the information.	Implemented.

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Riverside Unified School District (the "District") in connection with the execution and delivery of its $4,170,000 2019 Refunding Certificates of Participation (the "Certificates"). The Certificates are being executed pursuant to a Trust Agreement, dated as of January 1, 2019, by and among the District, U.S. Bank National Association, as trustee (the "Trustee") and the Riverside Unified School District School Facilities Corporation (the "Corporation"). The District covenants as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Certificates and in order to assist the Participating Underwriter in complying with the Rule.

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

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

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

"Dissemination Agent" shall mean initially David Taussig & Associates, Inc., or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"Official Statement" shall mean the Official Statement relating to the Certificates, dated January 10, 2019.

"Participating Underwriter" shall mean Piper Jaffray & Co., or any of the original underwriters of the Certificates required to comply with the Rule in connection with offering of the Certificates.

"Repository" shall mean the Municipal Securities Rulemaking Board, which can be found at http://emma.msrb.org/, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or, upon delivery of the Annual Report to the Dissemination Agent, shall cause the Dissemination Agent to, not later than nine (9) months after the end of the District's fiscal year (presently ending June 30), commencing with the report for the fiscal year ending June 30, 2019, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(d).

(b) Not later than thirty (30) days (nor more than sixty (60) days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a notice to the Repository in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the District), file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the Repository.

SECTION 4. Content and Form of Annual Reports. The District's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Material financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District's audited financial statements):

(i) State funding received by the District for the last completed fiscal year;

(ii) Average Daily Attendance of the District for the last completed fiscal year;

(iii) Outstanding indebtedness as of the last completed fiscal year; and

(iv) Summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year;

(v) Information regarding total assessed valuation of taxable properties within the District; and

(vi) Information regarding total secured tax charges and delinquencies on taxable properties within the District, to the extent the County has elected to disenroll the Teeter Plan.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

(b) The Annual Report shall be filed in an electronic format, and accompanied by identifying information, prescribed by the Municipal Securities Rulemaking Board

SECTION 5. <u>Reporting of Significant Events</u>.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates in a timely manner not in excess of 10 business days after the occurrence of the event:

1. principal and interest payment delinquencies.

2. tender offers.

3. optional, contingent or unscheduled Certificate calls.

4. defeasances.

5. rating changes.

6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).

7. unscheduled draws on the debt service reserves reflecting financial difficulties.

8. unscheduled draws on credit enhancement reflecting financial difficulties.

9. substitution of the credit or liquidity providers or their failure to perform.

10. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the District. For the purposes of the event identified in this Section 5(a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(b) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates, if material:

1. non-payment related defaults.

2. modifications to rights of Certificate holders.

3. unless described under Section 5(a)(5) above, material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates.

4. release, substitution or sale of property securing repayment of the Certificates.

5. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

6. appointment of a successor or additional Trustee with respect to the Certificates or the change of name of such a Trustee.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon fifteen (15) days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Certificates, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Certificates; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(b), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

No Certificate holder or Beneficial Owner may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the District satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the District shall have refused to comply therewith within a reasonable time.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. In performing its duties hereunder, the Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, the Certificate holders, or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates.

The Dissemination Agent may conclusively rely upon the Annual Report provided to it by the District as constituting the Annual Report required of the District in accordance with this Disclosure Agreement and shall have no duty or obligation to review such Annual Report. The Dissemination Agent shall have no duty to prepare the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the District in a timely manner in a form suitable for filing with the Repository. No provision of this Disclosure Agreement shall require the Dissemination Agent to risk or advance or expend its own funds or incur any financial liability. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act.

SECTION 12. Beneficiaries. This Disclosure Certificate solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Certificates, and shall create no rights in any other person or entity.

SECTION 13. Signature. This Disclosure Certificate has been executed by the undersigned on the date hereof, and such signature binds the District to the undertaking herein provided.

Dated: January 29, 2019

RIVERSIDE UNIFIED SCHOOL DISTRICT

By: ______________________________________
Chief Business Officer and Governmental Relations

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District:	Riverside Unified School District
Name of Certificate Issue:	$4,170,000 Riverside Unified School District 2019 Refunding Certificates of Participation
Date of Delivery:	January 29, 2019

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Certificates as required by the Continuing Disclosure Certificate executed by the District on the date of delivery of the Certificates. The District anticipates that the Annual Report will be filed by _____________.

Dated: _________________

RIVERSIDE UNIFIED SCHOOL DISTRICT

By: [form only; no signature required]_______________

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APPENDIX E

BOOK-ENTRY ONLY SYSTEM

General

The information under this caption concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Certificates, or (c) prepayment 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 Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 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 each of maturity of the Certificates, each in the aggregate principal amount of such Certificate, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. However, the information presented on such website is not incorporated herein by any reference to such website.

Purchases of 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 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.

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 DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate 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 notices be provided directly to them.

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.

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

Redemption proceeds or distributions 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 the District or Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds or distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, physical Certificates are required to be printed and delivered. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Certificates will be printed and delivered to DTC.

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

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APPENDIX F

ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF RIVERSIDE AND RIVERSIDE COUNTY

The following information regarding the City of Riverside (the "City"), and Riverside County (the "County") is included only for the purpose of supplying general information regarding the local community and economy. The Certificates are not a debt of the City or of the County. This material has been prepared by or excerpted from the sources as noted herein and has not been reviewed for accuracy by the District or Special Counsel.

General

City of Riverside. Located approximately 60 miles east of downtown Los Angeles, the City is comprised of approximately 82 square miles of land area and was incorporated on October 11, 1883. The City, a charter city, has a Council-Manager form of municipal government. The City Council is composed of seven members elected on a non-partisan basis, by ward, for four-year overlapping terms. The mayor is elected at large for a four-year term and is the presiding officer of the Council, but does not have a vote except in the case of a tie. The City Council hires the City Manager, who is responsible for the day-to-day administration of City business. Education, health and retail services make up the majority of the City's economy.

Riverside County. A general law county with 7,295 square miles, the County is the fourth largest county by area in the State of California (the "State"). It runs from the Arizona border west to within 10 miles of the Pacific Ocean, and is located east of Los Angeles and Orange Counties, and south of San Bernardino County. The County Board of Supervisors is comprised of biennially elected supervisors from each of five districts, who serve four-year terms. All County policy making powers are vested in the County Board of Supervisors. The current affordability of residential and commercial real estate in the region has been a major driver of economic growth, with labor markets among the fastest growing in the State. There are 28 incorporated cities in the County.

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Population

The following table shows historical population figures for the City, the County and the State for the past 10 years.

POPULATION ESTIMATES
2009 through 2018
City of Riverside, Riverside County and the State of California

Year[1]	City of Riverside	Riverside County	State of California
2009	298,721	2,140,626	36,966,713
2010[2]	303,871	2,189,641	37,253,956
2011	306,145	2,212,675	37,529,913
2012	309,775	2,240,166	37,874,977
2013	312,973	2,265,789	38,234,391
2014	315,129	2,291,262	38,568,628
2015	317,890	2,317,895	38,912,464
2016	320,226	2,346,717	39,179,627
2017	323,190	2,382,640	39,500,973
2018	325,860	2,415,955	39,809,693

(1) As of January 1.
(2) As of April 1.
Source: 2010: U.S. Department of Commerce, Bureau of the Census, for April 1.
2008-09, 2011-18 (2000 and 2010 Demographic Research Unit Benchmark): California Department of Finance for January 1.

Income

The following table summarizes per capita personal income for the County, the State, and the United States for the 10 most recent years for which data is available.

PER CAPITA PERSONAL INCOME
2007 through 2016
Riverside County, State of California, and United States

Year	Riverside County	State of California	United States
2007	$31,972	$43,692	$39,821
2008	31,932	44,162	41,082
2009	30,446	42,224	39,376
2010	30,380	43,317	40,277
2011	31,847	45,849	42,461
2012	32,301	48,369	44,282
2013	32,828	48,570	44,493
2014	34,044	51,344	46,494
2015	35,883	54,718	48,451
2016	36,782	56,374	49,246

Note: Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. Last updated: November 16, 2017 – new estimates for 2016; revised estimates for 2010-2015. All dollar estimates are in current dollars (not adjusted for inflation).
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Principal Employers

The following tables list the principal employers located in the City and the County.

PRINCIPAL EMPLOYERS
2017
City of Riverside

Employer Name	Industry	Number of Employees
County of Riverside	Public Administration	11,865
University of California Riverside	Services: Educational	8,686
Riverside Unified School District[(1)]	Services: Educational	4,000
Kaiser Permanente Riverside Medical Center	Services: Health	3,484
City of Riverside	Public Administration	2,429
California Baptist University	Services: Educational	2,285
Riverside Community Hospital	Services: Health	2,200
Alvord Unified School District	Services: Educational	1,800
UTC Aerospace Systems	Aerospace Manufacturer	1,200
Parkview Community Hospital	Services: Health	897

(1) For current information regarding the District's employees, see "RIVERSIDE UNIFIED SCHOOL DISTRICT – Labor Relations" in the front part of this Official Statement.
Source: City of Riverside Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2017.

PRINCIPAL EMPLOYERS
2017
Riverside County

Employer Name	Industry	Number of Employees
County of Riverside	Public Administration	22,538
University of California Riverside	Services: Educational	8,686
March Air Reserve Base	National Security	8,500
Amazon	Retail Trade: General Merchandise Stores	7,500
Kaiser Permanente Riverside Medical Center	Services: Health	5,739
Corona-Norco Unified School District	Services: Educational	5,399
Riverside Unified School District[(1)]	Services: Educational	4,236
Pechanga Resort and Casino	Resort Casino	4,000
Riverside University Health Care Systems	Medical Center	3,876
Eisenhower Medical Center	Medical Center	3,665

(1) For current information regarding the District's employees, see "RIVERSIDE UNIFIED SCHOOL DISTRICT – Labor Relations" in the front part of this Official Statement.
Source: County of Riverside Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2017.

Employment

The following table summarizes the labor force, employment and unemployment figures for the years 2013 through 2017 for the City, the County, the State, and the United States.

LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT ANNUAL AVERAGES
2013 through 2017
City of Riverside, Riverside County, State of California, and United States

Year and Area	Labor Force	Employment[1]	Unemployment[2]	Unemployment Rate (%)[3]
2013				
City of Riverside	142,000	128,500	13,400	9.5%
Riverside County	996,400	897,700	98,700	9.9
California	18,625,000	16,958,400	1,666,600	8.9
United States[4]	155,389,000	143,929,000	11,460,000	7.4
2014				
City of Riverside	144,500	133,100	11,300	7.8%
Riverside County	1,013,500	930,400	83,100	8.2
California	18,758,400	17,351,300	1,407,100	7.5
United States[4]	155,922,000	146,305,000	9,617,000	6.2
2015				
City of Riverside	147,800	138,400	9,400	6.4%
Riverside County	1,035,700	966,300	69,400	6.7
California	18,896,500	17,724,800	1,171,700	6.2
United States[4]	157,130,000	148,834,000	8,296,000	5.3
2016				
City of Riverside	150,100	141,400	8,700	5.8%
Riverside County	1,052,600	988,200	64,500	6.1
California	19,093,700	18,048,800	1,044,800	5.5
United States[4]	159,187,000	151,436,000	7,751,000	4.9
2017				
City of Riverside	152,000	144,200	7,700	5.1%
Riverside County	1,072,500	1,016,200	56,300	5.2
California	19,312,000	18,393,100	918,900	4.8
United States[4]	160,320,000	153,337,000	6,982,000	4.4

(1) Includes persons involved in labor-management trade disputes.
(2) Includes all persons without jobs who are actively seeking work.
(3) The unemployment rate is computed from unrounded data; therefore, it may differ from rates computed from rounded figures in this table.
(4) Not strictly comparable with data for prior years.

Source: California Employment Development Department, March 2017 Benchmark and U.S. Department of Labor, Bureau of Labor Statistics.

Industry

The County is a part of the Riverside-San Bernardino Metropolitan Statistical Area ("MSA"), which includes all of Riverside and San Bernardino Counties. The following table summarizes the annual average industry employment statistics for the Riverside-San Bernardino-Ontario MSA for years 2013 through 2017.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES
2013 through 2017
Riverside-San Bernardino-Ontario MSA

	2013	2014	2015	2016	2017
Farm	14,500	14,400	14,800	14,600	14,400
Mining and Logging	1,200	1,300	1,300	900	900
Construction	70,000	77,600	85,700	92,000	97,000
Manufacturing	87,300	91,300	96,100	98,600	98,700
Wholesale Trade	56,400	58,900	61,600	62,800	63,700
Retail Trade	164,800	169,400	174,300	178,000	182,100
Transportation, Warehousing and Utilities	78,500	86,600	97,400	107,300	120,200
Information	11,500	11,300	11,400	11,500	11,300
Financial Activities	41,800	42,900	43,900	44,600	44,500
Professional and Business Services	131,900	138,700	147,400	145,000	147,200
Education and Health Services	187,600	194,800	205,100	214,300	224,800
Leisure and Hospitality	135,900	144,800	151,700	160,200	165,700
Other Services	41,100	43,000	44,000	44,600	45,600
Government	225,200	228,800	233,300	242,300	250,000
Total All Industries	1,247,800	1,303,700	1,367,900	1,416,600	1,466,000

Note: The "Total, All Industries" data is not directly comparable to the employment data found herein.
Source: State of California, Employment Development Department, Labor Market Information Division, Annual Average Labor Force and Industry Employment, March 2017 Benchmark.

Commercial Activity

Summaries of annual taxable sales for the City and the County from 2012 through 2016 are shown in the following tables.

ANNUAL TAXABLE SALES
2012 through 2016
City of Riverside
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Taxable Transactions
2012	6,196	$3,348,220	8,484	$4,238,975
2013	5,436	3,580,926	7,673	4,612,948
2014	5,782	3,893,497	8,051	5,072,694
2015	--	4,028,227	--	5,371,364
2016	--	4,091,744	--	5,507,805

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 are not comparable to that of prior years.
Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

ANNUAL TAXABLE SALES
2012 through 2016
Riverside County
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Outlets Taxable Transactions
2012	34,683	20,016,668	48,316	28,096,009
2013	33,391	21,306,774	46,805	30,065,467
2014	34,910	22,646,343	48,453	32,035,687
2015	--	23,281,724	--	32,910,910
2016	--	24,022,136	--	34,231,144

Note: Beginning in 2015, the outlet counts in these reports show the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers. Industry-level data for 2015 are not comparable to that of prior years.
Source: "Taxable Sales in California (Sales & Use Tax)," California State Board of Equalization.

Construction Activity

The annual building permit valuations and number of permits for new dwelling units issued from 2013 through 2017 for the City and the County are shown in the following tables.

BUILDING PERMITS AND VALUATIONS
2013 through 2017
City of Riverside
(Dollars in Thousands)

	2013	2014	2015	2016	2017
Valuation					
Residential	$30,646	$80,367	$86,166	$80,222	$120,079
Non-Residential	115,561	70,046	124,254	148,267	162,197
Total	$146,207	$150,413	$210,420	$228,489	$282,276
Units					
Single Family	70	230	222	219	172
Multi Family	51	85	224	254	535
Total	121	315	446	473	707

Note: Totals may not add to sum due to rounding.
Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
2013 through 2017
Riverside County
(Dollars in Thousands)

	2013	2014	2015	2016	2017
Valuation					
Residential	$1,375,593	$1,621,751	$1,536,742	$1,759,535	$1,903,417
Non-Residential	983,977	814,990	911,465	1,346,020	1,433,691
Total	$2,249,570	$2,436,741	$2,448,207	$2,105,555	$3,337,108
Units					
Single Family	4,716	5,007	5,007	5,662	6,265
Multi Family	1,427	1,931	1,189	1,039	1,070
Total	6,143	6,938	6,196	6,701	7,335

Note: Totals may not add to sum due to rounding.
Source: Construction Industry Research Board.
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APPENDIX G

RIVERSIDE COUNTY POOLED INVESTMENT FUND

The following information concerning the Riverside County Pooled Investment Fund (the "Investment Pool") has been provided by the County Treasurer-Tax Collector (the "Treasurer"), and has not been confirmed or verified by the District, the Financial Advisor or the Underwriter. The District, the Financial Advisor and the Underwriter have not made an independent investigation of the investments in the Investment Pool and have made no assessment of the current County investment policy. The value of the various investments in the Investment Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of the County Board of Supervisors may change the County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Investment Pool will not vary significantly from the values described herein. Finally, none of the District, the Financial Advisor or the Underwriter make any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date. Additional information regarding the Investment Pool may be obtained from the Treasurer at https://www.countytreasurer.org/; however, the information presented on such website is not incorporated herein by any reference.

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County of Riverside

Treasurer's Pooled Investment Fund

November 2018

Contents

Hot air balloons over Lake Skinner in Temecula, Southwest Riverside County, CA. Digital Image. *NBC San Diego*. http://www.nbcsandiego.com/news/local/temecula-valley-2014-balloon-wine-festival-north-san-diego-261142951.html

Treasurer's Pooled Investment Fund

Monthly Commentary

Clouds on the Horizon

In November, the U.S. economy expanded at a strong rate, and so did the list of items contributing to investor pessimism regarding the sustainability of our current expansion; the debt ceiling, geopolitical and social unrest in Europe and at home, the U.S.-China trade war, and the sustained moderation of the domestic housing sector are casting an ever-larger shadow on markets.

Midterm elections resulted in a divided government, bringing into focus a potential government shutdown in December and the expiration of the debt ceiling on March 1. With the national debt sitting north of $21.7 trillion, the 2011 debt-ceiling crisis comes to mind. On August 5, 2011, S&P cited the debt ceiling as a reason for downgrading the U.S. Federal Government's credit rating from its long-standing AAA to AA+.

Trade tensions between the world's two largest economies rattled investors in November, as the U.S. announced it would be prepared to expand tariffs on the remaining $267 billion of Chinese imports and to increase prior levies to 25 percent if the Trump-Xi meeting fails at the G20 conference.

On a brighter trade note, tensions with our North American neighbors were defused with the official signing of the new United States-Mexico-Canada Agreement at the G20 conference. Implementation of the trade deal is pending congressional approval.

GDP growth, at a robust 3.5% annualized rate, was unrevised for quarter three. Additionally, job growth remains strong, the unemployment rate persists at historically low levels, inflation remains within the Fed's 2-3% target range, and household spending continues to grow at a solid clip.

Such economic growth is expected to persist in the near term. In his November 28 speech at the New York Economic Club, Federal Reserve Chair J. Powell stated that he and his colleagues, along with most private sector economists, "are forecasting continued solid growth, low unemployment, and inflation near two percent."

However, housing market indicators continue to trend downward, as mentioned in the commentaries for September and October. The annualized measure of new home sales has fallen six out of the last eight months and home prices showed their slowest rate of growth since November 2016. Additionally, data for U.S. motor vehicle sales remained solid in November, but layoffs from General Motors warrant concern.

Year-over-year, Inland Empire job growth outpaced L.A. County and California overall with 2.5% growth in nonfarm payrolls. However, a study from U.C. Riverside's new Center for Social Innovation reveals that fewer than half of the jobs in the region pay a living wage.

As the month progressed and some economic indicators showed weakness, the bond market began to suspect that the Fed was posturing to halt or at least slow down their plans to increase rates in 2019. 2-year treasury yields started the month at 2.84 and ended 4 basis points lower, at 2.80. 5-year treasury yields started the month at 2.96 and ended 12 basis points lower, at 2.84. Most notably, the 5-year yield ended the month only 4 basis points higher than the 2-year yield (see page 4).

This is an unusual situation for the yield curve. In standard economic environments, yields on longer bonds are substantially higher than shorter bonds. This is known as a positively sloped yield curve. The current curve is flat, which raises the question: could an inverted yield curve be coming soon? An inverted (or negatively sloped) yield curve is widely interpreted as an indicator of a recession in the near future.

Jon Christensen
Treasurer-Tax Collector

Treasurer's Statement

The Treasurer's Pooled Investment Fund is comprised of contributions from the county, schools, special districts, and other discretionary depositors throughout the County of Riverside. The primary objective of the treasurer shall be to **safeguard the principal** of the funds under the treasurer's control, meet the **liquidity needs** of the depositor, and to maximize a **return on the funds** within the given parameters.

The Treasurer-Tax Collector and the Capital Markets team are committed to maintaining the highest credit ratings. The Treasurer's Pooled Investment Fund is currently rated **Aaa-bf** by **Moody's Investor Service** and **AAAf/S1** by **Fitch Ratings,** two of the nation's most trusted bond credit rating services.

Since its inception, the Treasurer's Pooled Investment Fund has been in **full compliance** with the Treasurer's Statement of Investment Policy, which is more restrictive than California Government Code 53646.

Capital Markets Team

Jon Christensen
Treasurer-Tax Collector

Giovane Pizano
Chief Investment Manager

Steve Faeth
Sr. Investment Manager

Isela Licea
Assistant Investment Manager

Jake Nieto
Administrative Services Assistant

6-Month Pool Performance

	Month End Market Value ($)*	Month End Book Value ($)	Paper Gain or Loss ($)	Paper Gain or Loss (%)	Book Yield (%)	WAM (Yrs)
18-Nov	6,126,655,569.85	6,157,254,222.68	(30,598,652.83)	-0.50%	2.18	1.16
18-Oct	5,810,376,697.47	5,848,258,037.08	(38,077,575.20)	-0.66%	2.09	1.16
18-Sep	6,010,617,673.04	6,046,972,952.10	(36,355,279.06)	-0.60%	2.01	1.16
18-Aug	5,911,098,915.70	5,941,969,016.43	(30,870,100.73)	-0.52%	1.96	1.20
18-Jul	5,978,974,759.31	6,015,426,250.42	(36,451,491.11)	-0.61%	1.92	1.24
18-Jun	6,488,967,672.40	6,525,613,476.09	(36,645,803.69)	-0.56%	1.88	1.17

*Market values do not include accrued interest.

Economy

National Economy

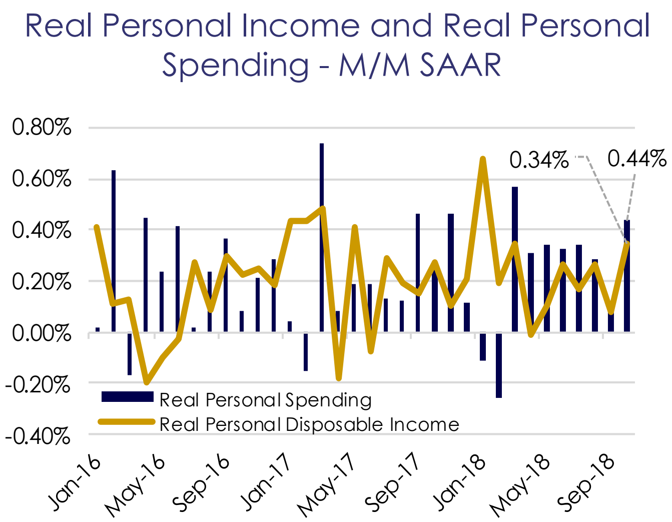
U.S. economy is on track to reach longest economic expansion in history in June. [Bloomberg; 11/28/18]

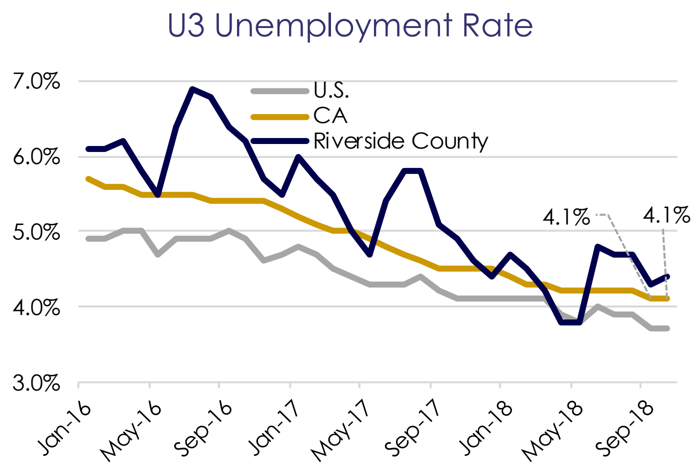
- U.S. economic growth is expected to slow considerably in 2019. [Congressional Budget Office; 11/28/2018]
- Oil (WTI) falls 22% in November, the worst month since the Global Financial Crisis ten years ago. [Bloomberg; 12/03/2018].
- Personal income and consumer expenditures get a boost in October, both exceeding forecasts. [Bloomberg; 11/29/2018]

State Economy

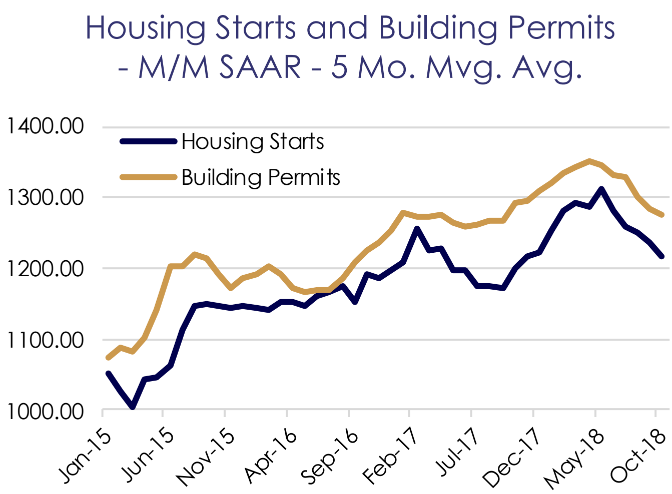
The California Legislative Analyst's Office forecasts steady wage growth, slower job growth, and a weakening housing sector in the near- to medium-term. [LAO ; 12/03/2018]

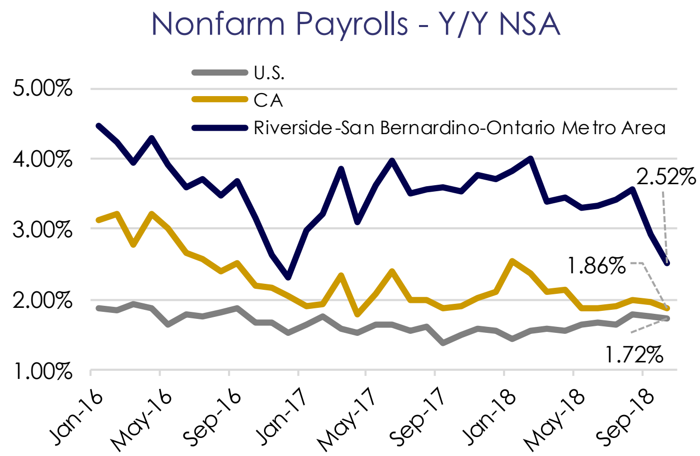
- In October, the unemployment rate in CA remained at the lowest ever for the second straight month [FRED; 12/03/2018]
- Nonfarm payrolls in CA grew 1.8% year-over-year in October, led by jobs in the professional services (3.9%) and construction (3.6%) sectors. [BLS; 12/03/2018].





*Note: National and state data are seasonally adjusted; county data is not.





Key Economic Indicators

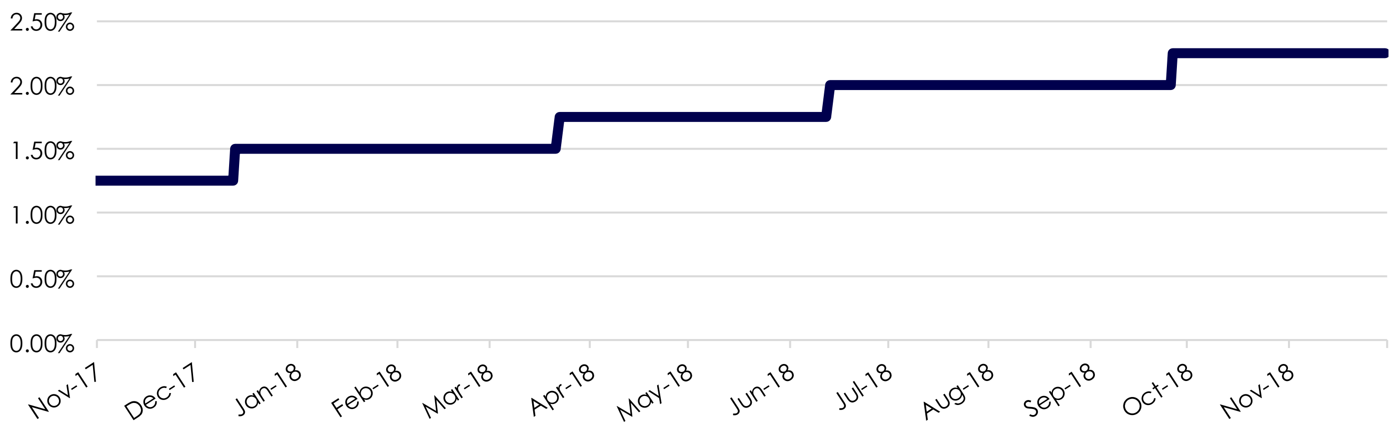
Release Date	Indicator	Actual	Consensus	Difference
11/28/2018	Real GDP - Q/Q Change - SAAR - 3Q18 (2nd estimate)	**3.50%**	3.50%	0.00%
11/02/2018	Unemployment Rate - Seasonally Adjusted	**3.70%**	3.70%	0.00%
11/02/2018	Non-Farm Payrolls - M/M Change	**250,000**	190,000	60,000
11/14/2018	CPI - Y/Y Change	**2.50%**	2.50%	0.00%
11/14/2018	CPI Ex Food and Energy - Y/Y Change	**2.10%**	2.20%	-0.10%
11/05/2018	Non-Manufacturing Index (> 50 indicates growth)	**60.3**	59.1	1.20
11/28/2018	New Home Sales - SAAR	**544,000**	575,000	-31,000
11/02/2018	Factory Orders - M/M Change	**0.70%**	0.40%	0.30%
11/21/2018	Durable Goods Orders - New Orders - M/M Change	**-4.40%**	-2.50%	-1.90%

Market Data

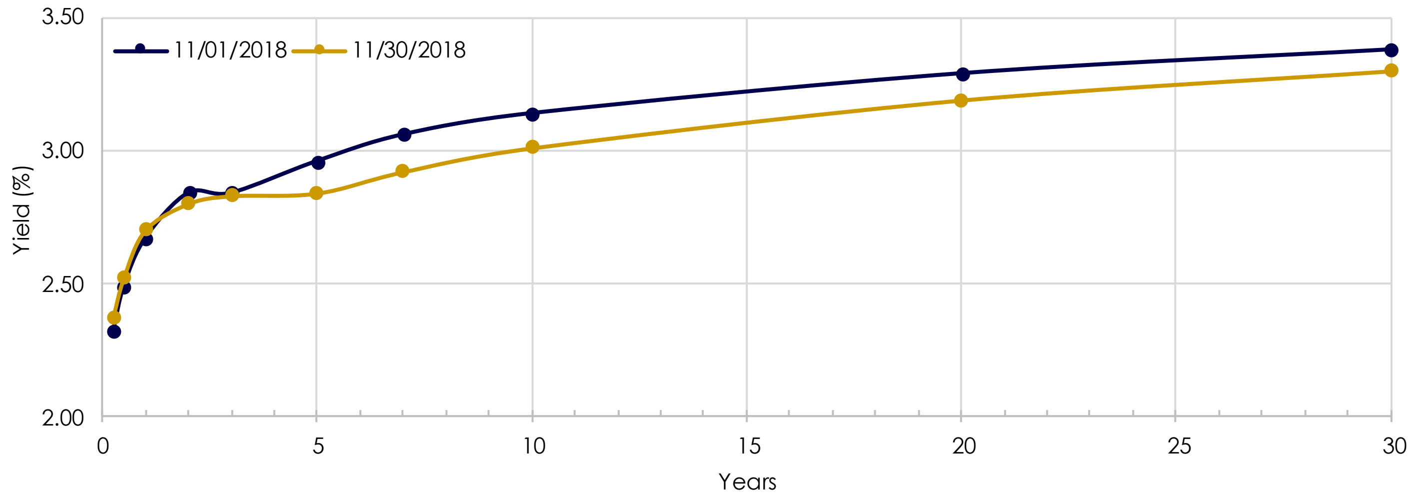
FOMC Meeting 11/08/2018

- The FOMC stated data received from their last meeting in September "indicates that the labor market has continued to strengthen and that economic activity has been rising at a strong rate."
- The Federal Open Market Committee maintained the Fed Funds Target Rate at 2.00—2.25%.
- "Risks to the economic outlook appear roughly balanced", stated the FOMC in their November 8, 2018 press release.
- The next FOMC policy statement meeting is scheduled for December 18-19, 2018.

Fed Funds Target Rate (Upper Limit)



U.S. Treasury Curve

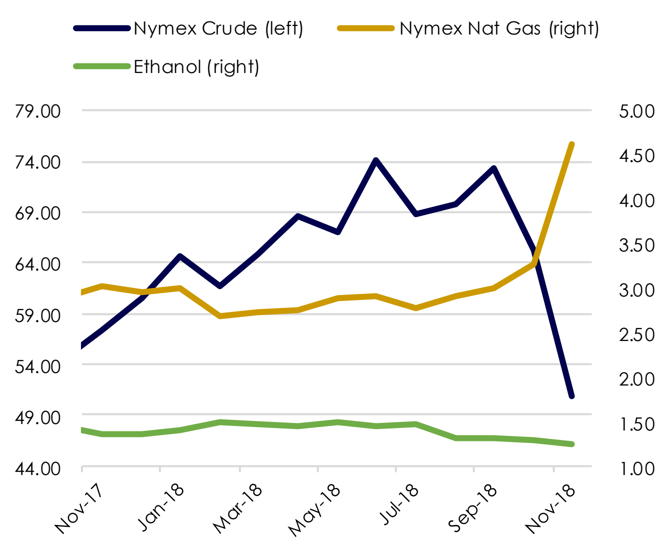


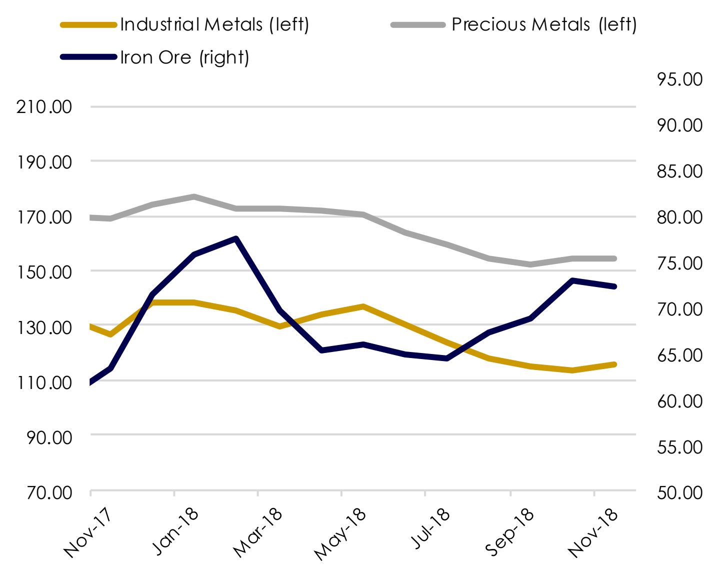
Treasury Curve Differentials	3 Mo	6 Mo	1 Yr	2 Yr	3 Yr	5 Yr	10 Yr	30 Yr
11/30/2018 - 11/01/2018	0.05	0.03	0.03	-0.04	-0.01	-0.12	-0.13	-0.08
11/30/2018	2.37	2.52	2.70	2.80	2.83	2.84	3.01	3.30
11/01/2018	2.32	2.49	2.67	2.84	2.84	2.96	3.14	3.38

The US Treasury Curve and its forecasted values are subject to frequent change and will be updated monthly with each issued TPIF report.

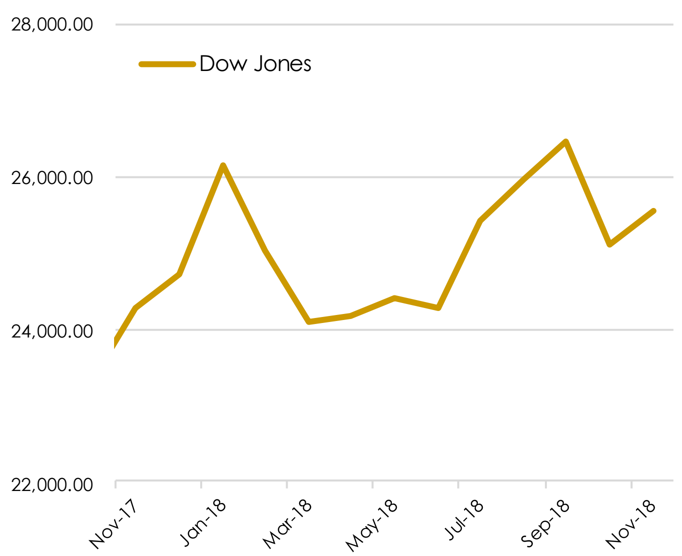
Market Data cont'd

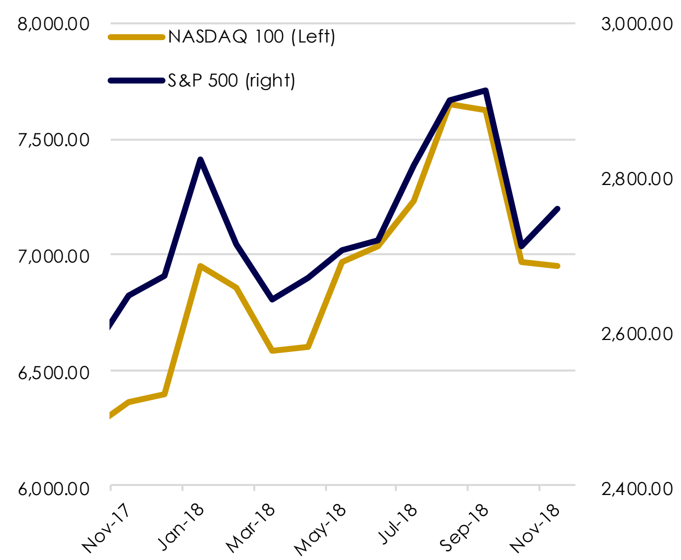
Commodities





Stocks





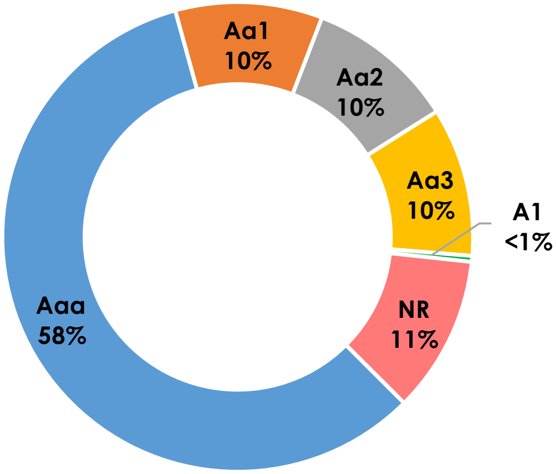
* Values listed on this page are in US dollars and are based on the final business day of each month.

Portfolio Data

The County of Riverside's Treasurer's Pooled Investment Fund is currently rated **AAA-bf** by **Moody's Investor Service** and **AAAf/S1** by **Fitch Ratings**.

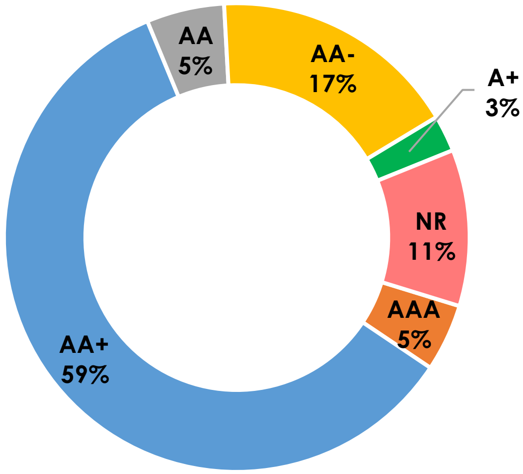
Moody's Asset Rating (000's)

	Book	MKT/Book	% Book	Yield
Aaa	3,585,072.81	99.05%	58.23%	2.00%
Aa1	622,132.12	100.06%	10.10%	2.49%
Aa2	628,283.76	100.23%	10.20%	2.45%
Aa3	631,601.03	100.29%	10.26%	2.53%
A1	25,000.00	100.00%	0.41%	2.51%
NR	665,164.50	99.95%	10.80%	2.28%
Totals:	**6,157,254.22**	**99.50%**	**100.00%**	**2.18%**



S&P Asset Rating (000's)

	Book	MKT/Book	% Book	Yield
AAA	286,803.75	100.09%	4.66%	2.34%
AA+	3,654,080.84	99.11%	59.35%	2.00%
AA	332,545.84	99.11%	5.40%	2.49%
AA-	1,063,659.30	100.14%	17.27%	2.53%
A+	155,000.00	100.00%	2.52%	2.63%
NR	665,164.50	99.95%	10.80%	2.28%
Totals:	**6,157,254.22**	**99.50%**	**100.00%**	**2.18%**



12-Month Projected Cash Flow

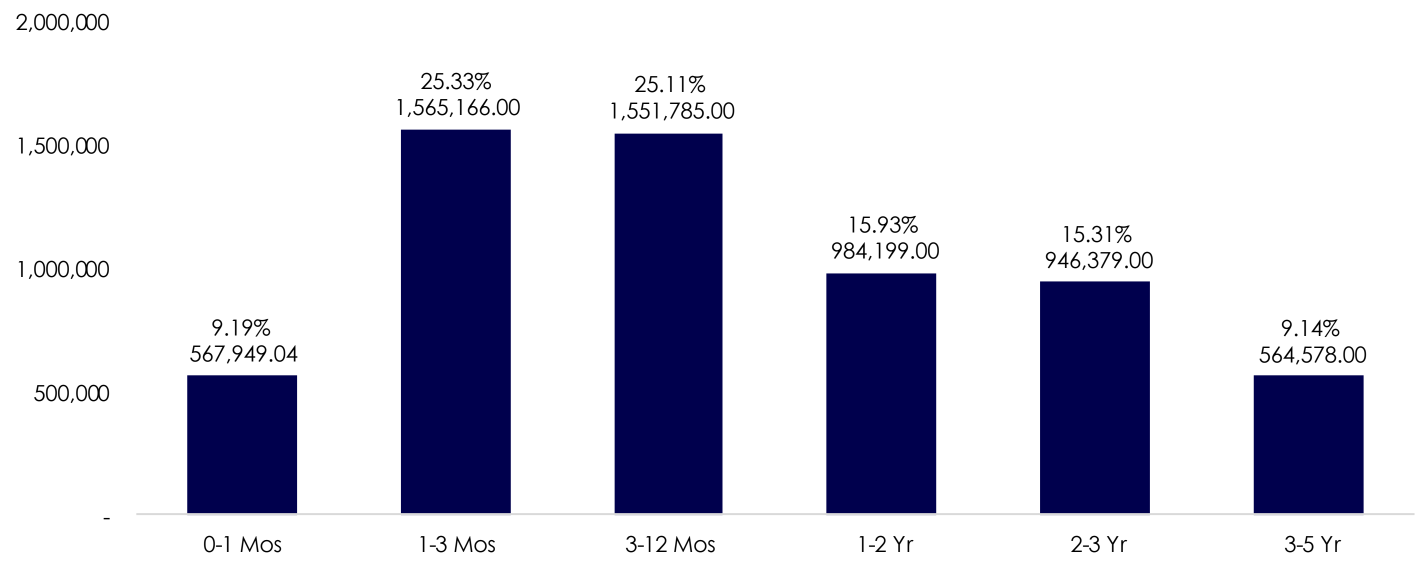
Month	Monthly Receipts	Monthly Disbursements	Difference	Required Matured Investments	Balance	Actual Investments Maturing	Available to Invest > 1 Year
12/2018					175.07		
12/2018	2,350.00	1,100.00	1,250.00		1,425.07	567.95	
01/2019	1,000.00	2,100.00	(1,100.00)		325.07	1,127.03	
02/2019	850.00	1,050.00	(200.00)		125.07	458.14	
03/2019	1,350.00	1,200.00	150.00		275.07	233.31	
04/2019	2,000.00	1,300.00	700.00		975.07	16.10	
05/2019	1,200.00	2,050.00	(850.00)		125.07	274.46	
06/2019	1,050.00	1,850.00	(800.00)	674.93	-	249.09	
07/2019	969.28	1,250.00	(280.72)	280.72	-	216.58	
08/2019	900.00	1,200.00	(300.00)	300.00	-	201.24	
09/2019	1,100.00	1,200.00	(100.00)	100.00	-	101.73	
10/2019	1,100.00	1,300.00	(200.00)	200.00	-	174.28	
11/2019	1,300.00	1,200.00	100.00		100.00	55.00	
TOTALS	15,169.28	16,800.00	(1,630.72)	1,555.65	3,525.49	3,674.91	4,601.60
				25.27%		59.68%	74.73%

* Values listed in Cash Flow Table are in millions of USD.

Based on historic and current financial conditions within the County, the Pool is expected to maintain sufficient liquidity of funds to cover County expenses for the next twelve months.

Portfolio Data cont'd

Asset Maturity Distribution (Par Value, 000's)

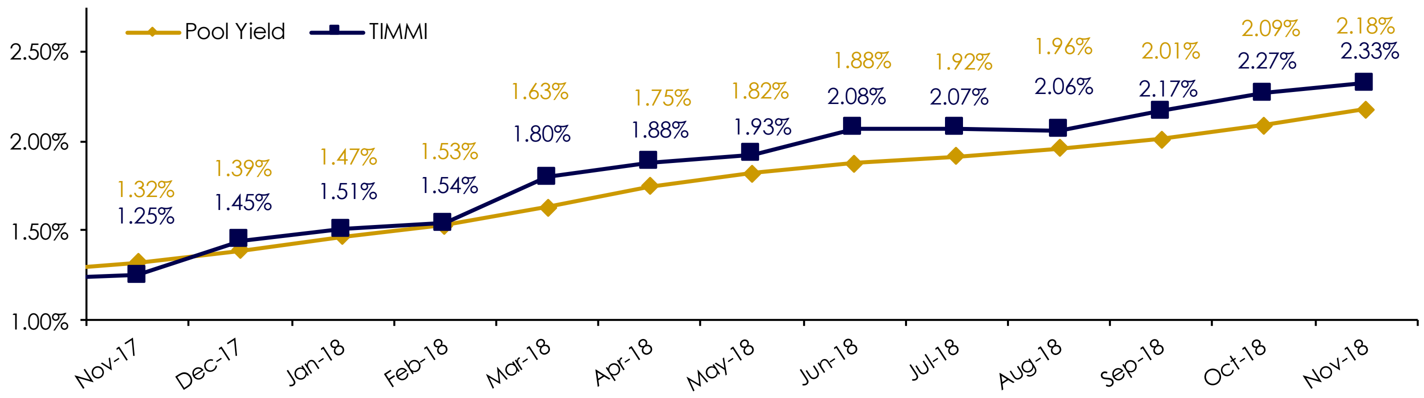


Asset Allocation (000's)

Assets	Scheduled Book	Scheduled Market	Mkt/ Sch Book	Yield	WAL (Yr.)	Mat (Yr.)
TREAS	169,003.38	169,020.90	100.01%	2.04%	0.41	0.41
AGENCIES	3,062,219.77	3,026,513.38	98.83%	1.93%	1.81	1.94
MMKT	88,994.51	88,994.51	100.00%	2.25%	0.01	0.01
CASH	455,000.00	455,000.00	100.00%	2.31%	0.00	0.00
CALTRUST FND	24,000.00	24,000.00	100.00%	2.35%	0.00	0.00
COMM PAPER	1,122,035.68	1,126,960.48	100.44%	2.44%	0.22	0.22
NCDS	751,009.30	751,009.30	100.00%	2.57%	0.32	0.32
MEDIUM TERM NOTES	291,625.89	291,791.31	100.06%	2.57%	1.07	1.08
MUNI	193,205.70	193,205.70	100.00%	2.27%	1.82	1.82
LOCAL AGCY OBLIG	160.00	160.00	100.00%	2.59%	1.54	1.54
Totals:	**6,157,254.22**	**6,126,655.57**	**99.50%**	**2.18%**	**1.10**	**1.16**

* For details on the Pool's composition see Month End Portfolio Holdings, pages 9 to 13.

TIMMI



The Treasurer's Institutional Money Market Index (TIMMI) is a composite index of four AAA rated prime institutional money market funds. Their aggregate yield is compared to the yield of the Treasurer's Pooled Investment Fund in the above graph.

Compliance Report

Compliance Status: Full Compliance

The Treasurer's Pooled Investment Fund was in full compliance with the County of Riverside's Treasurer's Statement of Investment Policy. The County's Statement of Investment Policy is more restrictive than California Government Code 53646. The County's Investment Policy is reviewed annually by the County of Riverside's Oversight Committee and approved by the Board of Supervisors.

	GOVERNMENT CODE			COUNTY INVESTMENT POLICY			
Investment Category	Maximum Maturity	Authorized % Limit	S&P/ Moody's	Maximum Maturity	Authorized % Limit	S&P/ Moody's	Actual %
MUNICIPAL BONDS (MUNI)	5 YEARS	NO LIMIT	NA	4 YEARS	15%	AA-/Aa3/AA-	**3.14%**
U.S. TREASURIES	5 YEARS	NO LIMIT	NA	5 YEARS	100%	NA	**2.74%**
LOCAL AGENCY OBLIGATIONS (LAO)	5 YEARS	NO LIMIT	NA	3 YEARS	2.50%	INVESTMENT GRADE	**<1%**
FEDERAL AGENCIES	5 YEARS	NO LIMIT	AAA	5 YEARS	100%	NA	**49.73%**
COMMERCIAL PAPER (CP)	270 DAYS	40%	A1/P1	270 DAYS	40%	A1/P1/F1	**18.22%**
CERTIFICATE & TIME DEPOSITS (NCD & TCD)	5 YEARS	30%	NA	1 YEAR	25% Combined	A1/P1/F1	**12.20%**
REPURCHASE AGREEMENTS (REPO)	1 YEARS	NO LIMIT	NA	45 DAYS	40% max, 25% in term repo over 7 days	A1/P1/F1	**0.00%**
REVERSE REPOS	92 DAYS	20%	NA	60 DAYS	10%	NA	**0.00%**
MEDIUM TERM NOTES (MTNO)	5 YEARS	30%	A	3 YEARS	20%	AA/Aa2/AA	**4.74%**
CALTRUST SHORT TERM FUND	NA	NA	NA	DAILY LIQUIDITY	1.00%	NA	**0.39%**
MONEY MARKET MUTUAL FUNDS (MMF)	60 DAYS [1]	20%	AAA/Aaa [2]	DAILY LIQUIDITY	20%	AAA by 2 Of 3 RATINGS AGC.	**1.45%**
LOCAL AGENCY INVESTMENT FUND (LAIF)	NA	NA	NA	DAILY LIQUIDITY	Max $50 million	NA	**0.00%**
CASH/DEPOSIT ACCOUNT	NA	NA	NA	NA	NA	NA	**7.39%**

[1] Money Market Mutual Funds maturity may be interpreted as a weighted average maturity not exceeding 60 days.

[2] Or must have an investment advisor with no fewer than 5 years experience and with assets under management of $500,000,000 USD.

THIS COMPLETES THE REPORT REQUIREMENTS OF CALIFORNIA GOVERNMENT CODE 53646.

CUSIP	Description	Maturity Date	Coupon	Yield To Mat	Par Value	Book Value	Market Price	Market Value	Unrealized Gain/Loss	Modified Duration	Years To Maturity
Fund: 1 POOL FUND											
1060: MMKT ACCTS-A/365-6											
FRGXX	FIDELITY GOV	12/01/2018	2.126	2.126	1,000,000.00	1,000,000.00	100.00	1,000,000.00	0.00	.003	.003
GOFXX	FEDERATED GOV	12/01/2018	2.113	2.113	1,000,000.00	1,000,000.00	100.00	1,000,000.00	0.00	.003	.003
FGTXX	GOLDMAN SACHS GOV	12/01/2018	2.094	2.094	1,000,000.00	1,000,000.00	100.00	1,000,000.00	0.00	.003	.003
WFFXX	WELLS FARGO GOV	12/01/2018	2.127	2.127	1,000,000.00	1,000,000.00	100.00	1,000,000.00	0.00	.003	.003
WFJXX	HERITAGE PRIME MMF	12/04/2018	2.321	2.260	4,998,000.80	5,000,000.00	100.04	5,000,000.00	0.00	.011	.011
FIPXX	FIDELITY PRIME MMF	12/04/2018	2.294	2.237	29,988,005.30	29,997,501.25	100.03	29,997,501.25	0.00	.011	.011
TMPXX	BLACKROCK PRIME MMF	12/04/2018	2.308	2.266	24,990,003.50	24,995,001.50	100.02	24,995,001.50	0.00	.011	.011
CJPXX	JP MORGAN PRIME MMF	12/04/2018	2.296	2.256	24,997,003.50	25,002,002.90	100.02	25,002,002.90	0.00	.011	.011
			2.292	**2.246**	**88,973,013.10**	**88,994,505.65**	**100.02**	**88,994,505.65**	**0.00**	**.011**	**.011**
1065: CLTR-A/365-6											
CLTR	CALTRUST SHT TERM FUND	12/01/2018	2.356	2.350	23,976,023.98	24,000,000.00	100.10	24,000,000.00	0.00	.003	.003
			2.356	**2.350**	**23,976,023.98**	**24,000,000.00**	**100.10**	**24,000,000.00**	**0.00**	**.003**	**.003**
1080: MGD RATE-A/365-6											
CASH	BANK OF THE WEST	12/01/2018	2.310	2.310	105,000,000.00	105,000,000.00	100.00	105,000,000.00	0.00	.003	.003
			2.310	**2.310**	**105,000,000.00**	**105,000,000.00**	**100.00**	**105,000,000.00**	**0.00**	**.003**	**.003**
1170: MGD RATE-A/360											
CASH	UB MANAGED RATE	12/01/2018	2.310	2.310	320,000,000.00	320,000,000.00	100.00	320,000,000.00	0.00	.003	.003
CASH	PACIFIC PREMIER BANK	12/01/2018	2.297	2.297	30,000,000.00	30,000,000.00	100.00	30,000,000.00	0.00	.003	.003
			2.309	**2.309**	**350,000,000.00**	**350,000,000.00**	**100.00**	**350,000,000.00**	**0.00**	**.003**	**.003**
1175: LAO-SINKING FND-A/360											
LAO	US DIST COURTHOUSE	06/15/2020	2.586	2.586	160,000.00	160,000.00	100.00	160,000.00	0.00	.541	1.542
			2.586	**2.586**	**160,000.00**	**160,000.00**	**100.00**	**160,000.00**	**0.00**	**.541**	**1.542**
1300: U.S. TREASURY BILL											
912796QH5	U.S. TREASURY BILL	05/23/2019	2.370	2.408	20,000,000.00	19,687,950.00	98.83	19,765,800.00	77,850.00	.465	.477
			2.370	**2.408**	**20,000,000.00**	**19,687,950.00**	**98.83**	**19,765,800.00**	**77,850.00**	**.465**	**.477**
1310: U.S. TREASURY BOND											
9128282K5	U.S. TREASURY BOND	07/31/2019	1.375	1.428	25,000,000.00	24,975,585.94	99.18	24,794,000.00	-181,585.94	.659	.666
9128282K5	U.S. TREASURY BOND	07/31/2019	1.375	1.418	25,000,000.00	24,980,468.75	99.18	24,794,000.00	-186,468.75	.659	.666
912828W30	U.S. TREASURY BOND	02/28/2019	1.125	2.048	20,000,000.00	19,811,718.75	99.69	19,938,800.00	127,081.25	.244	.247
912828R44	U.S. TREASURY BOND	05/15/2019	.875	2.297	15,000,000.00	14,819,531.25	99.25	14,888,100.00	68,568.75	.449	.455
912828V56	U.S. TREASURY BOND	01/31/2019	1.125	2.308	40,000,000.00	39,837,500.00	99.81	39,923,200.00	85,700.00	.168	.170
912828SN1	U. S TREASURY BOND	03/31/2019	1.500	2.400	25,000,000.00	24,890,625.00	99.67	24,917,000.00	26,375.00	.327	.332
			1.246	**1.993**	**150,000,000.00**	**149,315,429.69**	**99.50**	**149,255,100.00**	**-60,329.69**	**.396**	**.401**
1425: FHLMC-Fxd-S 30/360											
3134G8QE2	FHLMC 3YrNc1YrE	03/29/2019	1.300	1.300	9,000,000.00	9,000,000.00	99.61	8,964,900.00	-35,100.00	.324	.326
3134G8QB8	FHLMC 3YrNc1YrE	03/29/2019	1.270	1.270	4,000,000.00	4,000,000.00	99.60	3,984,040.00	-15,960.00	.324	.326
3134G8TG4	FHLMC 3.5YrNc6MoE	10/11/2019	1.500	1.500	15,000,000.00	15,000,000.00	98.91	14,836,200.00	-163,800.00	.854	.863
3134G9Q75	FHLMC 3YrNc3MoB	07/26/2019	1.250	1.250	10,000,000.00	10,000,000.00	99.09	9,908,600.00	-91,400.00	.648	.652
3134GABZ6	FHLMC 3.5YrNc1YrE	02/25/2020	1.250	1.250	10,000,000.00	10,000,000.00	98.14	9,814,100.00	-185,900.00	1.219	1.238
3134GAVF8	FHLMC 3.5YrNc1YrE	05/08/2020	1.200	1.200	15,000,000.00	15,000,000.00	97.80	14,669,850.00	-330,150.00	1.421	1.438
3134GAXZ2	FHLMC 4YrNc6MoE	11/25/2020	1.370	1.370	25,000,000.00	25,000,000.00	97.06	24,265,250.00	-734,750.00	1.952	1.989
3134GAYK4	FHLMC 4YrNc1YrE	11/30/2020	1.440	1.440	10,000,000.00	10,000,000.00	97.17	9,717,000.00	-283,000.00	1.965	2.003
3134GAK78	FHLMC 1.5YrNc1MoB	01/25/2019	1.350	1.350	10,000,000.00	10,000,000.00	99.85	9,985,100.00	-14,900.00	.152	.153
3134GBWH1	FHLMC 2.25YrNc6MoB	09/27/2019	1.500	1.509	6,250,000.00	6,248,750.00	98.96	6,185,125.00	-63,625.00	.815	.825
3134GBYS5	FHLMC 2YrNc3MoB	07/26/2019	1.600	1.600	5,000,000.00	5,000,000.00	99.38	4,969,000.00	-31,000.00	.646	.652
3134GBK35	FHLMC 3YrNc3MoB	09/29/2020	1.800	1.800	15,000,000.00	15,000,000.00	98.00	14,700,450.00	-299,550.00	1.788	1.833
3137EAEE5	FHLMC 2.75Yr	01/17/2020	1.500	1.602	25,000,000.00	24,942,750.00	98.61	24,653,500.00	-289,250.00	1.111	1.132
3134GBTX0	FHLMC 2.75YrNc2MoB	06/29/2020	1.750	1.780	20,000,000.00	19,983,860.00	98.24	19,647,600.00	-336,260.00	1.541	1.581
3134GBG30	FHLMC 2YrNc5MoB	09/27/2019	1.500	1.620	20,000,000.00	19,953,600.00	99.02	19,804,000.00	-149,600.00	.815	.825
3134GBG30	FHLMC 2YrNc6MoB	09/27/2019	1.500	1.621	25,000,000.00	24,942,500.00	99.02	24,755,000.00	-187,500.00	.815	.825
3134G92B2	FHLMC 2YrNc8MoE	01/30/2019	.950	1.734	20,000,000.00	19,820,000.00	99.77	19,953,800.00	133,800.00	.166	.167
3134G9NH6	FHLMC 1.5YrNc5MoE	05/24/2019	1.080	1.809	10,000,000.00	9,895,000.00	99.30	9,929,700.00	34,700.00	.475	.479
3134G9W37	FHLMC 2.5YrNc3MoB	08/10/2020	1.450	2.421	10,000,000.00	9,769,000.00	97.66	9,766,100.00	-2,900.00	1.653	1.696
3134GBX80	FHLMC 4.5YrNc7MoB	11/14/2022	2.300	2.755	12,628,000.00	12,381,754.00	97.05	12,254,968.88	-126,785.12	3.747	3.959
3134GSMF9	FHLMC 5YrNc3YrE	05/26/2023	3.000	3.000	15,000,000.00	15,000,000.00	99.36	14,903,700.00	-96,300.00	4.171	4.488
3134GSQL2	FHLMC 5YrNc2YrE	06/29/2023	3.100	3.100	5,000,000.00	5,000,000.00	99.67	4,983,350.00	-16,650.00	4.186	4.581
3134GSB53	FHLMC 3YrNc1YrE	10/29/2021	3.100	3.100	5,000,000.00	5,000,000.00	100.00	5,000,000.00	0.00	2.759	2.915
3134GSA96	FHLMC 3YrNc1YrE	11/15/2021	3.150	3.150	10,000,000.00	10,000,000.00	100.00	10,000,000.00	0.00	2.800	2.962
3134GSA96	FHLMC 3YrNc1YrE	11/15/2021	3.150	3.150	5,000,000.00	5,000,000.00	100.00	5,000,000.00	0.00	2.800	2.962
3134GSA96	FHLMC 3YrNc1YrE	11/15/2021	3.150	3.150	5,000,000.00	5,000,000.00	100.00	5,000,000.00	0.00	2.800	2.962
3134GSD44	FHLMC 3YrNc1YrE	11/26/2021	3.150	3.150	25,000,000.00	25,000,000.00	100.08	25,019,500.00	19,500.00	2.830	2.992
3134GSC45	FHLMC 3YrNc1YrE	11/26/2021	3.160	3.160	10,000,000.00	10,000,000.00	100.13	10,013,200.00	13,200.00	2.830	2.992
3134GBXV9	FHLMC 1.6YrNc1Yr	07/13/2020	1.850	2.870	15,000,000.00	14,758,950.00	98.35	14,753,100.00	-5,850.00	1.569	1.619
			1.827	**1.997**	**371,878,000.00**	**370,696,164.00**	**98.81**	**367,437,133.88**	**-3,259,030.12**	**1.627**	**1.694**
1460: FHLMC-STEP%-Q30/360											
3134GAPS7	FHLMC 2YrNc1MoB	10/24/2019	1.750	1.927	15,000,000.00	14,973,750.00	99.58	14,936,400.00	-37,350.00	.893	.899
			1.750	**1.927**	**15,000,000.00**	**14,973,750.00**	**99.58**	**14,936,400.00**	**-37,350.00**	**.893**	**.899**
1465: FHLMC-STEP%-S30/360											
3134G7S77	FHLMC 5YrNc6MoB	10/29/2020	1.500	1.500	15,000,000.00	15,000,000.00	99.15	14,872,950.00	-127,050.00	1.883	1.915
3134G8KU2	FHLMC 5YrNc6MoB	02/26/2021	1.500	1.500	10,000,000.00	10,000,000.00	98.56	9,856,400.00	-143,600.00	2.191	2.244
3134G8L31	FHLMC 5YrNc6MoB	02/26/2021	1.500	1.500	10,000,000.00	10,000,000.00	99.04	9,904,100.00	-95,900.00	2.191	2.244
3134G9JX6	FHLMC 5YrNc3MoB	06/09/2021	1.600	1.600	15,000,000.00	15,000,000.00	97.25	14,587,650.00	-412,350.00	2.447	2.526
3134G9JW8	FHLMC 5YrNc3MoB	05/25/2021	1.500	1.500	20,000,000.00	20,000,000.00	97.35	19,470,000.00	-530,000.00	2.431	2.485
3134G9NU7	FHLMC 5YrNc3MoB	06/16/2021	1.750	1.757	15,000,000.00	14,997,000.00	97.94	14,690,700.00	-306,300.00	2.467	2.545
3134G9UM7	FHLMC 5YrNc3MoB	06/30/2021	1.500	1.500	15,000,000.00	15,000,000.00	97.24	14,586,000.00	-414,000.00	2.509	2.584
3134G9VA2	FHLMC 5YrNc6MoB	06/30/2021	1.300	1.300	15,000,000.00	15,000,000.00	98.02	14,703,450.00	-296,550.00	2.519	2.584
3134G9UX3	FHLMC 5YrNc3MoB	06/30/2021	1.500	1.500	10,000,000.00	10,000,000.00	96.91	9,691,000.00	-309,000.00	2.509	2.584
3134G9UH8	FHLMC 3.5YrNc3MoB	12/30/2019	2.000	2.000	15,000,000.00	15,000,000.00	99.79	14,968,200.00	-31,800.00	1.065	1.082
3134G9XA0	FHLMC 5YrNc6MoB	07/13/2021	1.750	1.750	15,000,000.00	15,000,000.00	98.56	14,784,300.00	-215,700.00	2.551	2.619
3134G9S40	FHLMC 4YrNc6MoB	07/27/2020	1.300	1.300	15,000,000.00	15,000,000.00	97.73	14,658,750.00	-341,250.00	1.631	1.658
3134G9R66	FHLMC 5YrNc3MoB	08/10/2021	1.500	1.500	15,000,000.00	15,000,000.00	96.88	14,531,700.00	-468,300.00	2.628	2.696
3134G9S57	FHLMC 4YrNc6MoB	08/10/2020	1.300	1.300	15,000,000.00	15,000,000.00	97.65	14,647,050.00	-352,950.00	1.666	1.696
3134G9T23	FHLMC 5YrNc3MoB	08/10/2021	1.500	1.500	10,000,000.00	10,000,000.00	97.33	9,732,500.00	-267,500.00	2.628	2.696
3134G9U47	FHLMC 5YrNc3MoB	08/25/2021	1.500	1.500	15,000,000.00	15,000,000.00	96.72	14,507,400.00	-492,600.00	2.661	2.737
3134G95W3	FHLMC 5YrNc3MoB	08/25/2021	1.500	1.500	10,000,000.00	10,000,000.00	96.15	9,615,100.00	-384,900.00	2.661	2.737
3134G96A0	FHLMC 5YrNc3MoB	08/25/2021	1.375	1.375	15,000,000.00	15,000,000.00	96.90	14,534,400.00	-465,600.00	2.667	2.737
3134GAEB6	FHLMC 4.25YrNc3MoB	12/08/2020	1.250	1.250	20,000,000.00	20,000,000.00	97.43	19,485,200.00	-514,800.00	1.979	2.025
3134GAEG5	FHLMC 5YrNc6MoB	08/24/2021	1.500	1.500	20,000,000.00	20,000,000.00	97.68	19,536,600.00	-463,400.00	2.667	2.734
3134GADP6	FHLMC 5YrNc3MoB	09/13/2021	1.500	1.500	16,500,000.00	16,500,000.00	97.12	16,024,140.00	-475,860.00	2.711	2.789

CUSIP	Description	Maturity Date	Coupon	Yield To Mat	Par Value	Book Value	Market Price	Market Value	Unrealized Gain/Loss	Modified Duration	Years To Maturity
3134GAET7	FHLMC 5YrNc3MoB	09/30/2021	1.500	1.500	20,000,000.00	20,000,000.00	96.93	19,385,200.00	-614,800.00	2.757	2.836
3134GAKY9	FHLMC 5YrNc6MoB	09/30/2021	1.450	1.450	15,000,000.00	15,000,000.00	97.25	14,587,950.00	-412,050.00	2.760	2.836
3134GANB6	FHLMC 5YrNc6MoB	09/30/2021	1.500	1.500	15,000,000.00	15,000,000.00	96.98	14,547,450.00	-452,550.00	2.763	2.836
3134GAPM0	FHLMC 5YrNc3MoB	10/25/2021	1.500	1.500	10,000,000.00	10,000,000.00	96.91	9,691,200.00	-308,800.00	2.831	2.904
3134GAPM0	FHLMC 5YrNc3MoB	10/25/2021	1.500	1.500	6,705,000.00	6,705,000.00	96.91	6,497,949.60	-207,050.40	2.831	2.904
3134GAPA6	FHLMC 5YrNc3MoB	10/27/2020	1.500	1.500	10,000,000.00	10,000,000.00	98.06	9,806,300.00	-193,700.00	1.876	1.910
3134GAQV9	FHLMC 5YrNc6MoB	10/27/2021	1.400	1.400	15,000,000.00	15,000,000.00	96.52	14,477,850.00	-522,150.00	2.837	2.910
3134GAQV9	FHLMC 5YrNc6MoB	10/27/2021	1.400	1.400	15,000,000.00	15,000,000.00	96.52	14,477,850.00	-522,150.00	2.837	2.910
3134GARL0	FHLMC 5YrNc6MoB	10/28/2021	1.500	1.500	10,000,000.00	10,000,000.00	98.30	9,830,100.00	-169,900.00	2.843	2.912
3134GASF2	FHLMC 5YrNc3MoB	10/27/2021	1.500	1.500	15,000,000.00	15,000,000.00	96.78	14,517,600.00	-482,400.00	2.832	2.910
3134GASF2	FHLMC 5YrNc3MoB	10/27/2021	1.500	1.500	15,000,000.00	15,000,000.00	96.78	14,517,600.00	-482,400.00	2.832	2.910
3134GATA2	FHLMC 5YrNc3MoB	10/27/2021	1.500	1.500	10,000,000.00	10,000,000.00	97.16	9,716,100.00	-283,900.00	2.835	2.910
3134GATB0	FHLMC 5YrNc3MoB	11/10/2021	1.550	1.550	17,000,000.00	17,000,000.00	96.65	16,431,180.00	-568,820.00	2.865	2.948
3134GATA2	FHLMC 5YrNc3MoB	10/27/2021	1.500	1.500	14,000,000.00	14,000,000.00	97.16	13,602,540.00	-397,460.00	2.835	2.910
3134GAUA0	FHLMC 5YrNc3MoB	11/30/2021	1.500	1.500	4,500,000.00	4,500,000.00	96.56	4,345,110.00	-154,890.00	2.923	3.003
3134GAYF5	FHLMC 5YrNc3MoB	11/26/2021	1.550	1.550	20,000,000.00	20,000,000.00	96.56	19,312,400.00	-687,600.00	2.909	2.992
3134GAYG3	FHLMC 5YrNc3MoB	12/09/2021	1.500	1.500	10,000,000.00	10,000,000.00	97.45	9,744,800.00	-255,200.00	2.926	3.027
3134GAYR9	FHLMC 5YrNc3MoB	12/09/2021	1.650	1.650	20,000,000.00	20,000,000.00	97.74	19,547,200.00	-452,800.00	2.916	3.027
3134GAA87	FHLMC 5YrNc3MoB	12/30/2021	1.900	1.900	10,000,000.00	10,000,000.00	97.48	9,748,300.00	-251,700.00	2.958	3.085
3134GAA87	FHLMC 5YrNc3MoB	12/30/2021	1.900	1.900	10,000,000.00	10,000,000.00	97.48	9,748,300.00	-251,700.00	2.958	3.085
3134GAZ49	FHLMC 3YrNc6MoB	02/24/2020	2.000	2.000	20,000,000.00	20,000,000.00	99.97	19,993,600.00	-6,400.00	1.212	1.236
3134G7S77	FHLMC 3.5Yr	10/29/2020	1.500	1.615	7,125,000.00	7,108,968.75	99.15	7,064,651.25	-44,317.50	1.882	1.915
3134GBGB2	FHLMC 3.5YrNc6MoB	10/27/2020	2.000	2.000	15,000,000.00	15,000,000.00	99.65	14,947,350.00	-52,650.00	1.869	1.910
3134GBHN5	FHLMC 3YrNc3MoB	04/27/2020	1.750	1.750	10,000,000.00	10,000,000.00	99.22	9,921,800.00	-78,200.00	1.385	1.408
3134GBKC5	FHLMC 3YrNc3MoB	04/27/2020	1.650	1.650	20,000,000.00	20,000,000.00	98.12	19,623,200.00	-376,800.00	1.386	1.408
3134GBMP4	FHLMC 3YrNc3MoB	05/22/2020	1.750	1.750	10,000,000.00	10,000,000.00	99.00	9,900,400.00	-99,600.00	1.454	1.477
3134GBPJ5	FHLMC 3YrNc6MoB	05/22/2020	1.700	1.700	20,000,000.00	20,000,000.00	98.52	19,703,000.00	-297,000.00	1.454	1.477
3134GBSE3	FHLMC 4YrNc6MoB	02/24/2021	1.750	1.750	15,000,000.00	15,000,000.00	98.25	14,736,750.00	-263,250.00	2.174	2.238
3134GBSD5	FHLMC 3YrNc6MoB	11/24/2020	1.700	1.700	15,000,000.00	15,000,000.00	98.15	14,722,500.00	-277,500.00	1.943	1.986
3134GBTD4	FHLMC 5YrNc3MoB	06/29/2022	2.050	2.050	20,000,000.00	20,000,000.00	97.82	19,563,200.00	-436,800.00	3.406	3.581
3134GBTE2	FHLMC 5YrNc6MoB	06/22/2022	2.000	2.000	15,000,000.00	15,000,000.00	97.30	14,595,150.00	-404,850.00	3.391	3.562
3134GBYK2	FHLMC 5YrNc3MoB	07/05/2022	2.000	2.000	20,000,000.00	20,000,000.00	97.98	19,595,000.00	-405,000.00	3.427	3.597
3134GBWD0	FHLMC 3.5YrNc3MoB	01/20/2021	1.500	1.500	10,000,000.00	10,000,000.00	98.91	9,890,500.00	-109,500.00	2.086	2.142
3134GBWS7	FHLMC 5YrNc3MoB	07/27/2022	2.050	2.050	20,000,000.00	20,000,000.00	97.54	19,508,800.00	-491,200.00	3.483	3.658
3134GBYN6	FHLMC 5YrNc3MoB	07/27/2022	2.100	2.100	20,000,000.00	20,000,000.00	97.91	19,581,400.00	-418,600.00	3.479	3.658
3134G92T3	FHLMC 5YrNc3MoB	08/08/2023	1.500	2.399	5,000,000.00	4,790,170.00	95.82	4,791,100.00	930.00	4.467	4.690
3134GBZQ8	FHLMC 5YrNc2MoB	07/27/2022	2.250	2.732	3,000,000.00	2,946,600.00	97.95	2,938,440.00	-8,160.00	3.457	3.658
3134GBRW4	FHLMC3YrNc2MoB	06/15/2022	1.875	2.454	10,000,000.00	9,799,500.00	98.46	9,846,300.00	46,800.00	3.371	3.542
			1.626	**1.642**	**823,830,000.00**	**823,347,238.75**	**97.70**	**804,843,710.85**	**-18,503,527.90**	**2.512**	**2.590**
1525: FNMA-Fxd-S 30/360											
3136G3RL1	FNMA 3.5YrNc6MoB	12/16/2019	1.500	1.500	5,000,000.00	5,000,000.00	98.70	4,935,050.00	-64,950.00	1.026	1.044
3136G3WC5	FNMA 4YrNc6MoE	07/13/2020	1.350	1.350	10,000,000.00	10,000,000.00	97.70	9,770,300.00	-229,700.00	1.589	1.619
3136G3SY2	FNMA 3.25YrNc6MoB	09/30/2019	1.250	1.250	7,500,000.00	7,500,000.00	98.79	7,409,550.00	-90,450.00	.825	.833
3135G0M26	FNMA 3YrNc6MoE	07/26/2019	1.000	1.000	10,000,000.00	10,000,000.00	98.91	9,891,300.00	-108,700.00	.650	.652
3135G0M26	FNMA 3YrNc6MoE	07/26/2019	1.000	1.000	10,000,000.00	10,000,000.00	98.91	9,891,300.00	-108,700.00	.650	.652
3136G3XS9	FNMA 2.5YrNc6MoE	01/25/2019	.875	.900	7,500,000.00	7,495,350.00	99.77	7,483,050.00	-12,300.00	.153	.153
3136G3A62	FNMA 3YrNc1YrE	07/26/2019	1.050	1.050	15,000,000.00	15,000,000.00	98.96	14,844,000.00	-156,000.00	.650	.652
3136G3P25	FNMA 3.5YrNc1YrE	07/26/2019	1.125	1.125	25,000,000.00	25,000,000.00	99.00	24,748,750.00	-251,250.00	.649	.652
3135G0R39	FNMA 3Yr	10/24/2019	1.000	1.091	10,000,000.00	9,973,200.00	98.46	9,845,900.00	-127,300.00	.893	.899
3136G4GU1	FNMA 3YrNc6MoB	11/25/2019	1.400	1.400	10,000,000.00	10,000,000.00	98.68	9,868,100.00	-131,900.00	.976	.986
3135G0T60	FNMA 3Yr	07/30/2020	1.500	1.604	10,000,000.00	9,969,700.00	97.89	9,789,100.00	-180,600.00	1.631	1.666
3136G0YK1	FNMA 2Yr	08/28/2019	1.500	1.400	10,000,000.00	10,019,600.00	99.14	9,914,200.00	-105,400.00	.741	.742
3135G0S46	FNMA 2.16Yr2MoB	01/27/2020	1.650	1.800	5,000,000.00	4,983,850.00	98.72	4,936,150.00	-47,700.00	1.136	1.159
3136G1MG1	FNMA 1.4YrNC5MoB	05/29/2019	1.300	1.833	10,000,000.00	9,922,200.00	99.37	9,937,300.00	15,100.00	.488	.493
3135G0J53	FNMA 1.25Yr	02/26/2019	1.000	1.761	25,000,000.00	24,770,250.00	99.68	24,919,750.00	149,500.00	.239	.241
3135G0A78	FNMA 2Yr	01/21/2020	1.625	1.911	15,000,000.00	14,910,900.00	98.72	14,807,700.00	-103,200.00	1.119	1.142
3135G0UU5	FNMA 2.25Yr	03/06/2020	1.750	1.913	11,082,000.00	11,042,326.44	98.72	10,940,482.86	-101,843.58	1.242	1.266
3135G0T78	FNMA 4.83Yr	10/05/2022	2.000	2.322	15,000,000.00	14,782,200.00	96.60	14,489,550.00	-292,650.00	3.668	3.849
3135G0T94	FNMA 5Yr	01/19/2023	2.375	2.495	10,000,000.00	9,944,100.00	97.90	9,789,500.00	-154,600.00	3.882	4.140
			1.351	**1.522**	**221,082,000.00**	**220,313,676.44**	**98.70**	**218,211,032.86**	**-2,102,643.58**	**1.127**	**1.159**
1560: FNMA-STEP%-Q 30/360											
3136G3SG1	FNMA 4.25YrNc6MoB	09/09/2020	1.500	1.500	15,000,000.00	15,000,000.00	97.47	14,620,650.00	-379,350.00	1.744	1.778
			1.500	**1.500**	**15,000,000.00**	**15,000,000.00**	**97.47**	**14,620,650.00**	**-379,350.00**	**1.744**	**1.778**
1565: FNMA-STEP%-S 30/360											
3136G3BX2	FNMA 4YrNc6MoB	03/09/2020	1.750	1.750	15,000,000.00	15,000,000.00	99.12	14,868,450.00	-131,550.00	1.254	1.274
3136G3EH4	FNMA 4YrNc6MoB	03/30/2020	2.000	2.000	10,000,000.00	10,000,000.00	99.64	9,964,000.00	-36,000.00	1.311	1.332
3136G3DV4	FNMA 5YrNc6MoB	03/30/2021	1.750	1.750	15,000,000.00	15,000,000.00	97.17	14,575,050.00	-424,950.00	2.279	2.332
3136G3PB5	FNMA 5YrNc6MoB	06/09/2021	1.550	1.550	15,000,000.00	15,000,000.00	97.28	14,592,000.00	-408,000.00	2.449	2.526
3136G3TG0	FNMA 4YrNc6MoB	06/30/2020	1.375	1.375	20,000,000.00	20,000,000.00	98.17	19,633,800.00	-366,200.00	1.556	1.584
3136G3XT7	FNMA 5YrNc6MoB	07/27/2021	1.300	1.300	15,000,000.00	15,000,000.00	96.33	14,448,900.00	-551,100.00	2.595	2.658
3136G3ZW8	FNMA 5YrNc6MoB	07/27/2021	1.375	1.375	20,000,000.00	20,000,000.00	96.57	19,314,600.00	-685,400.00	2.594	2.658
3136G3Y74	FNMA 4YrNc6MoB	11/24/2020	1.250	1.250	15,000,000.00	15,000,000.00	97.15	14,572,200.00	-427,800.00	1.954	1.986
			1.512	**1.514**	**125,000,000.00**	**125,000,000.00**	**97.58**	**121,969,000.00**	**-3,031,000.00**	**2.027**	**2.073**
1700: FHLB-DISC NOTE											
313384BX6	FHLB DISC NTE	02/15/2019	2.300	2.318	25,000,000.00	24,803,541.67	99.50	24,875,444.44	71,902.77	.206	.211
			2.300	**2.318**	**25,000,000.00**	**24,803,541.67**	**99.50**	**24,875,444.44**	**71,902.77**	**.206**	**.211**
1725: FHLB-Fxd-S 30/360											
3130A7PV1	FHLB 5Yr	04/05/2021	1.375	1.390	5,000,000.00	4,996,350.00	96.69	4,834,500.00	-161,850.00	2.297	2.348
3130A7PU3	FHLB 4Yr	04/06/2020	1.200	1.210	10,000,000.00	9,996,000.00	97.85	9,785,100.00	-210,900.00	1.333	1.351
3130A8Y72	FHLB 3Yr	08/05/2019	.875	.940	15,000,000.00	14,971,200.00	98.81	14,821,650.00	-149,550.00	.675	.679
3130ABB21	FHLB 2.25YrNc2YrE	07/26/2019	1.375	1.444	10,000,000.00	9,986,000.00	99.18	9,918,400.00	-67,600.00	.647	.652
3130ABRS7	FHLB 2Yr	07/12/2019	1.460	1.483	10,000,000.00	9,995,400.00	99.30	9,929,900.00	-65,500.00	.609	.614
3130ABYZ3	FHLB 2.75YrNc9MoE	05/22/2020	1.600	1.600	5,000,000.00	5,000,000.00	98.27	4,913,300.00	-86,700.00	1.454	1.477
3130AC2C7	FHLB 3YrNc1YrE	08/28/2020	2.000	1.790	10,000,000.00	10,061,000.00	98.59	9,859,000.00	-202,000.00	1.705	1.745
3130ABZE9	FHLB 3YrNc1YrE	08/28/2020	1.650	1.650	5,000,000.00	5,000,000.00	98.00	4,899,900.00	-100,100.00	1.711	1.745
3130AC3J1	FHLB 2YrNc3MoB	08/28/2019	1.550	1.550	5,000,000.00	5,000,000.00	99.17	4,958,550.00	-41,450.00	.740	.742
3133782M2	FHLB 2Yr	03/08/2019	1.500	1.351	10,000,000.00	10,022,300.00	99.76	9,975,600.00	-46,700.00	.267	.268
3130ABQ25	FHLB 2.5Yr	03/29/2019	1.360	1.350	10,000,000.00	10,001,500.00	99.66	9,965,800.00	-35,700.00	.324	.326
3130AC3D4	FHLB 1.5Yr	02/08/2019	1.350	1.400	12,500,000.00	12,491,375.00	99.81	12,475,875.00	-15,500.00	.190	.192
3130ABY34	FHLB 2.5Yr	05/29/2020	1.613	1.813	10,000,000.00	9,950,500.00	98.26	9,826,300.00	-124,200.00	1.472	1.496
3130ACBD5	FHLB 2.58YrNc1MoB	06/29/2020	1.650	1.861	5,350,000.00	5,321,270.50	98.21	5,254,235.00	-67,035.50	1.542	1.581
3133782M2	FHLB 1.25Yr	03/08/2019	1.500	1.766	15,000,000.00	14,950,500.00	99.76	14,963,400.00	12,900.00	.266	.268
313379Q69	FHLB 4.5 Yr	06/10/2022	2.125	2.182	7,975,000.00	7,955,620.75	97.25	7,756,006.50	-199,614.25	3.347	3.529
3130ADFW7	FHLB 3Yr	01/25/2021	2.200	2.212	15,000,000.00	14,994,900.00	98.58	14,786,550.00	-208,350.00	2.076	2.156
3130ABF92	FHLB 1.33Yr	05/28/2019	1.375	1.972	10,000,000.00	9,921,300.00	99.45	9,944,600.00	23,300.00	.485	.490
3130A0XD7	FHLB 3Yr	03/12/2021	2.375	2.484	10,000,000.00	9,968,000.00	98.89	9,889,200.00	-78,800.00	2.198	2.282

CUSIP	Description	Maturity Date	Coupon	Yield To Mat	Par Value	Book Value	Market Price	Market Value	Unrealized Gain/Loss	Modified Duration	Years To Maturity
3130A0XD7	FHLB 3Yr	03/12/2021	2.375	2.489	10,000,000.00	9,966,500.00	98.89	9,889,200.00	-77,300.00	2.198	2.282
3130ADPR7	FHLB 2.5YrNc3MoB	09/15/2020	2.500	2.500	5,000,000.00	5,000,000.00	99.45	4,972,600.00	-27,400.00	1.733	1.795
313378WG2	FHLB 4.08Yr	03/11/2022	2.500	2.619	10,000,000.00	9,954,700.00	98.69	9,869,000.00	-85,700.00	3.113	3.279
3130ADR53	FHLB 2YrNc3MoB	03/20/2020	2.350	2.350	10,000,000.00	10,000,000.00	99.32	9,932,300.00	-67,700.00	1.273	1.304
3130AAE46	FHLB 10Mo	01/16/2019	1.250	2.121	23,155,000.00	22,988,052.45	99.86	23,123,046.10	134,993.65	.127	.129
3130ADG48	FHLB 2.83YrNc1.33YrE	01/29/2021	2.250	2.553	20,000,000.00	19,833,600.00	98.69	19,737,600.00	-96,000.00	2.082	2.167
3130ADG48	FHLB 2.75YrNc1.25YrE	01/29/2021	2.250	2.513	10,000,000.00	9,928,600.00	98.69	9,868,800.00	-59,800.00	2.083	2.167
3130AAE46	FHLB 9Mo	01/16/2019	1.250	2.131	50,000,000.00	49,658,000.00	99.86	49,931,000.00	273,000.00	.127	.129
313382AX1	FHLB 4.9Yr	03/10/2023	2.125	2.716	11,750,000.00	11,432,397.50	96.42	11,329,702.50	-102,695.00	4.035	4.277
3130A8DB6	FHLB 1.167Yr	06/21/2019	1.125	2.263	10,620,000.00	10,480,240.80	99.20	10,535,464.80	55,224.00	.549	.556
3130AE6U9	FHLB 3Yr	05/07/2021	2.700	2.725	7,650,000.00	7,644,492.00	99.65	7,623,378.00	-21,114.00	2.339	2.436
3130AE6U9	FHLB 3Yr	05/07/2021	2.700	2.703	10,000,000.00	9,999,100.00	99.65	9,965,200.00	-33,900.00	2.339	2.436
3133XTYY6	FHLB 11Mo	06/14/2019	4.375	2.373	5,000,000.00	5,092,350.00	100.95	5,047,450.00	-44,900.00	.522	.537
3130A9M40	FHLB 4.17Yr	09/29/2022	1.650	2.929	15,730,000.00	14,940,354.00	95.27	14,986,285.60	45,931.60	3.661	3.833
3130A8R54	FHLB 4.9YrNc1Mo	07/28/2023	1.800	2.965	3,700,000.00	3,504,196.00	94.27	3,487,805.00	-16,391.00	4.393	4.660
3130A9EP2	FHLB 11MoB	09/26/2019	1.000	2.687	20,180,000.00	19,877,300.00	98.63	19,902,726.80	25,426.80	.809	.822
3130AFCU9	FHLB 3YrNc1YrE	11/26/2021	3.125	3.150	10,000,000.00	9,992,900.00	99.92	9,991,700.00	-1,200.00	2.831	2.992
3130AFFA0	FHLB 3YrNc1YrB	11/29/2021	3.200	3.200	15,000,000.00	15,000,000.00	100.07	15,010,200.00	10,200.00	2.836	3.000
3130AFFB8	FHLB 1.5YrNc3MoB	05/28/2020	3.000	3.000	10,000,000.00	10,000,000.00	100.04	10,004,100.00	4,100.00	1.451	1.493
3130A8CK7	FHLB 4.5Yr	06/09/2023	2.050	3.147	10,000,000.00	9,540,100.00	95.51	9,550,600.00	10,500.00	4.229	4.526
			1.822	**2.195**	**448,610,000.00**	**445,416,099.00**	**98.86**	**443,516,025.30**	**-1,900,073.70**	**1.471**	**1.532**
1760: FHLB-STEP%-Q 30/360											
3130A8UH4	FHLB 3YrNcMoB	08/15/2019	2.500	2.500	25,000,000.00	25,000,000.00	99.94	24,984,500.00	-15,500.00	.703	.707
			2.500	**2.500**	**25,000,000.00**	**25,000,000.00**	**99.94**	**24,984,500.00**	**-15,500.00**	**.703**	**.707**
1765: FHLB-STEP%-S 30/360											
3130A9DH1	FHLB 5YrNc3MoB	09/30/2021	1.500	1.500	15,000,000.00	15,000,000.00	97.57	14,635,350.00	-364,650.00	2.763	2.836
3130A9DA6	FHLB 5YrNc3MoB	09/30/2021	1.500	1.500	15,000,000.00	15,000,000.00	97.56	14,633,850.00	-366,150.00	2.763	2.836
3130AA2T4	FHLB 5YrNc6MoB	12/09/2021	1.600	1.600	10,000,000.00	10,000,000.00	97.09	9,709,000.00	-291,000.00	2.919	3.027
3130AA2T4	FHLB 5YrNc6MoB	12/09/2021	1.600	1.600	10,000,000.00	10,000,000.00	97.09	9,709,000.00	-291,000.00	2.919	3.027
3130AA5A2	FHLB 5YrNc1YrB	12/08/2021	1.700	1.700	15,000,000.00	15,000,000.00	97.82	14,673,600.00	-326,400.00	2.910	3.025
3130ABQV1	FHLB 5YrNc6MoB	07/26/2022	2.000	2.000	15,000,000.00	15,000,000.00	97.90	14,684,250.00	-315,750.00	3.485	3.655
3130ABVZ6	FHLB 5YrNc6MoB	02/09/2022	1.750	1.750	20,000,000.00	20,000,000.00	98.25	19,650,800.00	-349,200.00	3.075	3.197
3130ABZW9	FHLB 5YrNc3MoB	08/24/2022	2.000	2.000	10,000,000.00	10,000,000.00	97.22	9,721,700.00	-278,300.00	3.562	3.734
3130AC6H2	FHLB 5YrNc3MoB	08/24/2022	2.000	2.000	15,000,000.00	15,000,000.00	97.02	14,552,700.00	-447,300.00	3.562	3.734
3130AC4T8	FHLB 5YrNc3MoB	05/24/2022	2.000	2.000	20,000,000.00	20,000,000.00	98.06	19,612,000.00	-388,000.00	3.357	3.482
3130A9TV3	FHLB 3.4YrNc2MoB	11/08/2021	1.500	2.579	10,000,000.00	9,690,500.00	97.14	9,714,200.00	23,700.00	2.855	2.942
3130AA5Y0	FHLB 4.16YrNc2MoB	11/25/2022	1.750	2.436	5,100,000.00	4,967,400.00	97.85	4,990,146.00	22,746.00	3.843	3.989
			1.758	**1.847**	**160,100,000.00**	**159,657,900.00**	**97.62**	**156,286,596.00**	**-3,371,304.00**	**3.142**	**3.264**
1767: FHLB-Var-M A/360											
3130A9FU0	FHLB 4Yr	09/22/2020	2.456	2.456	10,000,000.00	10,000,000.00	100.22	10,022,100.00	22,100.00	1.796	1.814
3130A9FM8	FHLB 4Yr	09/22/2020	2.456	2.456	15,000,000.00	15,000,000.00	100.22	15,033,150.00	33,150.00	1.796	1.814
3130A9FR7	FHLB 4Yr	09/28/2020	2.487	2.487	10,000,000.00	10,000,000.00	100.26	10,026,100.00	26,100.00	1.819	1.830
3130A9FR7	FHLB 4Yr	09/28/2020	2.487	2.487	15,000,000.00	15,000,000.00	100.26	15,039,150.00	39,150.00	1.819	1.830
			2.472	**2.472**	**50,000,000.00**	**50,000,000.00**	**100.24**	**50,120,500.00**	**120,500.00**	**1.808**	**1.822**
1770: FHLB-Var-Q A/360											
3130A8NF6	FHLB 3Yr	07/01/2020	2.521	2.521	25,000,000.00	25,000,000.00	100.41	25,102,000.00	102,000.00	1.566	1.586
			2.521	**2.521**	**25,000,000.00**	**25,000,000.00**	**100.41**	**25,102,000.00**	**102,000.00**	**1.566**	**1.586**
1925: FFCB-Fxd-S 30/360											
3133EFV38	FFCB 3YrNc1YrA	03/29/2019	1.250	1.250	10,310,000.00	10,310,000.00	99.62	10,270,512.70	-39,487.30	.324	.326
3133EF5D5	FFCB 4YrNc1YrA	04/27/2020	1.420	1.420	7,700,000.00	7,700,000.00	98.10	7,553,623.00	-146,377.00	1.388	1.408
3133EGNY7	FFCB 2.5YrNc3MoA	01/28/2019	1.110	1.110	25,000,000.00	25,000,000.00	99.81	24,952,500.00	-47,500.00	.161	.162
3133EGSA4	FFCB 4YrNc1YrA	08/24/2020	1.320	1.320	10,000,000.00	10,000,000.00	97.46	9,745,500.00	-254,500.00	1.703	1.734
3133EGVK8	FFCB 4YrNc1YrA	09/21/2020	1.350	1.350	10,000,000.00	10,000,000.00	97.39	9,738,700.00	-261,300.00	1.776	1.811
3133EGXX8	FFCB 4YrNc1YrA	10/13/2020	1.340	1.340	15,000,000.00	15,000,000.00	97.28	14,591,550.00	-408,450.00	1.837	1.871
3133EGC94	FFCB 4YrNc3MoA	11/02/2020	1.380	1.380	10,000,000.00	10,000,000.00	97.27	9,726,700.00	-273,300.00	1.889	1.926
3133EGR49	FFCB 4YrNc1YrA	12/07/2020	1.770	1.770	10,000,000.00	10,000,000.00	97.87	9,787,200.00	-212,800.00	1.959	2.022
3133EHAJ2	FFCB 3YrNc1YrE	02/27/2020	1.710	1.710	10,000,000.00	10,000,000.00	98.69	9,868,700.00	-131,300.00	1.219	1.244
3133EHRK1	FFCB 2.5Yr	01/17/2020	1.520	1.520	10,000,000.00	10,000,000.00	98.60	9,860,000.00	-140,000.00	1.111	1.132
3133EHUL5	FFCB 3Yr	08/10/2020	1.550	1.550	5,000,000.00	5,000,000.00	97.89	4,894,650.00	-105,350.00	1.659	1.696
3133EHWN9	FFCB 2Yr	08/28/2019	1.400	1.400	5,000,000.00	5,000,000.00	99.07	4,953,500.00	-46,500.00	.741	.742
3133EEZ60	FFCB 2Yr	06/24/2019	1.520	1.400	5,000,000.00	5,010,640.00	99.41	4,970,250.00	-40,390.00	.559	.564
3133EHWN9	FFCB 2Yr	08/28/2019	1.400	1.410	10,000,000.00	9,998,000.00	99.07	9,907,000.00	-91,000.00	.741	.742
3133EHZN6	FFCB 3Yr	03/20/2020	1.450	1.511	20,000,000.00	19,970,400.00	98.28	19,656,600.00	-313,800.00	1.285	1.304
3133EHJ95	FFCB 3Yr	10/26/2020	1.750	1.760	20,000,000.00	19,994,000.00	97.97	19,593,800.00	-400,200.00	1.863	1.907
3133EHP98	FFCB 2Yr	11/06/2019	1.600	1.667	25,000,000.00	24,967,247.50	98.94	24,735,500.00	-231,747.50	.922	.934
3133EH6X6	FFCB 4Yr	01/12/2022	2.200	2.365	10,000,000.00	9,938,000.00	97.84	9,784,000.00	-154,000.00	2.969	3.121
3133EJEM7	FFCB 3Yr	03/01/2021	2.500	2.501	10,000,000.00	9,999,700.00	99.17	9,916,800.00	-82,900.00	2.165	2.252
3133EJCE7	FFCB 2.8Yr	02/12/2021	2.350	2.474	15,000,000.00	14,948,670.00	98.89	14,833,350.00	-115,320.00	2.116	2.205
3133EJKN8	FFCB 5Yr	04/11/2023	2.700	2.721	10,000,000.00	9,990,300.00	98.86	9,885,700.00	-104,600.00	4.076	4.364
3133EJNS4	FFCB 3Yr	05/10/2021	2.700	2.747	10,000,000.00	9,986,600.00	99.48	9,948,400.00	-38,200.00	2.346	2.444
3133EHFD0	FFCB 4.5Yr	04/11/2023	2.400	3.160	5,000,000.00	4,839,900.00	96.89	4,844,300.00	4,400.00	4.088	4.364
3133EJD48	FFCB 5Yr	10/02/2023	3.050	3.095	10,000,000.00	9,979,300.00	100.24	10,024,100.00	44,800.00	4.445	4.841
3133EJP52	FFCB4 4YrNc1YrA	11/01/2022	3.330	3.330	5,000,000.00	5,000,000.00	99.91	4,995,550.00	-4,450.00	3.637	3.923
3133EHB85	FFCB 4.4YrA	04/03/2023	2.280	3.166	21,000,000.00	20,237,490.00	96.74	20,315,400.00	77,910.00	4.075	4.342
			1.795	**1.892**	**304,010,000.00**	**302,870,247.50**	**98.47**	**299,353,885.70**	**-3,516,361.80**	**1.859**	**1.939**
1930: FFCB-Var-M A/360											
3133EDXQ0	FFCB 5Yr	10/10/2019	2.388	2.388	15,000,000.00	15,000,000.00	100.10	15,015,600.00	15,600.00	.859	.860
3133EDXQ0	FFCB 5Yr	10/10/2019	2.388	2.388	25,000,000.00	25,000,000.00	100.10	25,026,000.00	26,000.00	.859	.860
3133EDXQ0	FFCB 5Yr	10/10/2019	2.388	2.415	10,000,000.00	9,997,560.00	100.10	10,010,400.00	12,840.00	.858	.860
3133EFT56	FFCB 4Yr	04/01/2020	2.534	2.534	25,000,000.00	25,000,000.00	100.30	25,075,750.00	75,750.00	1.327	1.337
3133EF2Z9	FFCB 4Yr	04/13/2020	2.559	2.559	50,000,000.00	50,000,000.00	100.32	50,159,500.00	159,500.00	1.360	1.370
3133EGCE3	FFCB 5Yr	05/25/2021	2.585	2.585	10,000,000.00	10,000,000.00	100.62	10,062,200.00	62,200.00	2.459	2.485
3133EGCE3	FFCB 5Yr	05/25/2021	2.585	2.585	10,000,000.00	10,000,000.00	100.62	10,062,200.00	62,200.00	2.459	2.485
3133EGYA7	FFCB 3Yr	10/11/2019	2.498	2.498	15,000,000.00	15,000,000.00	100.19	15,028,950.00	28,950.00	.859	.863
3133EGZS7	FFCB 3Yr	10/24/2019	2.495	2.495	15,000,000.00	15,000,000.00	100.22	15,033,000.00	33,000.00	.895	.899
3133EGF67	FFCB 3Yr	11/14/2019	2.477	2.477	15,000,000.00	15,000,000.00	100.20	15,029,700.00	29,700.00	.950	.956
3133EGF67	FFCB 3Yr	11/14/2019	2.477	2.477	15,000,000.00	15,000,000.00	100.20	15,029,700.00	29,700.00	.950	.956
3133EG4C6	FFCB 3.9Yr	01/18/2022	2.543	2.239	15,000,000.00	15,139,095.00	100.55	15,082,500.00	-56,595.00	3.038	3.137
3133EJDG1	FFCB 5Yr	02/21/2023	2.370	2.370	15,000,000.00	15,000,000.00	99.95	14,992,500.00	-7,500.00	4.067	4.230
3133EJJE0	FFCB 3.5Yr	10/04/2021	2.339	2.339	15,000,000.00	15,000,000.00	100.00	15,000,000.00	0.00	2.759	2.847
			2.482	**2.465**	**250,000,000.00**	**250,136,655.00**	**100.24**	**250,608,000.00**	**471,345.00**	**1.584**	**1.612**
1950: FMAC-Fxd-S 30/360											
3132X0WK3	FAMCA 2Yr	08/20/2019	1.440	1.442	5,000,000.00	4,999,800.00	99.18	4,958,800.00	-41,000.00	.714	.721
3132X0WY3	FAMCA 2Yr	09/26/2019	1.420	1.420	10,000,000.00	10,000,000.00	99.00	9,900,100.00	-99,900.00	.813	.822

CUSIP	Description	Maturity Date	Coupon	Yield To Mat	Par Value	Book Value	Market Price	Market Value	Unrealized Gain/Loss	Modified Duration	Years To Maturity
3132X0A50	FAMCA 1.4Yr	05/15/2019	1.810	1.810	10,000,000.00	10,000,000.00	99.71	9,970,700.00	-29,300.00	.450	.455
3132X0C41	FAMCA 1.5Yr	06/24/2019	1.860	1.860	20,000,000.00	20,000,000.00	99.63	19,926,800.00	-73,200.00	.557	.564
3132X0C74	FAMCA 2.08Yr	02/03/2020	1.970	1.970	15,000,000.00	15,000,000.00	99.23	14,884,050.00	-115,950.00	1.149	1.178
3132X0F97	FAMCA 1Yr	01/29/2019	1.900	1.900	25,000,000.00	25,000,000.00	99.95	24,986,500.00	-13,500.00	.163	.164
3132X02Y6	FAMCA 1.58Yr	01/02/2020	2.530	2.530	20,000,000.00	20,000,000.00	99.90	19,980,200.00	-19,800.00	1.069	1.090
3132X03B5	FAMCA 4.9Yr	06/30/2023	2.850	2.964	10,000,000.00	9,947,900.00	99.39	9,938,500.00	-9,400.00	4.220	4.584
3132X04F5	FAMCA 2.91Yr	07/23/2021	2.840	2.864	10,000,000.00	9,993,300.00	99.84	9,983,700.00	-9,600.00	2.510	2.647
			2.090	**2.102**	**125,000,000.00**	**124,941,000.00**	**99.62**	**124,529,350.00**	**-411,650.00**	**1.098**	**1.147**
1965: FMAC-Var-M A/360											
3132X0AT8	FAMCA 2.5 Yr	06/02/2020	2.447	2.283	25,000,000.00	25,063,500.00	100.24	25,060,500.00	-3,000.00	1.486	1.507
3132X0S77	FAMCA 3Yr	04/23/2021	2.365	2.365	25,000,000.00	25,000,000.00	100.09	25,021,250.00	21,250.00	2.337	2.397
3132X0U90	FAMCA 3Yr	05/10/2021	2.338	2.338	10,000,000.00	10,000,000.00	100.01	10,000,800.00	800.00	2.381	2.444
			2.395	**2.326**	**60,000,000.00**	**60,063,500.00**	**100.14**	**60,082,550.00**	**19,050.00**	**1.989**	**2.034**
1975: FMAC-Var-Q A/360											
3132X0ED9	FAMCA 3Yr	03/19/2019	2.409	2.409	10,000,000.00	10,000,000.00	100.07	10,007,200.00	7,200.00	.301	.299
3132X0EV9	FAMCA 3Yr	07/26/2019	2.648	2.648	15,000,000.00	15,000,000.00	100.20	15,029,400.00	29,400.00	.650	.652
			2.552	**2.552**	**25,000,000.00**	**25,000,000.00**	**100.15**	**25,036,600.00**	**36,600.00**	**.511**	**.511**
2350: MUNIS-S 30/360											
882723A33	TEXAS STATE	10/01/2019	1.497	1.497	5,000,000.00	5,000,000.00	100.00	5,000,000.00	0.00	.826	.836
419792JG2	HAWAII STATE	04/01/2019	1.380	1.380	4,990,000.00	4,990,000.00	100.00	4,990,000.00	0.00	.332	.334
419792JH0	HAWAII STATE	04/01/2020	1.660	1.660	5,055,000.00	5,055,000.00	100.00	5,055,000.00	0.00	1.313	1.337
76222RUM2	RHODE ISLAND STATE	05/01/2020	1.625	1.520	2,660,000.00	2,670,719.80	100.40	2,670,719.80	0.00	1.397	1.419
76222RUL4	RHODE ISLAND STATE	05/01/2019	1.375	1.220	2,625,000.00	2,636,838.75	100.45	2,636,838.75	0.00	.414	.416
3733845L6	GEORGIA STATE	07/01/2020	3.000	1.370	6,825,000.00	7,254,770.25	106.30	7,254,770.25	0.00	1.533	1.586
3733845K8	GEORGIA STATE	07/01/2019	3.000	1.110	6,580,000.00	6,943,874.00	105.53	6,943,874.00	0.00	.576	.584
041042ZT2	ARKANSAS STATE	06/01/2019	2.000	1.024	13,470,000.00	13,837,192.20	102.73	13,837,192.20	0.00	.495	.501
419792NE2	HAWAII STATE	10/01/2019	1.151	1.101	2,250,000.00	2,253,262.50	100.15	2,253,262.50	0.00	.829	.836
419792NF9	HAWAII STATE	10/01/2020	1.370	1.319	2,250,000.00	2,254,320.00	100.19	2,254,320.00	0.00	1.804	1.838
68609BXK8	OREGON STATE	05/01/2019	1.450	1.450	1,830,000.00	1,829,981.70	100.00	1,829,981.70	0.00	.413	.416
68609BYC5	OREGON STATE	04/01/2019	1.440	1.441	1,750,000.00	1,749,982.50	100.00	1,749,982.50	0.00	.332	.334
93974DV39	WASHINGTON STATE	08/01/2019	1.500	1.541	8,745,000.00	8,738,703.60	99.93	8,738,703.60	0.00	.661	.668
13063DAC2	STATE OF CALIFORNIA	04/01/2021	2.625	2.011	14,400,000.00	14,688,720.00	102.01	14,688,720.00	0.00	2.250	2.337
010878AL0	ALAMEDA COUNTY G.O.	08/01/2020	2.562	2.562	17,600,000.00	17,600,000.00	100.00	17,600,000.00	0.00	1.611	1.671
76222RWT5	RHODE ISLAND ST & PROV PLANT	04/01/2020	2.750	2.451	3,065,000.00	3,082,378.55	100.57	3,082,378.55	0.00	1.301	1.337
76222RWS7	RHODE ISLAND ST & PROV PLANT	04/01/2019	5.000	2.253	2,330,000.00	2,390,020.80	102.58	2,390,020.80	0.00	.330	.334
76222RWU2	RHODE ISLAND ST & PROV PLANT	04/01/2021	2.750	2.551	3,150,000.00	3,167,766.00	100.56	3,167,766.00	0.00	2.243	2.337
13063DGA0	STATE OF CALIFORNIA	04/01/2021	2.800	2.799	16,000,000.00	16,000,640.00	100.00	16,000,640.00	0.00	2.240	2.337
13063DAC2	STATE OF CALIFORNIA	04/01/2021	2.625	2.850	1,795,000.00	1,784,301.80	99.40	1,784,301.80	0.00	2.240	2.337
13063DAB4	STATE OF CALIFORNIA	04/01/2019	1.593	2.351	7,030,000.00	6,990,842.90	99.44	6,990,842.90	0.00	.330	.334
13063DAD0	STATE OF CALIFORNIA	04/01/2022	2.367	2.960	1,500,000.00	1,468,800.00	97.92	1,468,800.00	0.00	3.167	3.337
544351MM8	CITY OF LOS ANGELES	09/01/2021	4.000	2.919	8,915,000.00	9,200,993.20	103.21	9,200,993.20	0.00	2.542	2.756
93974D5L8	WASHINGTON STATE	08/01/2019	2.630	2.630	10,085,000.00	10,085,000.00	100.00	10,085,000.00	0.00	.656	.668
13063DAD0	STATE OF CALIFORNIA	04/01/2022	2.367	3.120	17,695,000.00	17,256,340.95	97.52	17,256,340.95	0.00	3.164	3.337
13063DAD0	STATE OF CALIFORNIA	04/01/2022	2.367	3.290	25,000,000.00	24,275,250.00	97.10	24,275,250.00	0.00	3.161	3.337
			2.393	**2.274**	**192,595,000.00**	**193,205,699.50**	**100.32**	**193,205,699.50**	**0.00**	**1.727**	**1.805**
3020: COMMERCIAL PAPER											
16677KN41	CHEVRON	01/04/2019	2.350	2.392	60,000,000.00	58,950,333.33	99.78	59,866,833.33	916,500.00	.094	.096
64105HN32	NESTLE	01/03/2019	2.230	2.267	20,000,000.00	19,676,650.00	99.78	19,956,916.67	280,266.67	.091	.093
89233HNE0	TOYOTA MOTOR CORP	01/14/2019	2.490	2.537	20,000,000.00	19,627,883.33	99.71	19,942,555.56	314,672.23	.120	.123
25214PG98	DEXIA(GUARANTEE)	01/18/2019	2.470	2.515	15,000,000.00	14,729,329.17	99.69	14,953,000.00	223,670.83	.131	.134
63763QNP8	NATL SEC CLEARING CORP	01/23/2019	2.400	2.434	40,000,000.00	39,440,000.00	99.65	39,861,611.11	421,611.11	.144	.148
63763QQT7	NATL SEC CLEARING CORP	03/27/2019	2.500	2.547	40,000,000.00	39,255,555.56	99.17	39,667,466.67	411,911.11	.312	.321
25214PJU8	DEXIA (GUARANTEE)	03/19/2019	2.500	2.543	25,000,000.00	24,574,652.78	99.23	24,806,500.00	231,847.22	.291	.299
89233HPS7	TOYOTA MOTOR CORP	02/26/2019	2.460	2.498	25,000,000.00	24,619,041.67	99.41	24,852,583.33	233,541.66	.235	.241
63763QSQ1	NATL SEC CLEARING CORP	05/24/2019	2.450	2.496	50,000,000.00	49,084,652.78	98.72	49,362,000.00	277,347.22	.467	.479
25214PL50	DEXIA (GUARANTEE)	01/22/2019	2.320	2.342	40,000,000.00	39,626,222.22	99.66	39,864,222.22	238,000.00	.142	.145
89233HQ49	TOYOTA MOTOR CORP	03/04/2019	2.400	2.429	25,000,000.00	24,700,000.00	99.33	24,833,375.00	133,375.00	.251	.258
89233HNW0	TOYOTA MOTOR CORP	01/30/2019	2.380	2.400	13,000,000.00	12,890,850.56	99.59	12,947,133.33	56,282.77	.163	.167
63763QTQ0	NATL SEC CLEARING CORP	06/24/2019	2.610	2.662	35,000,000.00	34,314,875.00	98.39	34,437,958.33	123,083.33	.549	.564
03785EQR8	APPLE	03/25/2019	2.400	2.428	25,000,000.00	24,713,333.33	99.18	24,795,750.00	82,416.67	.307	.315
89233HN34	TOYOTA MOTOR CORP	01/03/2019	2.300	2.313	50,000,000.00	49,712,500.00	99.78	49,892,291.67	179,791.67	.091	.093
63763QPS0	NATL SEC CLEARING CORP	02/26/2019	2.420	2.440	25,000,000.00	24,793,291.67	99.41	24,852,583.33	59,291.66	.235	.241
89233HNR1	TOYOTA MOTOR CORP	01/25/2019	2.470	2.485	15,000,000.00	14,909,433.33	99.64	14,946,145.83	36,712.50	.150	.153
89233HQV9	TOYOTA MOTOR CORP	03/29/2019	2.610	2.639	25,000,000.00	24,726,312.50	99.15	24,788,583.33	62,270.83	.317	.326
63763QNG8	NATL SEC CLEARING CORP	01/16/2019	2.330	2.342	15,000,000.00	14,924,275.00	99.70	14,954,958.33	30,683.33	.126	.129
03785EPR9	APPLE	02/25/2019	2.390	2.409	50,000,000.00	49,608,305.56	99.42	49,708,555.56	100,250.00	.233	.238
25214PMS9	DEXIA (GUARANTEE)	07/05/2019	2.790	2.843	50,000,000.00	49,066,125.00	98.31	49,154,000.00	87,875.00	.578	.595
03785ENE0	APPLE	01/14/2019	2.320	2.330	25,000,000.00	24,888,833.33	99.71	24,928,194.44	39,361.11	.120	.123
63763QPT8	NATL SEC CLEARING CORP	02/27/2019	2.420	2.438	25,000,000.00	24,811,777.78	99.40	24,850,888.89	39,111.11	.238	.244
03785ENP5	APPLE	01/23/2019	2.350	2.362	30,000,000.00	29,851,166.67	99.65	29,896,208.33	45,041.66	.144	.148
16677KN82	CHEVRON	01/08/2019	2.310	2.319	64,871,000.00	64,621,246.65	99.75	64,710,083.88	88,837.23	.104	.107
74271UN71	PROCTER & GAMBLE	01/07/2019	2.350	2.358	8,000,000.00	7,972,322.22	99.76	7,980,677.78	8,355.56	.102	.104
93114FN75	WALART	01/07/2019	2.360	2.368	40,000,000.00	39,861,022.22	99.76	39,903,388.89	42,366.67	.102	.104
93114FN75	WALMART	01/07/2019	2.360	2.368	100,000,000.00	99,659,111.11	99.76	99,758,472.22	99,361.11	.102	.104
74271UNV8	PROCTER & GAMBLE	01/29/2019	2.420	2.431	25,000,000.00	24,884,041.67	99.61	24,903,715.28	19,673.61	.160	.164
03785EPT5	APPLE	02/27/2019	2.470	2.486	25,000,000.00	24,840,479.17	99.40	24,850,888.89	10,409.72	.238	.244
16677KNW9	CHEVRON	01/30/2019	2.390	2.400	45,000,000.00	44,808,800.00	99.59	44,817,000.00	8,200.00	.163	.167
04249LNU6	AMRY & AIR FORCE EXCHANGE	01/28/2019	2.470	2.480	3,500,000.00	3,485,351.53	99.62	3,486,748.61	1,397.08	.158	.162
03785EPB4	APPLE	02/11/2019	2.450	2.463	40,000,000.00	39,795,833.33	99.51	39,804,800.00	8,966.67	.195	.200
74271UPS3	PROCTER & GAMBLE	02/26/2019	2.500	2.516	12,800,000.00	12,720,888.89	99.41	12,724,522.67	3,633.78	.235	.241
04249LNV4	ARMY AR EXCHANGE	01/29/2019	2.470	2.480	26,000,000.00	25,891,182.78	99.61	25,899,863.89	8,681.11	.160	.164
			2.420	**2.444**	**1,133,171,000.00**	**1,122,035,680.14**	**99.45**	**1,126,960,477.37**	**4,924,797.23**	**.210**	**.215**
3130: CORP-Fxd-S 30/360											
594918BV5	MICROSOFT CORP	02/06/2020	1.850	2.273	6,350,000.00	6,297,739.50	98.80	6,273,990.50	-23,749.00	1.156	1.186
594918BV5	MICROSOFT CORP	02/06/2020	1.850	2.277	6,000,000.00	5,951,100.00	98.80	5,928,180.00	-22,920.00	1.156	1.186
594918BG8	MICROSOFT CORP	11/03/2020	2.000	2.543	25,000,000.00	24,649,750.00	98.24	24,560,500.00	-89,250.00	1.872	1.929
594918BV5	MICROSOFT CORP	02/06/2020	1.850	2.354	3,000,000.00	2,971,440.00	98.80	2,964,090.00	-7,350.00	1.156	1.186
037833CE8	APPLE	02/08/2019	1.550	2.281	22,840,000.00	22,684,688.00	99.76	22,784,042.00	99,354.00	.189	.192
594918BV5	MICROSOFT CORP	02/06/2020	1.850	2.373	4,097,000.00	4,057,013.28	98.80	4,047,958.91	-9,054.37	1.156	1.186
594918BV5	MICROSOFT CORP	02/06/2020	1.850	2.388	8,000,000.00	7,920,160.00	98.80	7,904,240.00	-15,920.00	1.156	1.186
594918BN3	MICROSOFT CORP	08/08/2019	1.100	2.288	10,000,000.00	9,835,600.00	98.82	9,881,500.00	45,900.00	.678	.688
594918BV5	MICROSOFT CORP	02/06/2020	1.850	2.414	16,000,000.00	15,832,480.00	98.80	15,808,480.00	-24,000.00	1.156	1.186
478160BS2	JOHNSON & JOHNSON	03/01/2021	1.650	2.646	12,000,000.00	11,663,160.00	97.06	11,646,600.00	-16,560.00	2.183	2.252
594918BV5	MICROSOFT CORP	02/06/2020	1.850	2.469	10,000,000.00	9,887,000.00	98.80	9,880,300.00	-6,700.00	1.155	1.186
478160BS2	JOHNSON & JOHNSON	03/01/2021	1.650	2.625	12,969,000.00	12,617,410.41	97.06	12,587,062.95	-30,347.46	2.183	2.252

CUSIP	Description	Maturity Date	Coupon	Yield To Mat	Par Value	Book Value	Market Price	Market Value	Unrealized Gain/Loss	Modified Duration	Years To Maturity
594918BN3	MICROSOFT CORP	08/08/2019	1.100	2.481	14,772,000.00	14,527,818.84	98.82	14,596,951.80	69,132.96	.678	.688
594918BN3	MICROSOFT CORP	08/08/2019	1.100	2.400	20,000,000.00	19,697,600.00	98.82	19,763,000.00	65,400.00	.678	.688
594918AY0	MICROSOFT CORP	02/12/2020	1.850	2.691	16,880,000.00	16,654,820.80	98.81	16,678,959.20	24,138.40	1.170	1.203
594918BN3	MICROSOFT CORP	08/08/2019	1.100	2.494	10,154,000.00	10,001,690.00	98.82	10,033,675.10	31,985.10	.678	.688
037833CB4	APPLE	08/02/2019	1.100	2.570	12,500,000.00	12,339,000.00	98.83	12,353,875.00	14,875.00	.661	.671
594918BN3	MICROSOFT CORP	08/08/2019	1.100	2.568	4,982,000.00	4,916,735.80	98.82	4,922,963.30	6,227.50	.677	.688
166764BH2	CHEVRON CORP	05/16/2019	1.561	2.570	10,000,000.00	9,938,600.00	99.43	9,942,800.00	4,200.00	.451	.458
931142DY6	WALMART	10/09/2019	1.750	2.824	25,000,000.00	24,752,750.00	99.04	24,760,750.00	8,000.00	.842	.858
931142DY6	WALMART	10/09/2019	1.750	2.838	22,029,000.00	21,812,234.64	99.04	21,818,182.47	5,947.83	.842	.858
037833CZ1	APPLE	09/12/2019	1.500	2.823	12,803,000.00	12,662,038.97	98.89	12,661,398.82	-640.15	.769	.784
478160BS2	JOHNSON & JOHNSON	03/01/2021	1.650	3.149	10,295,000.00	9,955,059.10	97.06	9,991,812.25	36,753.15	2.177	2.252
			1.591	**2.568**	**295,671,000.00**	**291,625,889.34**	**98.69**	**291,791,312.30**	**165,422.96**	**1.053**	**1.079**
4500: NCD-Mat A/360											
65590AVR4	NORDEA BK	01/25/2019	2.450	2.450	25,000,000.00	25,000,000.00	100.00	25,000,000.00	0.00	.150	.153
89113XM27	TORONTO DOMINION	01/25/2019	2.510	2.510	30,000,000.00	30,000,000.00	100.00	30,000,000.00	0.00	.150	.153
65590AWG7	NORDEA BK	02/08/2019	2.450	2.450	20,000,000.00	20,000,000.00	100.00	20,000,000.00	0.00	.187	.192
87019VHX8	SWEDBANK AB	02/08/2019	2.410	2.410	30,000,000.00	30,000,000.00	100.00	30,000,000.00	0.00	.187	.192
06052TB82	BANK OF AMERICA NA	02/11/2019	2.440	2.440	50,000,000.00	50,000,000.00	100.00	50,000,000.00	0.00	.195	.200
89114MDZ7	TORONTO DOMINION	02/13/2019	2.400	2.400	50,000,000.00	50,000,000.00	100.00	50,000,000.00	0.00	.201	.205
78012UHD0	ROYAL BANK OF CANADA NY	06/07/2019	2.660	2.660	25,000,000.00	25,000,000.00	100.00	25,000,000.00	0.00	.504	.518
90333VYZ7	US BANK NA	06/11/2019	2.590	2.590	10,000,000.00	10,000,000.00	100.00	10,000,000.00	0.00	.515	.529
78012UHS7	ROYAL BANK OF CANADA NY	01/31/2019	2.370	2.370	20,000,000.00	20,000,000.00	100.00	20,000,000.00	0.00	.166	.170
90333VZA1	US BANK NA	01/22/2019	2.330	2.330	50,000,000.00	50,000,000.00	100.00	50,000,000.00	0.00	.142	.145
78012UHZ1	ROYAL BANK OF CANADA NY	06/21/2019	2.710	2.710	30,000,000.00	30,000,000.00	100.00	30,000,000.00	0.00	.541	.556
06052TC32	BANK OF AMERICA NA	05/01/2019	2.620	2.620	25,000,000.00	25,000,000.00	100.00	25,000,000.00	0.00	.406	.416
90333VZC7	US BANK NA	05/31/2019	2.580	2.580	30,000,000.00	30,000,000.00	100.00	30,000,000.00	0.00	.486	.499
89114MHB6	TORONTO DOMINION	01/02/2019	2.380	2.380	25,000,000.00	25,000,000.00	100.00	25,000,000.00	0.00	.088	.090
65590AXW1	NORDEA BK	01/16/2019	2.420	2.420	25,000,000.00	25,000,000.00	100.00	25,000,000.00	0.00	.126	.129
94989RY28	WELLS FARGO NA	05/13/2019	2.720	2.720	50,000,000.00	50,000,000.00	100.00	50,000,000.00	0.00	.437	.449
94989RZ50	WELLS FARGO CD	06/28/2019	2.820	2.820	30,000,000.00	30,000,000.00	100.00	30,000,000.00	0.00	.559	.575
90333VZR4	US BANK NA	06/21/2019	2.830	2.830	40,000,000.00	40,000,000.00	100.00	40,000,000.00	0.00	.540	.556
90333VZZ6	US BANK NA	01/22/2019	2.440	2.440	25,000,000.00	25,000,000.00	100.00	25,000,000.00	0.00	.142	.145
90333VA91	US BANK NA	01/25/2019	2.450	2.450	15,000,000.00	15,000,000.00	100.00	15,000,000.00	0.00	.150	.153
89114MMK0	TORONTO DOMINION	08/16/2019	3.000	3.000	35,000,000.00	35,000,000.00	100.00	35,000,000.00	0.00	.688	.710
78012UJY2	ROYAL BANK OF CANADA NY	06/28/2019	2.910	2.910	25,000,000.00	25,000,000.00	100.00	25,000,000.00	0.00	.559	.575
89114MMT1	TORONTO DOMINION	05/31/2019	2.860	2.860	30,000,000.00	30,000,000.00	100.00	30,000,000.00	0.00	.484	.499
			2.583	**2.583**	**695,000,000.00**	**695,000,000.00**	**100.00**	**695,000,000.00**	**0.00**	**.332**	**.341**
4541: NCD-VAR-M A/360											
94989RQ43	WELLS FARGO	01/07/2019	2.544	2.442	56,000,000.00	56,009,296.00	100.02	56,009,296.00	0.00	.102	.104
			2.544	**2.442**	**56,000,000.00**	**56,009,296.00**	**100.02**	**56,009,296.00**	**0.00**	**.102**	**.104**
	Total Fund		**2.064**	**2.182**	**6,180,056,037.08**	**6,157,254,222.68**	**99.14**	**6,126,655,569.85**	**-30,598,652.83**	**1.119**	**1.155**
Grand Total			**2.064**	**2.182**	**6,180,056,037.08**	**6,157,254,222.68**	**99.14**	**6,126,655,569.85**	**-30,598,652.83**	**1.119**	**1.155**

The Mission Inn, Downtown Riverside. Digital Image. *The Mission Inn*. http://www.missioninn.com/about-en.html.

COUNTY OF RIVERSIDE
TREASURER-TAX COLLECTOR
CAPITAL MARKETS

COUNTY ADMINISTRATIVE CENTER
4080 LEMON STREET,
4TH FLOOR,
RIVERSIDE, CA 92502-2205

WWW.COUNTYTREASURER.ORG

APPENDIX H

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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ASSURED GUARANTY MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100

Form 500NY (5/90)