SUPPLEMENT DATED APRIL 7, 2020
TO OFFICIAL STATEMENT DATED MARCH 25, 2020

$9,495,000
SAN JACINTO UNIFIED SCHOOL DISTRICT
CERTIFICATES OF PARTICIPATION (2020 FINANCING)

Dated: Date of Delivery **Due: September 1, as described herein**

The San Jacinto Unified School District's Official Statement dated March 25, 2020 for the above-referenced Certificates of Participation (the "Official Statement") is amended and supplemented by this Supplement dated April 7, 2020 (the "Supplement"). Erroneous interest rates appeared in the Maturity Schedule shown on the inside cover page of the Official Statement. The Official Statement is amended by this Supplement in order to correct the stated interest rates for the September 1, 2038 and 2040 term bond maturities (changes in bold, underlined text below), as follows:

$1,160,000 **3.375**% Term Bonds due September 1, 2038 – Price 98.313% CUSIP No.† 797852FF2
$1,240,000 **3.375**% Term Bonds due September 1, 2040 – Price 97.049% CUSIP No.† 797852FG0

The Official Statement is further amended and supplemented by this Supplement in order to replace the text appearing in the last two paragraphs under the caption "RISK FACTORS – Emergency Preparedness Program; Coronavirus (COVID-19)" beginning on page 29 of the Official Statement as follows:

> On March 27, 2020, the President enacted H.R. 748, known as "Phase 3," a $2 trillion stimulus and supplemental spending plan to address the effects of the COVID-19 virus, which includes more than $150 billion for the so-called "Marshall Plan" for hospitals and health care infrastructure. Also included is $150 billion for state and local governments.
>
> Information provided by County Health Officials is available at: https://rivcoph.org/coronavirus. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated in this Official Statement by such reference. As of March 11, 2020, Riverside University Health System-Public Health had announced six cases of novel coronavirus (COVID-19). As of April 6, 2020, Riverside University Health System-Public Health had announced 946 cases of the COVID-19 virus and 25 deaths attributed to the COVID-19 virus.

The delivery of this Supplement has been duly authorized by the San Jacinto Unified School District.

SAN JACINTO UNIFIED SCHOOL DISTRICT

Supplement Dated: April 7, 2020

---

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright © 2020 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, the Corporation, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.

[THIS PAGE INTENTIONALLY LEFT BLANK]

NEW ISSUE
FULL BOOK-ENTRY

RATINGS: S&P (insured): "AA"
Moody's (underlying): "A3"
(See "RATINGS" herein)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Special Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, the portion of each Base Rental Payment designated as and constituting interest paid by the District under the Lease Agreement and received by the Owners of the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Special Counsel, interest evidenced by the Certificates is not a specific preference item for purposes of the federal alternative minimum tax. Special Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of the Certificates, or the amount, accrual or receipt of the portion of each Base Rental Payment constituting interest. See "TAX MATTERS."

$9,495,000
SAN JACINTO UNIFIED SCHOOL DISTRICT
CERTIFICATES OF PARTICIPATION (2020 FINANCING)

Dated: Date of Delivery **Due: September 1, as described herein**

This cover page contains information for reference only. Investors must read the entire Official Statement to obtain information essential in making an informed investment decision. Capitalized terms used in this cover page shall have the meanings given such terms herein.

The San Jacinto Unified School District Certificates of Participation (2020 Financing), in the aggregate principal amount of $9,495,000 (the "Certificates") will be executed and delivered pursuant to a Trust Agreement, dated as of April 1, 2020 (the "Trust Agreement"), by and among U.S. Bank National Association, as trustee (the "Trustee"), the San Jacinto Unified School District School Facilities Corporation (the "Corporation") and the San Jacinto Unified School District (the "District"), and will evidence direct, fractional undivided interests of the Owners thereof in certain Base Rental Payments (which include principal components and interest components) to be made by the District for the use of certain real property (the "Property") pursuant to a Lease Agreement, dated as of April 1, 2020 (the "Lease Agreement"), by and between the District, as lessee, and the Corporation, as lessor. The proceeds of the Certificates, together with other available funds, will be used to (i) finance a portion of the costs of acquisition, construction, installation, improvement and equipping of certain schools and other capital facilities for the benefit of the District, (ii) purchase a debt service reserve policy to satisfy the reserve requirement for the Certificates, and (iii) pay the costs incurred in connection with the execution and delivery of the Certificates.

The District has covenanted under the Lease Agreement to make all Base Rental Payments and Additional Rental Payments (collectively, the "Rental Payments") provided for therein, to include all such Rental Payments as a separate line item in its annual budgets, and to make the necessary annual appropriations for all such Rental Payments. The District's obligation to make Base Rental Payments is subject to abatement during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the District's right to use and occupy any portion of the Property. See "RISK FACTORS – Abatement."

Interest evidenced by the Certificates will be payable semiannually on March 1 and September 1 of each year, commencing on September 1, 2020. See "THE CERTIFICATES" herein.

The Certificates will be initially delivered only in book-entry form and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Certificates. Individual purchases of the Certificates will be made in book-entry form only. Purchasers of Certificates will not receive certificates representing their ownership interests in the Certificates purchased. The Certificates will be delivered in denominations of $5,000 or any integral multiple thereof. Principal and interest payments evidenced by the Certificates are payable directly to DTC by U.S. Bank National Association, as trustee. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to DTC Participants for subsequent disbursement to the Beneficial Owners of the Certificates. See "THE CERTIFICATES – Book-Entry Only System" herein.

The Certificates are subject to optional prepayment, special optional prepayment, extraordinary prepayment and mandatory sinking account prepayment prior to maturity as described herein. See "THE CERTIFICATES – Prepayment."

The obligation of the District to make the Base Rental Payments does not constitute a debt of the District or of the State of California 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 of California is obligated to levy or pledge any form of taxation or for which the District or the State of California has levied or pledged any form of taxation.

The scheduled payment of principal of and interest evidenced by the Certificates when due will be guaranteed under a Municipal Bond Insurance Policy to be issued concurrently with the execution and delivery of the Certificates by Build America Mutual Assurance Company.

BAM
BUILD AMERICA MUTUAL

See "RISK FACTORS" for a discussion of factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Certificates.

MATURITY SCHEDULE
See Inside Cover

The Certificates will be offered when, as and if executed, delivered and accepted by the Underwriter, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Special Counsel to the District. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the District; for the Underwriter by James F. Anderson Law Firm, A Professional Corporation, Laguna Hills, California; and for the District and the Corporation by Atkinson, Andelson, Loya, Ruud & Romo, Cerritos, California. It is anticipated that the Certificates in book-entry form will be available for delivery through the facilities of DTC on or about April 15, 2020.

STIFEL

Dated: March 25, 2020

MATURITY SCHEDULE
BASE CUSIP[†]: 797852

$9,495,000
SAN JACINTO UNIFIED SCHOOL DISTRICT
CERTIFICATES OF PARTICIPATION (2020 FINANCING)

$3,125,000 3.000% Term Bonds due September 1, 2028 – Price 99.265% CUSIP No.[†] FB1

$1,380,000 3.000 % Term Bonds due September 1, 2031 – Price 97.729% CUSIP No.[†] FC9

$1,505,000 3.125% Term Bonds due September 1, 2034 – Price 97.558% CUSIP No.[†] FD7

$1,085,000 3.250% Term Bonds due September 1, 2036 – Price 98.002% CUSIP No.[†] FE5

$1,160,000 3.750% Term Bonds due September 1, 2038 – Price 98.313% CUSIP No.[†] FF2

$1,240,000 3.750% Term Bonds due September 1, 2040 – Price 97.049% CUSIP No.[†] FG0

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright © 2020 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, the Corporation, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.

This Official Statement does not constitute an offering of any security other than the original execution and delivery of the Certificates. 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 in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District.

The Certificates are exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 3(a)2 thereof. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy Certificates in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth herein other than that furnished by the District, although obtained from sources which are believed to be reliable, 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 execution and delivery of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

Stifel, Nicolaus & Company, Incorporated (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 a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used, such as "plan," "expect," "estimate," "budget," "intend" or other similar words. 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 those forward-looking statements if or when their expectations, or events, conditions or circumstances on which such statements are based, occur.

The District maintains a website and certain social media accounts for various purposes. However, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Certificates.

In connection with this offering, the Underwriter may overallot or effect transactions which 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. The Underwriter may offer and sell the Certificates to certain securities dealers and dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside front cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

SAN JACINTO UNIFIED SCHOOL DISTRICT

Board of Trustees

John I. Norman, *President*
Deborah Rex, *Clerk*
Willie Hamilton, *Member*
Trica Ojeda, *Member*
Jasmin Rubio, *Member*

Administration

Shari L. Fox, *Interim Superintendent*
Sherry Smith, *Deputy Superintendent, Personnel Services*
Seth Heeren, *Assistant Superintendent, Business Services*
John Roach, *Assistant Superintendent, Educational Services*
Luke Smith, *Executive Director of Business Services*

SPECIAL SERVICES

Counsel to the District and the Corporation

Atkinson, Andelson, Loya, Ruud & Romo
Cerritos, California

Municipal Advisor

Fieldman, Rolapp & Associates, Inc.
Irvine, California

Special Counsel and Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP
Los Angeles, California

Trustee

U.S. Bank National Association
Los Angeles, California

TABLE OF CONTENTS

Page

INTRODUCTION 1
- The District 1
- Security and Sources of Payment for the Certificates 2
- Certificate Insurance Policy 3
- Reserve Fund; Reserve Policy 3
- Purpose of the Certificates 3
- Description of the Certificates 3
- Offering and Delivery of the Certificates 4
- Certificate Owners' Risks 4
- Continuing Disclosure 4
- Forward-Looking Statements 5
- Other Information 5

THE CERTIFICATES 5
- General 5
- Prepayment 6
- Book-Entry Only System 12

SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES 13
- Nature of the Certificates 13
- Base Rental Payments 14
- Base Rental Payments Schedule 15
- Additional Rental Payments 16
- Covenant to Appropriate Funds 16
- Abatement 16
- Prepayment of Base Rental Payments; Special Optional Prepayment 16
- Reserve Fund 18
- Insurance 18
- Action on Default 19

CERTIFICATE INSURANCE 20
- Certificate Insurance Policy 20
- Build America Mutual Assurance Company 20

THE PROPERTY 22
- General 22
- Substitution or Release 22

PLAN OF FINANCE 22

ESTIMATED SOURCES AND USES OF FUNDS 23

RISK FACTORS 23
- General Considerations and Other Obligations 24
- Abatement 24
- Absence of Earthquake and Flood Insurance 24
- Limited Recourse on Default 25
- No Acceleration Upon Default 25
- Substitution or Release of Property 25
- Limitation on Remedies 25
- Bankruptcy 26
- Loss of Tax Exemption 28
- Hazardous Substances 29
- Emergency Preparedness Program; Coronavirus (COVID-19) 29
- Seismic Factors 31
- Economic Conditions in California 31
- No Liability of Corporation to the Owners 31
- Cyber Security Risk 31

THE CORPORATION 32

TABLE OF CONTENTS
(continued)

Page

DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION 32
Introduction 32
Board of Trustees 33
Superintendent and Business Services Personnel 33
State Funding of Education; State Budget Process 34
Local Sources of Education Funding 46
Other District Revenues 47
Charter Schools 47
Local Property Taxation 48
Tax Charges and Delinquencies 55
Teeter Plan 56
Significant Accounting Policies and Audited Financial Reports 57
District Budget Process and County Review 59
District Debt Structure 63
Direct and Overlapping Debt 67
Employment 69
Retirement Benefits 69
Insurance, Risk Pooling and Joint Powers Agreements and Joint Ventures 74

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS 74
Limitations on Revenues 74
Article XIIIB of the California Constitution 75
Article XIIIC and Article XIIID of the California Constitution 76
Statutory Limitations 76
Proposition 98 and Proposition 111 77
Assembly Bill No. 26 & *California Redevelopment Association v. Matosantos* 78
Proposition 30 and Proposition 55 78
Applications of Constitutional and Statutory Provisions 79
Proposition 2 79
Future Initiatives 80

RATINGS 80

TAX MATTERS 81

CERTAIN LEGAL MATTERS 83

FINANCIAL INTERESTS 83

MUNICIPAL ADVISOR 83

ABSENCE OF MATERIAL LITIGATION 83

UNDERWRITING 84

MISCELLANEOUS 85

APPENDIX A SUMMARY OF PRINCIPAL LEGAL DOCUMENTS A-1
APPENDIX B FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2019 ..... B-1
APPENDIX C FORM OF SPECIAL COUNSEL OPINION C-1
APPENDIX D FORM OF CONTINUING DISCLOSURE AGREEMENT D-1
APPENDIX E COUNTY OF RIVERSIDE POOLED INVESTMENT FUND E-1
APPENDIX F RIVERSIDE COUNTY INVESTMENT POLICY F-1
APPENDIX G BOOK-ENTRY ONLY SYSTEM G-1
APPENDIX H SPECIMEN MUNICIPAL BOND INSURANCE POLICY H-1
APPENDIX I SPECIMEN MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY I-1

OFFICIAL STATEMENT

$9,495,000
SAN JACINTO UNIFIED SCHOOL DISTRICT
CERTIFICATES OF PARTICIPATION (2020 FINANCING)

INTRODUCTION

This Official Statement (which includes the cover page, inside cover page, and Appendices hereto) (this "Official Statement"), provides certain information concerning the sale and delivery of San Jacinto Unified School District Certificates of Participation (2020 Financing), in the aggregate principal amount of $9,495,000 (the "Certificates"). The Certificates will be executed and delivered pursuant to a Trust Agreement, dated as of April 1, 2020 (the "Trust Agreement"), by and among U.S. Bank National Association, as trustee (the "Trustee"), the San Jacinto Unified School District School Facilities Corporation (the "Corporation") and the San Jacinto Unified School District (the "District"), and will evidence direct, fractional undivided interests of the registered owners (the "Owners") thereof in certain base rental payments (the "Base Rental Payments") to be made by the District for the use of the real properties on which the Mountain View High School and Mountain Heights Academy are located (the "Property"), as more fully described herein. The Property will be leased by the District from the Corporation pursuant to a Lease Agreement, dated as of April 1, 2020 (the "Lease Agreement"), by and between the District and the Corporation.

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

The District

The District was established in 1868 and unified in 1944. The District encompasses an area of approximately 100 square miles in the County of Riverside, California (the "County"), and provides educational services to residents in nearly all of the City of San Jacinto and portions of the cities of Hemet, Beaumont and Moreno Valley, as well as certain unincorporated areas of the County.

The District provides public education services for grades kindergarten through 12 ("K-12"). The District currently operates six kindergarten through fifth grade elementary schools, one pre-K through eighth grade World Language Academy, three sixth through eighth grade middle schools, one comprehensive ninth through twelfth grade high school, one alternative education ninth through twelfth grade high school, one home education program, one adult education school, five State of California preschools and one head start preschool. Total enrollment reported for the 2018-19 school year was 10,105 students and total enrollment reported for the 2019-20 school year is 10,142 students.

The District is governed by a Board of Trustees consisting of five members, each of which is elected to a four-year term. Elections for positions to the Board of Trustees are held every two years, alternating between two and three available positions. The day-to-day operations are managed by a board-appointed Superintendent of Schools, currently an interim placement while the Board searches for a permanent employee.

The District had budgeted general fund expenditures for fiscal year 2018-19 of approximately $135.81 million and has budgeted general fund expenditures for fiscal year 2019-20 of approximately $131.6 million. As of February 2019, the District employed 1,042.1 full-time equivalent ("FTE") employees, consisting of approximately 551.4 FTE certificated employees, 406.8 FTE classified employees, 67 FTE management employees and 8.5 FTE confidential employees. As of February 2020, the District employed 1,099.46 FTE employees, consisting of approximately 570.30 FTE certificated employees, 450.66 FTE classified employees, 70 FTE management employees and 8.5 FTE confidential employees.

For more complete information concerning the District, including certain financial information, see "DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION" herein. The District's audited financial statements for the fiscal year ended June 30, 2019 are included as Appendix B and should be read in their entirety.

Security and Sources of Payment for the Certificates

The Certificates will be executed and delivered pursuant to a Trust Agreement, dated as of April 1, 2020 (the "Trust Agreement"), by and among U.S. Bank National Association, as trustee (the "Trustee"), the Corporation and the District, and evidence direct, fractional undivided interests in the Base Rental Payments to be made by the District under the Lease Agreement for the use of the Property. See "THE PROPERTY."

The District will enter into a Ground Lease, dated as of April 1, 2020 (the "Ground Lease") pursuant to which the District will lease the Property to the Corporation. The Corporation will then sublease the Property back to the District pursuant to the Lease Agreement. The Lease Agreement will obligate the District to make Base Rental Payments and Additional Rental Payments (which include taxes and assessments affecting the Property, reasonable administrative costs of the Corporation relating to the Property, fees and expenses of the Trustee, insurance premiums and other amounts payable under the Lease Agreement and the Trust Agreement as further described herein). Base Rental Payment and Additional Rental Payments are collectively referred to as "Rental Payments."

The Trustee and the Corporation will enter into an Assignment Agreement, dated as of April 1, 2020 (the "Assignment Agreement"), pursuant to which the Corporation will assign to the Trustee for the benefit of the Certificate Owners substantially all of the Corporation's right, title and interest in and to the Ground Lease and the Lease Agreement, including its right to receive the Base Rental Payments due under the Lease Agreement, provided that the Corporation will retain the right to indemnification under the Lease Agreement.

The District covenants under the Lease Agreement to take such action as may be necessary to include all Base Rental Payments and Additional Rental Payments due under the Lease Agreement as a separate line item in its annual budgets and to make the necessary annual appropriations therefor.

Base Rental Payments are subject to complete or partial abatement during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the District's right to use and occupy any portion of the Property. See "RISK FACTORS – Abatement." Abatement of Base Rental Payments under the Lease Agreement, to the extent payment is not made from alternative sources as set forth below, could result in all Certificate Owners receiving less than the full amount of principal and interest evidenced by the Certificates. To the extent proceeds of insurance are available or there are amounts available in the Reserve Fund or other funds established under the Trust Agreement (as described below), Base Rental Payments (or a portion thereof) may be made during periods of abatement.

THE OBLIGATION OF THE DISTRICT TO MAKE THE BASE RENTAL PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE DISTRICT OR OF THE STATE OF CALIFORNIA 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.

For more complete and detailed information, see "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES." For a discussion of certain risks associated with the District's ability to make Base Rental Payments for the Property, see "RISK FACTORS."

Certificate Insurance Policy

As more fully described herein, the scheduled payment of principal of and interest evidenced by the Certificates when due will be guaranteed under an insurance policy (the "Insurance Policy") to be issued concurrently with the delivery of the Certificates by Build America Mutual Assurance Company ("BAM" or the "Insurer"). See "CERTIFICATE INSURANCE" herein.

The Insurer does not guarantee the market price or liquidity of the Certificates, nor does it guarantee that the rating on the Certificates will not be revised or withdrawn. In addition, in the event the Insurer becomes obligated to make payments with respect to the Certificates, no assurance is given by the District, the Corporation or the Underwriter (as defined herein) that such event will not adversely affect the market price or marketability of the Certificates. See "CERTIFICATE INSURANCE" and "RATINGS" herein.

Reserve Fund; Reserve Policy

The Reserve Fund has been established for the benefit of the Certificate Owners. Upon the execution and delivery of the Certificates, a municipal bond debt service reserve insurance policy (the "Reserve Policy"), in an amount equal to the initial Reserve Requirement, issued by BAM (the "Reserve Insurer"), will be deposited in the Reserve Fund for the Certificates. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Reserve Fund."

Purpose of the Certificates

The proceeds of the Certificates, together with other available funds, will be used to (i) finance a portion of the costs of acquisition, construction, installation, improvement and equipping of certain schools and other capital facilities for the benefit of the District (the "Project"), (ii) purchase a debt service reserve policy to satisfy the Reserve Requirement for the Certificates and (iii) pay the costs incurred in connection with the execution and delivery of the Certificates. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS."

Description of the Certificates

The Certificates will be executed and delivered in book-entry form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Certificates. Individual purchases of the Certificates will be made in book-entry form only. Purchasers of the Certificates will not receive certificates representing their ownership interests in the Certificates purchased. The Certificates will be delivered in denominations of $5,000 or any integral multiple thereof. Principal and interest payments

evidenced by the Certificates are payable directly to DTC by the Trustee. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to DTC Participants for subsequent disbursement to the Beneficial Owners of the Certificates. See "THE CERTIFICATES – General" and APPENDIX G – "BOOK-ENTRY ONLY SYSTEM."

Interest evidenced by the Certificates will be payable semiannually on March 1 and September 1 of each year, commencing on September 1, 2020. See "THE CERTIFICATES – General."

The Certificates are subject to optional prepayment, special optional prepayment, extraordinary prepayment and mandatory sinking account prepayment prior to maturity as described herein. See "THE CERTIFICATES – Prepayment."

For a more complete description of the Certificates and the basic documentation pursuant to which they are being sold and delivered, see "THE CERTIFICATES," "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES" and APPENDIX A – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS." The summaries and descriptions in this Official Statement of the Trust Agreement, the Lease Agreement, the Ground Lease, the Assignment Agreement, the Continuing Disclosure Agreement and other agreements relating to the Certificates are qualified in their entirety by the respective form thereof and the information with respect thereto included in such documents. All capitalized terms used in this Official Statement (unless otherwise defined herein) which are defined in the Trust Agreement or the Lease Agreement shall have the same meanings assigned to such terms as set forth therein. See APPENDIX A – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – DEFINITIONS."

Offering and Delivery of the Certificates

The Certificates will be offered when, as and if executed, delivered and received by the Underwriter, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Special Counsel to the District, and the satisfaction of certain other conditions. It is anticipated that the Certificates will be available for delivery in book-entry form through the facilities of DTC on or about April 15, 2020.

Certificate Owners' Risks

Certain events could affect the ability of the District to make the Base Rental Payments when due. See "RISK FACTORS" 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.

Continuing Disclosure

Pursuant to the Continuing Disclosure Agreement, dated as of April 1, 2020 (the "Continuing Disclosure Agreement"), executed by and between the District and the Trustee, the District will covenant for the benefit of holders and Beneficial Owners of the Certificates to provide, or to cause to be provided, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system or such other electronic system designated by the Municipal Securities Rulemaking Board (the "EMMA System") certain annual financial information and operating data relating to the District (the "Annual Report") by not later than nine months following the end of the District's fiscal year (currently ending June 30), commencing with the report for the 2019-20 fiscal year (which is due no later than April 1, 2021) and notice of the occurrence of certain enumerated events ("Notice Events") in a timely manner not in excess of ten business days after the occurrence of such a Notice Event. The specific nature of the information to be contained in the Annual Report and the notices of Notice Events is set forth in APPENDIX D – "FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants have

been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule").

The District, for itself, for the San Jacinto Unified School District Financing Authority, a joint exercise of powers authority of which it is a member, and for the several community facilities districts which the District has formed, as to each of which the District provides staff support and coordinates continuing disclosure, have previously entered into a number of undertakings to provide continuing disclosure (the "Previous Undertakings"). During the five-year period preceding the offering of the Certificates, none of the District or its related entities failed in any material respect to comply with the Previous Undertakings.

Fieldman, Rolapp & Associates, Inc., doing business as Applied Best Practices, currently serves as the District's dissemination agent in connection with Previous Undertakings, except for the District's Previous Undertakings with respect to the bonds of the District's community facilities districts for which Willdan Financial Services serves as the dissemination agent, and Applied Best Practices will serve as the District's dissemination agent in connection with the Certificates.

Forward-Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used, such as "plan," "expect," "estimate," "budget," "intend" or other similar words. 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 those forward-looking statements if or when their expectations, or events, conditions or circumstances on which such statements are based, occur.

Other Information

This Official Statement is current only as of its date, and the information contained herein is subject to change. Copies of the Ground Lease, the Lease Agreement, the Assignment Agreement, the Trust Agreement and the Continuing Disclosure Agreement are available for inspection at the District and, following delivery of the Certificates, will be on file at the offices of the Trustee in Los Angeles, California.

THE CERTIFICATES

General

The Certificates evidence and represent direct, fractional undivided interests of the Owners thereof in the principal and interest components of Base Rental Payments to be made by the District pursuant to the Lease Agreement.

The Certificates are dated the date of original delivery thereof and will be executed and delivered in denominations of $5,000 or any integral multiple thereof ("Authorized Denominations"). The interest components evidenced by the Certificates will be due and payable semiannually on March 1 and September 1 of each year, commencing September 1, 2020 (each an "Interest Payment Date"). The interest evidenced by the Certificates will be payable on each Interest Payment Date to and including their respective Principal Payment Dates or prepayment prior thereto, and shall represent the sum of the

portions of the Base Rental Payments evidenced thereby designated as interest components coming due on the Interest Payment Dates in each year.

The interest evidenced by the Certificates will be computed on the basis of a 360-day year consisting of twelve, 30-day months. Each Certificate shall evidence interest from the Interest Payment Date next preceding its date of execution to which interest has been paid in full, unless such date of execution shall be after the 15th day of the calendar month immediately preceding such Interest Payment Date, whether or not such day is a Business Day (a "Record Date") and on or prior to the following Interest Payment Date, in which case such Certificate shall evidence interest from such Interest Payment Date, or unless such date of execution shall be on or prior to August 15, 2020, in which case such Certificate shall represent interest from the Delivery Date. Notwithstanding the foregoing, if, as shown by the records of the Trustee, interest evidenced by the Certificates shall be in default, each Certificate shall evidence interest from the last Interest Payment Date to which such interest has been paid in full or duly provided for.

The Base Rental Payments evidenced by the Certificates will be payable by the District and deposited with the Trustee no later than the 15th day next preceding each Interest Payment Date (each a "Base Rental Deposit Date"). The interest evidenced by the Certificates represent the sum of the portions of the Base Rental Payments evidenced thereby designated as interest components coming due on the Interest Payment Dates in each year, calculated at the rates per annum, all as set forth on the inside cover page of this Official Statement. The principal evidenced by the Certificates will be payable on their respective Principal Payment Dates and Mandatory Sinking Account Payment Dates in each year and shall represent the sum of the portions of the Base Rental Payments designated as principal components coming due on the Principal Payment Dates and Mandatory Sinking Account Payment Dates in each year.

The Certificates will be subject to the Book-Entry System of registration, transfer and payment, and each Certificate will initially be registered in the name of Cede & Co., as nominee of DTC. As part of such Book-Entry System, DTC has been appointed securities depository for the Certificates, and registered ownership may not thereafter be transferred except as provided in the Trust Agreement. The Certificates are being delivered in book-entry form only. Purchasers will not receive securities certificates representing their interests in the Certificates. Rather, in accordance with the Book-Entry System, purchasers of each Certificates will have beneficial ownership interests in the purchased Certificates through DTC Participants. For more information concerning the Book-Entry System, see "THE CERTIFICATES – Book-Entry Only System."

While the Certificates are subject to the Book-Entry System, payments of principal and interest with respect to the Certificates will be made by the Trustee to DTC, which in turn is obligated to remit such principal and interest to its DTC Participants for subsequent disbursement to Beneficial Owners of the Certificates as described herein. See "THE CERTIFICATES – Book-Entry Only System" and APPENDIX G – "BOOK-ENTRY ONLY SYSTEM."

Prepayment

Optional Prepayment. The Certificates maturing on or before September 1, 2028, are not subject to optional prepayment (except special optional prepayment described immediately below) prior to their respective stated Principal Payment Dates. The Certificates maturing on or after September 1, 2031, are subject to optional prepayment prior to their respective stated Principal Payment Dates, on any date on or after September 1, 2030, in whole or in part, in Authorized Denominations, from and to the extent of prepaid Base Rental Payments paid pursuant to the Lease Agreement from any source of available funds (other than General Obligation Bond Proceeds or State Reimbursement Funds), any such prepayment to

be at a price equal to the principal evidenced by the Certificates to be prepaid, plus unpaid accrued interest evidenced thereby to the date fixed for prepayment, without premium.

Special Optional Prepayment. The Certificates maturing on or after September 1, 2028, are subject to optional prepayment prior to their respective stated Principal Payment Dates, on any date on or after September 1, 2022, in whole or in part, in Authorized Denominations, from and to the extent of prepaid Base Rental Payments paid pursuant to the Lease Agreement from General Obligation Bond Proceeds or State Reimbursement Funds (each as defined herein), any such prepayment to be at a price equal to the principal evidenced by the Certificates to be prepaid, plus unpaid accrued interest evidenced thereby to the date fixed for prepayment, without premium. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Prepayment of Base Rental Payments; Special Optional Prepayment" and "PLAN OF FINANCE."

Extraordinary Prepayment. The Certificates are subject to extraordinary prepayment prior to their stated Principal Payment Dates, on any date, in whole or in part, in Authorized Denominations, from and to the extent of any insurance proceeds or condemnation awards in excess of $50,000 paid with respect to all or a portion of the Property remaining after payment therefrom of all reasonable expenses incurred in the collection thereof (the "Net Proceeds"), deposited by the Trustee in the Prepayment Fund, at a prepayment price equal to the principal evidenced by the Certificates to be prepaid, plus unpaid accrued interest, if any, evidenced thereby to the date fixed for prepayment, without premium. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Prepayment of Base Rental Payments; Special Optional Prepayment."

Mandatory Sinking Account Prepayment. The Certificates with a stated Principal Payment Date of September 1, 2028 are subject to prepayment prior to such stated Principal Payment Date, in part, from Mandatory Sinking Account Payments, on each September 1 specified below, at a prepayment price equal to the principal evidenced thereby, plus accrued interest evidenced thereby to the date fixed for prepayment, without premium. The principal evidenced by such Certificates to be so prepaid and the dates therefor shall be as follows:

Prepayment Date (September 1)	Principal To Be Prepaid
2021	$350,000
2022	360,000
2023	375,000
2024	385,000
2025	395,000
2026	410,000
2027	420,000
2028	430,000

* Stated Principal Payment Date

If some but not all of the principal evidenced by the Certificates with a stated Principal Payment Date of September 1, 2028 is prepaid from and to the extent of any Net Proceeds received with respect to all or a portion of the Property, the principal evidenced by the Certificates with a stated Principal Payment Date of September 1, 2028 to be prepaid from Mandatory Sinking Account Payments on any subsequent September 1 shall be reduced by the aggregate principal evidenced by the Certificates with a stated Principal Payment Date of September 1, 2028 so prepaid from and to the extent of any Net Proceeds received with respect to all or a portion of the Property, such reduction to be allocated among prepayment dates in proportion to the amount by which the principal components of the Base Rental Payments

evidenced by such Certificates payable on such prepayment dates are abated pursuant to Section 3.06 of the Lease Agreement as a result of the event that caused such Certificates to be prepaid from and to the extent of any Net Proceeds received with respect to all or a portion of the Property in amounts of Authorized Denominations. If some but not all of the principal evidenced by the Certificates with a stated Principal Payment Date of September 1, 2028 is prepaid pursuant to the terms for Optional Prepayment or Special Optional Prepayment as described above, the principal evidenced by the Certificates with a stated Principal Payment Date of September 1, 2028 to be prepaid from Mandatory Sinking Account Payments on any subsequent September 1 shall be reduced by the aggregate principal evidenced by the Certificates with a stated Principal Payment Date of September 1, 2028 so prepaid pursuant to the terms for Optional Prepayment or Special Optional Prepayment as described above, such reduction to be allocated among prepayment dates in amounts of Authorized Denominations to correspond to the prepaid Base Rental Payments elected by the District pursuant to the Lease Agreement.

The Certificates with a stated Principal Payment Date of September 1, 2031 are subject to prepayment prior to such stated Principal Payment Date, in part, from Mandatory Sinking Account Payments, on each September 1 specified below, at a prepayment price equal to the principal evidenced thereby, plus accrued interest evidenced thereby to the date fixed for prepayment, without premium. The principal evidenced by such Certificates to be so prepaid and the dates therefor shall be as follows:

Prepayment Date (September 1)	Principal To Be Prepaid
2029	$445,000
2030	460,000
2031	475,000

* Stated Principal Payment Date

If some but not all of the principal evidenced by the Certificates with a stated Principal Payment Date of September 1, 2031 is prepaid from and to the extent of any Net Proceeds received with respect to all or a portion of the Property, the principal evidenced by the Certificates with a stated Principal Payment Date of September 1, 2031 to be prepaid from Mandatory Sinking Account Payments on any subsequent September 1 shall be reduced by the aggregate principal evidenced by the Certificates with a stated Principal Payment Date of September 1, 2031 so prepaid from and to the extent of any Net Proceeds received with respect to all or a portion of the Property, such reduction to be allocated among prepayment dates in proportion to the amount by which the principal components of the Base Rental Payments evidenced by such Certificates payable on such prepayment dates are abated pursuant to Section 3.06 of the Lease Agreement as a result of the event that caused such Certificates to be prepaid from and to the extent of any Net Proceeds received with respect to all or a portion of the Property in amounts of Authorized Denominations. If some but not all of the principal evidenced by the Certificates with a stated Principal Payment Date of September 1, 2031 is prepaid pursuant to the terms for Optional Prepayment or Special Optional Prepayment as described above, the principal evidenced by the Certificates with a stated Principal Payment Date of September 1, 2031 to be prepaid from Mandatory Sinking Account Payments on any subsequent September 1 shall be reduced by the aggregate principal evidenced by the Certificates with a stated Principal Payment Date of September 1, 2031 so prepaid pursuant to the terms for Optional Prepayment or Special Optional Prepayment as described above, such reduction to be allocated among prepayment dates in amounts of Authorized Denominations to correspond to the prepaid Base Rental Payments elected by the District pursuant to the Lease Agreement.

The Certificates with a stated Principal Payment Date of September 1, 2034 are subject to prepayment prior to such stated Principal Payment Date, in part, from Mandatory Sinking Account Payments, on each September 1 specified below, at a prepayment price equal to the principal evidenced

thereby, plus accrued interest evidenced thereby to the date fixed for prepayment, without premium. The principal evidenced by such Certificates to be so prepaid and the dates therefor shall be as follows:

Prepayment Date (September 1)	Principal To Be Prepaid
2032	$485,000
2033	500,000
2034	520,000

* Stated Principal Payment Date

If some but not all of the principal evidenced by the Certificates with a stated Principal Payment Date of September 1, 2034 is prepaid from and to the extent of any Net Proceeds received with respect to all or a portion of the Property, the principal evidenced by the Certificates with a stated Principal Payment Date of September 1, 2034 to be prepaid from Mandatory Sinking Account Payments on any subsequent September 1 shall be reduced by the aggregate principal evidenced by the Certificates with a stated Principal Payment Date of September 1, 2034 so prepaid from and to the extent of any Net Proceeds received with respect to all or a portion of the Property, such reduction to be allocated among prepayment dates in proportion to the amount by which the principal components of the Base Rental Payments evidenced by such Certificates payable on such prepayment dates are abated pursuant to Section 3.06 of the Lease Agreement as a result of the event that caused such Certificates to be prepaid from and to the extent of any Net Proceeds received with respect to all or a portion of the Property in amounts of Authorized Denominations. If some but not all of the principal evidenced by the Certificates with a stated Principal Payment Date of September 1, 2034 is prepaid pursuant to the terms for Optional Prepayment or Special Optional Prepayment as described above, the principal evidenced by the Certificates with a stated Principal Payment Date of September 1, 2034 to be prepaid from Mandatory Sinking Account Payments on any subsequent September 1 shall be reduced by the aggregate principal evidenced by the Certificates with a stated Principal Payment Date of September 1, 2034 so prepaid pursuant to the terms for Optional Prepayment or Special Optional Prepayment as described above, such reduction to be allocated among prepayment dates in amounts of Authorized Denominations to correspond to the prepaid Base Rental Payments elected by the District pursuant to the Lease Agreement.

The Certificates with a stated Principal Payment Date of September 1, 2036 are subject to prepayment prior to such stated Principal Payment Date, in part, from Mandatory Sinking Account Payments, on each September 1 specified below, at a prepayment price equal to the principal evidenced thereby, plus accrued interest evidenced thereby to the date fixed for prepayment, without premium. The principal evidenced by such Certificates to be so prepaid and the dates therefor shall be as follows:

Prepayment Date (September 1)	Principal To Be Prepaid
2035	$535,000
2036	550,000

* Stated Principal Payment Date

If some but not all of the principal evidenced by the Certificates with a stated Principal Payment Date of September 1, 2036 is prepaid from and to the extent of any Net Proceeds received with respect to all or a portion of the Property, the principal evidenced by the Certificates with a stated Principal Payment Date of September 1, 2036 to be prepaid from Mandatory Sinking Account Payments on any subsequent September 1 shall be reduced by the aggregate principal evidenced by the Certificates with a stated Principal Payment Date of September 1, 2036 so prepaid from and to the extent of any Net Proceeds

received with respect to all or a portion of the Property, such reduction to be allocated among prepayment dates in proportion to the amount by which the principal components of the Base Rental Payments evidenced by such Certificates payable on such prepayment dates are abated pursuant to Section 3.06 of the Lease Agreement as a result of the event that caused such Certificates to be prepaid from and to the extent of any Net Proceeds received with respect to all or a portion of the Property in amounts of Authorized Denominations. If some but not all of the principal evidenced by the Certificates with a stated Principal Payment Date of September 1, 2036 is prepaid pursuant to the terms for Optional Prepayment or Special Optional Prepayment as described above, the principal evidenced by the Certificates with a stated Principal Payment Date of September 1, 2036 to be prepaid from Mandatory Sinking Account Payments on any subsequent September 1 shall be reduced by the aggregate principal evidenced by the Certificates with a stated Principal Payment Date of September 1, 2036 so prepaid pursuant to the terms for Optional Prepayment or Special Optional Prepayment as described above, such reduction to be allocated among prepayment dates in amounts of Authorized Denominations to correspond to the prepaid Base Rental Payments elected by the District pursuant to the Lease Agreement.

The Certificates with a stated Principal Payment Date of September 1, 2038 are subject to prepayment prior to such stated Principal Payment Date, in part, from Mandatory Sinking Account Payments, on each September 1 specified below, at a prepayment price equal to the principal evidenced thereby, plus accrued interest evidenced thereby to the date fixed for prepayment, without premium. The principal evidenced by such Certificates to be so prepaid and the dates therefor shall be as follows:

Prepayment Date (September 1)	Principal To Be Prepaid
2037	$570,000
2038	590,000

* Stated Principal Payment Date

If some but not all of the principal evidenced by the Certificates with a stated Principal Payment Date of September 1, 2038 is prepaid from and to the extent of any Net Proceeds received with respect to all or a portion of the Property, the principal evidenced by the Certificates with a stated Principal Payment Date of September 1, 2038 to be prepaid from Mandatory Sinking Account Payments on any subsequent September 1 shall be reduced by the aggregate principal evidenced by the Certificates with a stated Principal Payment Date of September 1, 2038 so prepaid from and to the extent of any Net Proceeds received with respect to all or a portion of the Property, such reduction to be allocated among prepayment dates in proportion to the amount by which the principal components of the Base Rental Payments evidenced by such Certificates payable on such prepayment dates are abated pursuant to Section 3.06 of the Lease Agreement as a result of the event that caused such Certificates to be prepaid from and to the extent of any Net Proceeds received with respect to all or a portion of the Property in amounts of Authorized Denominations. If some but not all of the principal evidenced by the Certificates with a stated Principal Payment Date of September 1, 2038 is prepaid pursuant to the terms for Optional Prepayment or Special Optional Prepayment as described above, the principal evidenced by the Certificates with a stated Principal Payment Date of September 1, 2038 to be prepaid from Mandatory Sinking Account Payments on any subsequent September 1 shall be reduced by the aggregate principal evidenced by the Certificates with a stated Principal Payment Date of September 1, 2038 so prepaid pursuant to the terms for Optional Prepayment or Special Optional Prepayment as described above, such reduction to be allocated among prepayment dates in amounts of Authorized Denominations to correspond to the prepaid Base Rental Payments elected by the District pursuant to the Lease Agreement.

The Certificates with a stated Principal Payment Date of September 1, 2040 are subject to prepayment prior to such stated Principal Payment Date, in part, from Mandatory Sinking Account

Payments, on each September 1 specified below, at a prepayment price equal to the principal evidenced thereby, plus accrued interest evidenced thereby to the date fixed for prepayment, without premium. The principal evidenced by such Certificates to be so prepaid and the dates therefor shall be as follows:

Prepayment Date (September 1)	Principal To Be Prepaid
2039	$610,000
2040	630,000

* Stated Principal Payment Date

If some but not all of the principal evidenced by the Certificates with a stated Principal Payment Date of September 1, 2040 is prepaid from and to the extent of any Net Proceeds received with respect to all or a portion of the Property, the principal evidenced by the Certificates with a stated Principal Payment Date of September 1, 2040 to be prepaid from Mandatory Sinking Account Payments on any subsequent September 1 shall be reduced by the aggregate principal evidenced by the Certificates with a stated Principal Payment Date of September 1, 2040 so prepaid from and to the extent of any Net Proceeds received with respect to all or a portion of the Property, such reduction to be allocated among prepayment dates in proportion to the amount by which the principal components of the Base Rental Payments evidenced by such Certificates payable on such prepayment dates are abated pursuant to Section 3.06 of the Lease Agreement as a result of the event that caused such Certificates to be prepaid from and to the extent of any Net Proceeds received with respect to all or a portion of the Property in amounts of Authorized Denominations. If some but not all of the principal evidenced by the Certificates with a stated Principal Payment Date of September 1, 2040 is prepaid pursuant to the terms for Optional Prepayment or Special Optional Prepayment as described above, the principal evidenced by the Certificates with a stated Principal Payment Date of September 1, 2040 to be prepaid from Mandatory Sinking Account Payments on any subsequent September 1 shall be reduced by the aggregate principal evidenced by the Certificates with a stated Principal Payment Date of September 1, 2040 so prepaid pursuant to the terms for Optional Prepayment or Special Optional Prepayment as described above, such reduction to be allocated among prepayment dates in amounts of Authorized Denominations to correspond to the prepaid Base Rental Payments elected by the District pursuant to the Lease Agreement.

Selection of Certificates for Prepayment. Whenever less than all the Outstanding Certificates are to be prepaid on any one date, the Trustee will select the Certificates to be prepaid (i) with respect to any prepayment as described above under the caption "– Extraordinary Prepayment," among Certificates with different stated Principal Payment Dates in proportion to the amount by which the principal components of the Base Rental Payments evidenced by such Certificates are abated pursuant to the Lease Agreement; and (ii) with respect to any prepayment described above under the captions "Optional Prepayment" and "Special Optional Prepayment" above as directed in a Written Request of the District, and by lot among Certificates with the same stated Principal Payment Date in any manner that the Trustee deems fair and appropriate, which decision will be final and binding upon the District and the Certificate Owners. For purposes of such selection, any Certificate may be prepaid in part in Authorized Denominations.

Notice of Prepayment. So long as DTC is acting as securities depository for Certificates, notice of prepayment, containing the information required by the Trust Agreement, will be mailed by first-class mail, postage prepaid, by the Trustee to DTC (not to the Beneficial Owners of any Certificates designated for prepayment) at least 30 but not more than 60 days prior to the date fixed for prepayment. Such notice will state the date of the notice, the prepayment date, the prepayment place and the prepayment price and will designate the CUSIP numbers, if any, the Certificate numbers and the stated Principal Payment Date or Principal Payment Dates of the Certificates to be prepaid (except in the event of prepayment of all of the Certificates in whole), and will require that such Certificates be then surrendered at the Principal

Office of the Trustee for prepayment at the prepayment price, giving notice also that further interest evidenced by such Certificates will not accrue from and after the date fixed for prepayment. Neither the failure to receive any notice so mailed, nor any defect in such notice, will affect the validity of the proceedings for the prepayment of the Certificates or the cessation of accrual of interest evidenced thereby from and after the date fixed for prepayment.

With respect to any notice of any optional prepayment of Certificates, unless at the time such notice is given the Certificates to be prepaid will be deemed to have been paid within the meaning of the Trust Agreement, such notice will state that such prepayment is conditional upon receipt by the Trustee, on or prior to the date fixed for such prepayment, of moneys that, together with other available amounts held by the Trustee, are sufficient to pay the prepayment price of, and accrued interest evidenced by, the Certificates to be prepaid, and that if such moneys are not received said notice will be of no force and effect and such Certificates will not be required to be prepaid. In the event a notice of prepayment of Certificates contains such a condition and such moneys are not so received, the prepayment of Certificates as described in the conditional notice of prepayment will not be made and the Trustee will, within a reasonable time after the date on which such prepayment was to occur, give notice to the Certificate Owners and in the manner in which the notice of prepayment was given, that such moneys were not so received and that there will be no prepayment of Certificates pursuant to such notice of prepayment.

While the Certificates are subject to the Book-Entry System, the Trustee will not be required to give any notice of prepayment to any person or entity other than DTC and as required by the Continuing Disclosure Agreement. DTC and the DTC Participants shall have sole responsibility for providing any such notice of prepayment to the Beneficial Owners of the Certificates to be prepaid. Any failure at DTC to notify any DTC Participant, or any failure of a DTC Participant to notify the beneficial owner of any Certificates to be prepaid, of a notice of prepayment or its content or effect will not affect the validity of the notice of prepayment, or alter the effect of prepayment described below under "Effect of Prepayment."

Effect of Prepayment. When notice of prepayment has been duly given as provided in the Trust Agreement and moneys for the payment of the prepayment price of the Certificates to be prepaid are held by the Trustee, then on the prepayment date designated in such notice, the Certificates so called for prepayment will become payable at the prepayment price specified in such notice; and from and after the date so designated, interest evidenced by such Certificates will cease to accrue and such Certificates will cease to be entitled to any benefit or security under the Trust Agreement except for the right of the Owners of such Certificates to receive payment of the prepayment price thereof.

Book-Entry Only System

DTC will act as securities depository for the Certificates. The Certificates will be executed and delivered as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Certificate will be executed and delivered for each stated Principal Payment Date of the Certificates, each in the aggregate amount of the principal evidenced by Certificates with such stated Principal Payment Date, and will be deposited with DTC. See APPENDIX G – "BOOK-ENTRY ONLY SYSTEM."

Discontinuance of DTC Service. In the event that (a) DTC determines not to continue to act as securities depository for the Certificates or (b) the District determines to remove DTC from its functions as a depository, DTC's role as securities depository for the Certificates and use of the book-entry system will be discontinued. If the District fails to select a qualified securities depository to replace DTC, the District will cause the Trustee to execute and deliver new Certificates in fully-registered form in such denominations numbered in the manner determined by the Trustee and registered in the names of such

persons as are requested by the Beneficial Owners thereof. Upon such registration, such persons in whose names the Certificates are registered will become the registered Owners of the Certificates for all purposes.

The following provisions regarding the exchange and transfer of the Certificates apply only during any period in which the Certificates are not subject to DTC's book-entry system. While the Certificates are subject to DTC's book-entry system, their exchange and transfer will be effected through DTC and the Participants and will be subject to the procedures, rules and requirements established by DTC.

All Certificates are transferable by the Owner thereof, in person or by his or her attorney duly authorized in writing, at the principal corporate trust office of the Trustee on the registration books maintained by the Trustee pursuant to the provisions of the Trust Agreement, upon surrender of such Certificates for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Trustee. The Trustee may treat the Owner of any Certificate as the absolute owner of such Certificate for all purposes, whether or not the principal or interest evidenced by such Certificate is overdue, and the Trustee will not be affected by any knowledge or notice to the contrary; and payment of the interest and principal evidenced by such Certificate will be made only to such Owner, which payments will be valid and effectual to satisfy and discharge the liability evidenced by such Certificate to the extent of the sum or sums so paid.

Whenever any Certificate or Certificates shall be surrendered for transfer, the Trustee will execute and deliver a new Certificate or Certificates evidencing principal in the same aggregate amount and having the same stated Principal Payment Date. The Trustee will require the payment by any Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

Certificates may be exchanged at the principal corporate trust office of the Trustee for Certificates evidencing principal in a like aggregate amount having the same stated Principal Payment Date in such Authorized Denominations as the Owner may request. The Trustee will require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Trustee will not be required to transfer or exchange any Certificate during the period commencing five days before the date of selection of the Certificates for prepayment and ending on the date of mailing notice of such prepayment, nor will the Trustee be required to transfer or exchange any Certificate or portion thereof selected for prepayment from and after the date of mailing the notice of prepayment thereof.

SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES

Nature of the Certificates

Each Certificate evidences a direct, fractional undivided interest in the principal component of the Base Rental Payment due under the Lease Agreement on the payment date or prepayment date of such Certificate, and the interest component of all Base Rental Payments (based on the stated interest rate with respect to such Certificate) to accrue from the date of delivery to its payment date or prepayment date, as the case may be.

The Corporation, pursuant to the Assignment Agreement, will assign to the Trustee for the benefit of the Certificate Owners all of the Corporation's right, title and interest in and to the Ground Lease and

the Lease Agreement, including, without limitation, its right to receive Base Rental Payments to be paid by the District under and pursuant to the Lease Agreement; provided that the Corporation will retain the rights to indemnification and to payment or reimbursement of its reasonable costs and expenses under the Lease Agreement. The District will pay Base Rental Payments directly to the Trustee, as assignee of the Corporation. See "– Base Rental Payments" below.

Base Rental Payments

For the use and possession of the Property, the Lease Agreement requires the District to make Base Rental Payments. The Base Rental Payments evidenced by the Certificates will be payable no later than the 15th day next preceding each Interest Payment Date. To secure the payment of the Base Rental Payments, the District is required to pay to the Trustee, for deposit into the Base Rental Payment Fund, on the fifteenth day before each Interest Payment Date, an amount sufficient to pay the Base Rental Payment then due.

Pursuant to the Trust Agreement, the Trustee will on each Interest Payment Date, deposit in the Interest Fund that amount of moneys representing the portion of the Base Rental Payments designated as the interest component coming due on such Interest Payment Date. On each Interest Payment Date, the Trustee will withdraw from the Interest Fund, for payment to the Certificate Owners, the interest evidenced by the Certificates coming due on such Interest Payment Date.

Pursuant to the Trust Agreement, the Trustee will on each Principal Payment Date and each Mandatory Sinking Account Payment Date, deposit in the Principal Fund that amount of moneys representing the portion of the Base Rental Payments designated as the principal component coming due on such Principal Payment Date or Mandatory Sinking Account Payment Date. On each Principal Payment Date and each Mandatory Sinking Account Payment Date, the Trustee will withdraw from the Principal Fund, for payment to the Owners, the principal evidenced by the Certificates due and payable on such Principal Payment Date or Mandatory Sinking Account Payment Date.

THE OBLIGATION OF THE DISTRICT TO MAKE THE BASE RENTAL 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.

Base Rental Payments Schedule

The Lease Agreement requires that Base Rental Payments be made on or before each Base Rental Deposit Date, assuming no early prepayment by the District, which is 15 days prior to each of the following Interest Payment Dates:

Interest Payment Date	Principal Component	Interest Component	Total Base Rental Payment
September 1, 2020	-	$ 112,745.42	$ 112,745.42
March 1, 2021	-	149,221.88	149,221.88
September 1, 2021	$ 350,000.00	149,221.88	499,221.88
March 1, 2022	-	143,971.88	143,971.88
September 1, 2022	360,000.00	143,971.88	503,971.88
March 1, 2023	-	138,571.88	138,571.88
September 1, 2023	375,000.00	138,571.88	513,571.88
March 1, 2024	-	132,946.88	132,946.88
September 1, 2024	385,000.00	132,946.88	517,946.88
March 1, 2025	-	127,171.88	127,171.88
September 1, 2025	395,000.00	127,171.88	522,171.88
March 1, 2026	-	121,246.88	121,246.88
September 1, 2026	410,000.00	121,246.88	531,246.88
March 1, 2027	-	115,096.88	115,096.88
September 1, 2027	420,000.00	115,096.88	535,096.88
March 1, 2028	-	108,796.88	108,796.88
September 1, 2028	430,000.00	108,796.88	538,796.88
March 1, 2029	-	102,346.88	102,346.88
September 1, 2029	445,000.00	102,346.88	547,346.88
March 1, 2030	-	95,671.88	95,671.88
September 1, 2030	460,000.00	95,671.88	555,671.88
March 1, 2031	-	88,771.88	88,771.88
September 1, 2031	475,000.00	88,771.88	563,771.88
March 1, 2032	-	81,646.88	81,646.88
September 1, 2032	485,000.00	81,646.88	566,646.88
March 1, 2033	-	74,068.75	74,068.75
September 1, 2033	500,000.00	74,068.75	574,068.75
March 1, 2034	-	66,256.25	66,256.25
September 1, 2034	520,000.00	66,256.25	586,256.25
March 1, 2035	-	58,131.25	58,131.25
September 1, 2035	535,000.00	58,131.25	593,131.25
March 1, 2036	-	49,437.50	49,437.50
September 1, 2036	550,000.00	49,437.50	599,437.50
March 1, 2037	-	40,500.00	40,500.00
September 1, 2037	570,000.00	40,500.00	610,500.00
March 1, 2038	-	30,881.25	30,881.25
September 1, 2038	590,000.00	30,881.25	620,881.25
March 1, 2039	-	20,925.00	20,925.00
September 1, 2039	610,000.00	20,925.00	630,925.00
March 1, 2040	-	10,631.25	10,631.25
September 1, 2040	630,000.00	10,631.25	640,631.25
Total:	9,495,000.00	3,625,333.04	13,120,333.04

Source: The Underwriter.

Additional Rental Payments

The Lease Agreement requires the District to pay, as Additional Rental Payments thereunder in addition to the Base Rental Payments, such amounts as shall be required for the payment of all taxes, assessments of any type or nature charged to the Corporation or the District or affecting the Property or the respective interests or estates of the Corporation or the District in the Property, all reasonable administrative costs of the Corporation relating to the Property, the Certificates or the Trust Agreement, including without limitation all expenses, compensation and indemnification of the Trustee payable by the District under the Trust Agreement, insurance premiums payable under the Lease Agreement, any amounts with respect to the Lease Agreement or the Certificates required to be rebated to the federal government, and all other payments not constituting Base Rental Payments required to be paid by the District under the Lease Agreement or the Trust Agreement.

Covenant to Appropriate Funds

The District covenants under the Lease Agreement to take such action as may be necessary to include all Base Rental Payments and Additional Rental Payments due under the Lease Agreement as a separate line item in its annual budgets and to make the necessary annual appropriations therefor.

Abatement

Base Rental Payments are paid by the District in each Rental Period for the District's right to use and occupy the Property for such Rental Period. The obligation of the District to pay Rental Payments will be abated during any period in which by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the District's right to use and occupy any portion of the Property. The Rental Payments shall be abated proportionately. The District and the Corporation shall, in a reasonable manner and in good faith, determine the amount of such abatement; provided, however, that the Rental Payments due for any Rental Period may not exceed the annual fair rental value of that portion of the Property available for use and occupancy by the District during such Rental Period. Such abatement will continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Property, ending with the substantial completion of the work of repair or replacement of the Property, or the portion thereof so damaged or destroyed, and to the extent necessary to pay unpaid Rental Payments, the term of the Lease Agreement will be extended as provided in the Lease Agreement, except that the term will in no event be extended more than 10 years beyond the Scheduled Termination Date; provided, however, that during abatement, to the extent that moneys are available for the payment of Rental Payments in any of the funds and accounts established under the Trust Agreement, Rental Payments will not be abated as provided above but, instead, will be payable by the District as a special obligation payable solely from said funds and accounts. For information regarding rental interruption insurance, see "– Insurance" below.

Abatement of Rental Payments is not an event of default under the Lease Agreement and does not permit the Trustee to take any action or avail itself of any remedy against the District. For a description of abatement resulting from condemnation of all or part of the Property, see APPENDIX A – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE LEASE AGREEMENT – Rental Payments – Rental Abatement."

Prepayment of Base Rental Payments; Special Optional Prepayment

The District may prepay all or a portion of the Base Rental Payments in accordance with the Lease Agreement as follows:

(a) (i) *Optional Prepayment*. The District may prepay all or a portion of the Base Rental Payments which are payable on or after September 1, 2031, from any source of available funds (other than General Obligation Bond Proceeds or State Reimbursement Funds each as defined immediately below), on any date on or after September 1, 2030, by paying (A) all or a portion, as elected by the District, of the principal components of the Base Rental Payments, and (B) the accrued but unpaid interest component of such Base Rental Payments to be prepaid to the date of such prepayment, and

(ii) *Special Optional Prepayment*. The District may prepay all or a portion of the Base Rental Payments which are payable after September 1, 2022, from General Obligation Bond Proceeds or State Reimbursement Funds, on any date on or after September 1, 2022, by paying (A) all or a portion, as elected by the District, of the principal components of the Base Rental Payments, and (B) the accrued but unpaid interest component of such Base Rental Payments to be prepaid to the date of such prepayment.

The term "General Obligation Bond Proceeds" means proceeds received by the District from the issuance and sale of bonds of the District (or a school facilities improvement district formed by the District) pursuant to the provisions of California Education Code Section 15100 *et seq.*, Section 15264 *et seq.* or Section 15300 *et seq.*, or California Government Code Section 53506 *et seq.*

The term "State Reimbursement Funds" means funds received by the District under the Leroy Greene School Facilities Act of 1998 (commencing with Section 17070.10 of the California Education Code) or any successor statute thereto.

(b) *Extraordinary Prepayment*. The District may prepay, from any source of available funds, all or any portion of the Base Rental Payments by depositing with the Trustee moneys or securities as provided, and subject to the terms and conditions set forth, in the Trust Agreement sufficient to make such Base Rental Payments when due or to make such Base Rental Payments through a specified date on which the District has a right to prepay such Base Rental Payments pursuant to subsection (a) above, and to prepay such Base Rental Payments on such prepayment date, at a prepayment price determined in accordance with subsection (a) above.

If less than all of the Base Rental Payments are prepaid as provided above then, as of the date of such prepayment pursuant to subsection (a) above, or the date of a deposit pursuant to subsection (b) above, the principal and interest components of the Base Rental Payments shall be recalculated in order to take such prepayment into account. If, following a partial prepayment of Base Rental Payments, the Property is damaged, destroyed or taken by eminent domain, or a defect in title to the Property is discovered, the District shall not be entitled to, and by such prepayment waives the right of, abatement of such prepaid Base Rental Payments and the District shall not be entitled to any reimbursement of such Base Rental Payments.

If all of the Base Rental Payments are prepaid and if all amounts due to the Insurer have been paid in full then, as of the date of such prepayment pursuant to subsection (a) above, or deposit pursuant to subsection (b) above, the term of the Lease Agreement shall be terminated.

Prepayments of Base Rental Payments made in accordance with the Lease Agreement shall be applied to the prepayment of Certificates as provided in the Trust Agreement. See "THE CERTIFICATES – Prepayment."

Reserve Fund

A reserve fund (the "Reserve Fund") is established by the Trust Agreement and is required to be funded in an amount equal to, as of the date of calculation, an amount equal to the least of (a) "10% of the proceeds of the issue," within the meaning of Section 148 of the Code, (b) the maximum amount of principal and interest evidenced by the Certificates coming due in any Certificate Year, and (c) 125% of the average amount of principal and interest evidenced by the Certificates coming due in each Certificate Year (the "Reserve Requirement").

Upon the execution and delivery of the Certificates, the Reserve Policy in the stated amount of $652,543.76, an amount equal to the initial Reserve Requirement, issued by the Reserve Insurer will be deposited in the Reserve Fund for the Certificates. See APPENDIX I − "SPECIMEN MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY." The Reserve Fund is required to be maintained until all Base Rental Payments are paid in full pursuant to the Lease Agreement and until the first date upon which the Certificates are no longer Outstanding. See APPENDIX A – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Amounts available in the Reserve Fund are to be used to make delinquent Base Rental Payments to the extent that the moneys available in the Interest Fund and Principal Fund do not equal the amount of the principal and interest evidenced by the Certificates coming due on any Interest Payment Date. If a Reserve Facility (such as the Reserve Policy) is credited to the Reserve Fund to satisfy a portion of the Reserve Requirement, the Trustee shall make a claim for payment under such Reserve Facility, in accordance with the provisions thereof, in an amount which, together with other available moneys in the Reserve Fund, will be sufficient to make said deposit in the Interest Fund and Principal Fund. In addition, moneys, if any, on deposit in the Reserve Fund will be withdrawn and applied by the Trustee for the final Base Rental Payment. See APPENDIX A – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE TRUST AGREEMENT – Reserve Fund."

The District may substitute a line of credit, letter of credit, insurance policy, surety bond or other credit source (each, a "Reserve Facility") for all or a part of the Reserve Policy or Reserve Facility then on deposit in the Reserve Fund by depositing such substitute Reserve Facility with the Trustee so long as, at the time of such substitution, the amount on deposit in the Reserve Fund, together with the amount available under such Reserve Facility and any previously substituted Reserve Facilities, shall be at least equal to the Reserve Requirement; provided, however, that, prior to any such substitution, the Trustee shall have received the written consent of the Insurer (so long as the Insurer is not in default on its payment obligations under the insurance policy).

If at any time the balance in the Reserve Fund is reduced below the Reserve Requirement, and there are no amounts then due to the Reserve Insurer under the Reserve Policy or to the provider of any other Reserve Facility under such Reserve Facility, the first Base Rental Payments thereafter received from the District under the Lease Agreement and not needed to pay the interest or principal evidenced by Certificates payable to the Owners on the next Interest Payment Date, Principal Payment Date or Mandatory Sinking Account Payment Date will be used first, to reinstate the amounts available under the Reserve Facilities that have been drawn upon and, second, to increase the balance in the Reserve Fund so that the amount available under the Reserve Facilities, when added to the amount on deposit in the Reserve Fund equals the Reserve Requirement.

Insurance

The Lease Agreement requires the District to maintain or cause to be maintained, throughout the term of the Lease Agreement, casualty insurance insuring the Property against fire and all other risks

covered by an extended coverage endorsement (excluding earthquake and flood), subject to a $100,000 loss deductible provision (unless some other deductible is acceptable to the Insurer), in an amount equal to the full insurable value of the Property. The full insurable value of the Property will not be less than the principal evidenced by the outstanding Certificates.

The casualty insurance required by the Lease Agreement may be maintained in the form of self-insurance by the District, in compliance with the terms of the Lease Agreement.

The Lease Agreement requires the District to maintain or cause to be maintained, throughout the term of the Lease Agreement, rental interruption insurance to cover the Corporation's loss, total or partial, of Base Rental Payments caused by perils covered by the casualty insurance described above, in an amount equal to the lesser of (i) the amount sufficient at all times to pay an amount not less than the product of two times the maximum amount of Base Rental Payments scheduled to be paid during any Rental Period, or (ii) such lesser amount as may be agreed to by the Insurer. The District may not self-insure for rental interruption insurance.

The District is also required to obtain certain public liability and property damage insurance coverage in protection of the Corporation and the District and worker's compensation insurance as described under APPENDIX A – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE LEASE AGREEMENT – Insurance – Property Casualty Insurance; Rental Interruption Insurance."

The District is required under the Lease Agreement to obtain title insurance on the Property, in the aggregate amount of not less than the initial aggregate amount of principal evidenced by the Certificates, subject only to Permitted Encumbrances, as defined in the Lease Agreement.

Action on Default

Should the District default under the Lease Agreement, the Trustee, as assignee of the Corporation under the Assignment Agreement, has the option to (subject to the restrictions described below) terminate the Lease Agreement. In the event of such termination, the District agrees to surrender immediately possession of the Property, without let or hindrance, and to pay to the Trustee, as assignee of the Corporation, all damages recoverable at law that the Corporation may incur by reason of default by the District, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon the Property and removal and storage of such property by the Corporation or its duly authorized agents in accordance with the provisions contained in the Lease Agreement.

Without terminating the Lease Agreement, the Trustee shall be permitted (x) to collect each installment of Base Rental Payments as the same become due and enforce any other terms or provisions of the Lease Agreement to be kept or performed by the District, regardless of whether or not the District has abandoned the Property, or (y) to exercise any and all rights of entry and re-entry upon the Property. In the event the Corporation does not elect to terminate the Lease Agreement in the manner provided for therein, the District remains liable and agrees to keep or perform all covenants and conditions contained in the Lease Agreement to be kept or performed by the District and, if the Property is not relet, to pay the full amount of the Rental Payments to the end of the term of the Lease Agreement or, in the event that the Property is relet, to pay any deficiency in Rental Payments that results therefrom; and further agrees to pay said Rental Payments and/or Rental Payment deficiency punctually at the same time and in the same manner as provided for the payment of Rental Payments under the Lease Agreement, notwithstanding the fact that the Corporation may have received in previous years or may receive thereafter in subsequent years Rental Payments in excess of the Rental Payments specified in the Lease Agreement, and notwithstanding any entry or re-entry by the Corporation or suit in unlawful detainer, or otherwise,

brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of the Property. See "RISK FACTORS."

The Lease Agreement provides that, so long as the Insurer is not in default under the Insurance Policy, no remedy will be exercised under the Lease Agreement 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 Agreement. For a description of the events of default and permitted remedies of the Trustee (as assignee of the Corporation) contained in the Lease Agreement and the Trust Agreement, see APPENDIX A – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE LEASE AGREEMENT – Defaults and Remedies" and "– THE TRUST AGREEMENT – Default and Limitations of Liability – Action on Default."

CERTIFICATE INSURANCE

Certificate Insurance Policy

Concurrently with the issuance of the Certificates, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Certificates (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Certificates when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

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

Build America Mutual Assurance Company

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

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

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

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Certificates, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Certificates. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Certificates on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price

or liquidity of the Certificates, nor does it guarantee that the rating on the Certificates will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2019 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $534.9 million, $132.5 million and $402.4 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are

statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Certificates, and the issuer and underwriter assume no responsibility for their content.

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

THE PROPERTY

General

The Property leased pursuant to the Lease Agreement consists of the real property on which the Mountain View High School and Mountain Heights Academy, at 1000 N Ramona Boulevard, San Jacinto, California, are located, together with the buildings and improvements located on such site.

Mountain View High School and Mountain Heights Academy were each originally constructed in 2009. The Mountain View High School currently serves 242 students in grades 9 through 12. Mountain Heights Academy currently serves 144 students in grades 1 through 12. The Mountain View High School and Mountain Heights Academy facilities contain approximately 38,215 square feet of space, including 12 permanent classrooms, 5 portables, an auditorium, administrative facilities, 0.13 acres of play field and 2.21 acres of parking. The facilities are located on an approximate 4.90-acre site.

Substitution or Release

The Lease Agreement provides that, with the consent of the Insurer and compliance with the other conditions specified therein, the District may release from the Lease Agreement any portion of the Property or substitute alternate real property for all or any portion of the Property. Any such substitution or release of any portion of the Property shall be subject to certain specific conditions set forth in the Lease Agreement, among which are that an independent certified real estate appraiser selected by the District shall have found that the Property, as constituted after such substitution or release, has an annual fair rental value greater than or equal to 105% of the maximum amount of Base Rental Payments payable by the District in any Rental Period. Thus, a portion of the property comprising the Property could be replaced with less valuable property, or could be released altogether, so long as, among other things, the Property, as constituted after such substitution or release, has an annual fair rental value greater than or equal to 105% of the maximum amount of Base Rental Payments payable by the District in any Rental Period. See "RISK FACTORS – Substitution or Release of Property" and APPENDIX A – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE LEASE AGREEMENT – No Consequential Damages; Use of the Property; Substitution or Release – Substitution or Release of the Property."

PLAN OF FINANCE

Net proceeds of the Certificates will be applied for any of the following: the acquisition, construction, installation, improvement and equipping of new classrooms, acquiring new and expanding existing support facilities for the District and paying all necessary legal, financial, engineering and contingent costs in connection therewith including two new two story classroom buildings serving Monte Vista middle school (a new middle school on Lyon Avenue in San Jacinto), consisting of a total of 24 classrooms, two teachers' workrooms, two girls' restrooms, two boys' restrooms, two staff restrooms, two custodial rooms, one electrical room, one storage room, three stairways and one elevator. The elevator will provide access to both buildings. The buildings will include an aggregate 30,328 square

feet. While the buildings are modular in construction, they will have stucco exteriors, concrete foundations and essentially appear as permanent school and classroom facilities. As part of this construction program, the San Jacinto Leadership Academy will relocate to the existing Monte Vista Middle School campus and allow it to grow into a 6th-12th grade program, relieving some of the overcrowding at San Jacinto High School.

A significant portion of the costs of the Project, not expected to exceed approximately $32 million, may be paid from State Reimbursement Funds which may be received by the District under the Leroy Greene School Facilities Act of 1998, a State program under which the State Allocation Board provides State per-pupil funding for new school facilities construction and modernization, for which the District has made application. Such funding is provided as available and is, in part, dependent on the State Allocation Board's access to bond proceeds for its purposes. If made available, the District would anticipate the receipt of such funds in staged payments with the first payments to be received within the 2021-22 and 2022-23 fiscal years and the remaining payments to be received within the 2022-23 and 2023-24 fiscal years. The construction schedule for the Project should not be impacted by the receipt of such funds. The District expects that net proceeds of the Certificates together with funds on hand will be sufficient to complete the Project.

The District may determine to prepay by special optional prepayment all or a portion of the principal components of the Base Rental Payments plus the accrued but unpaid interest component of such Base Rental Payments to be prepaid to the date of such prepayment from General Obligation Bond Proceeds or State Reimbursement Funds (each as defined herein), if any. See "THE CERTIFICATES – Prepayment – Special Optional Prepayment" and "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Prepayment of Base Rental Payments; Special Optional Prepayment."

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Certificates and other available funds are shown below.

SOURCES	
Principal Amount of Certificates	$9,495,000.00
Less Original Issue Discount	(168,900.55)
Total Sources	$9,326,099.45
USES	
Acquisition Fund	$9,000,000.00
Underwriter's Discount	85,455.00
Costs of Issuance[(1)]	240,644.45
Total Uses	$9,326,099.45

(1) Includes legal, Municipal Advisor, rating agency, printing, Insurance Policy and Reserve Policy premiums and fees, and other fees and miscellaneous costs of execution and delivery of the Certificates.

RISK FACTORS

The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating the purchase of the Certificates. However, they do not purport to be an exhaustive listing of risks and other considerations which may be relevant to an

investment in the Certificates. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

General Considerations and Other Obligations

The obligation of the District to make the Base Rental 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 Agreement does not create a pledge, lien or encumbrance upon the funds of the District, the District is obligated under the Lease Agreement to pay the Base Rental Payments from any source of legally available funds and the District has covenanted in the Lease Agreement that it will take such action as may be necessary to include all Base Rental Payments in its annual budgets and to make necessary annual appropriations therefor. The District is currently liable and may become liable on other obligations payable from its general revenues, some of which may have a priority over the Base Rental Payments. See "DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION – District Debt Structure" herein.

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 Base Rental 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 Base Rental Payments and other payments due under the Lease Agreement.

Abatement

In the event of substantial interference with the District's right to use and occupy any portion of the Property by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, Rental Payments will be subject to abatement. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Abatement." The Rental Payments shall be abated proportionately. In the event that such portion of the Property, if damaged or destroyed by an insured casualty, could not be replaced during the period of time in which proceeds of the District's rental interruption insurance will be available in lieu of Base Rental Payments, plus the period for which funds are available from the Reserve Fund or other funds and accounts established under the Trust Agreement (including proceeds of the Insurance Policy), or in the event that casualty insurance proceeds or condemnation proceeds are insufficient to provide for complete repair or replacement of such portion of the Property or prepayment of the Certificates, there could be insufficient funds to make payments to Certificate Owners in full.

Absence of Earthquake and Flood Insurance

The District is not required under the Lease Agreement to maintain earthquake or flood insurance on the Property. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Insurance." The District does not currently insure against the risks of earthquake or flood with respect to the Property and does not anticipate obtaining such insurance in the future. See "– Seismic Factors" below.

Limited Recourse on Default

If the District defaults on its obligations to make Base Rental Payments, the Trustee, as assignee of the Corporation, may (subject to the restrictions described below) retain the Lease Agreement and hold the District liable for all Base Rental Payments on an annual basis and will have the right to reenter and relet the Property. In the event such reletting occurs, the District would be liable for any resulting deficiency in Base Rental Payments. Alternatively, the Trustee may (subject to the restrictions described below) terminate the Lease Agreement with respect to the Property and proceed against the District to recover damages pursuant to the Lease Agreement.

The Lease Agreement provides that, so long as the Insurer is not in default under the Insurance Policy, the Insurer will control all remedies upon an event of default under the Lease Agreement.

Due to the specialized nature of the Property, no assurance can be given that the Trustee will be able to relet any portion of the Property so as to provide rental income sufficient to make payments of principal and interest evidenced by the Certificates in a timely manner, and the Trustee is not empowered to sell the Property for the benefit of the Owners of the Certificates. In addition, due to the governmental function of the Property, it is not certain whether a court would permit the exercise of the remedies of repossession and reletting with respect thereto. 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. Moreover, there can be no assurance that such reletting will not adversely affect the exclusion of any interest component of Base Rental Payments evidenced by the Certificates from federal or state income taxation.

No Acceleration Upon Default

In the event of a default, there is no available remedy of acceleration of the Base Rental Payments due over the term of the Lease Agreement. The District will only be liable for Base Rental Payments on an annual basis, and the Trustee would be required to seek a separate judgment in each fiscal year for that fiscal year's Base Rental Payments.

Substitution or Release of Property

The Lease Agreement provides that, upon the consent of the Insurer and satisfaction of the other conditions specified therein, the District may release from the Lease Agreement any portion of the Property or substitute alternate real property for all or any portion of the Property. Thus, a portion of the property comprising the Property could be replaced with less valuable property, or could be released altogether. Such a replacement or release could have an adverse impact on the security for the Certificates, particularly if an event requiring abatement of Base Rental Payments were to occur subsequent to such substitution or release. See APPENDIX A – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE LEASE AGREEMENT – No Consequential Damages; Use of the Property; Substitution or Release – Substitution or Release of the Property."

Limitation on Remedies

The enforcement of any remedies provided in the Lease Agreement and the Trust Agreement could prove both expensive and time consuming. Although the Lease Agreement provides that if the District defaults the Trustee may reenter the Property and relet such Property, portions of the Property may not be easily recoverable, and even if recovered, could be of little value to others because of the Property's specialized nature. Additionally, the Trustee may have limited ability to relet the Property to provide a source of rental payments sufficient to pay the principal and interest evidenced by the

Certificates. Furthermore, due to the governmental nature of the Property, it is not certain whether a court would permit the exercise of the remedy of reletting with respect thereto.

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

The rights of the Owners of the Certificates are subject to certain limitations on legal remedies against governmental entities in the State, including but not limited to a limitation on enforcement against funds that are otherwise needed to serve the public welfare and interest. Additionally, the rights of the Owners of the Certificates may be subject to (i) bankruptcy, insolvency, reorganization, moratorium, or similar laws limiting or otherwise affecting the enforcement of creditors' rights generally (as such laws are now or hereafter may be in effect), (ii) equity principles (including but not limited to concepts of materiality, reasonableness, good faith and fair dealing) and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or law, (iii) the exercise by the United States of America of the powers delegated to it by the Constitution, and (iv) the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs bankruptcy proceedings for public agencies, there are no involuntary petitions in bankruptcy. If the District were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners, the Trustee and the Corporation could be prohibited or severely restricted from taking any steps to enforce their rights under the Lease Agreement and from taking any steps to collect amounts due from the District under the Lease Agreement. See "Bankruptcy" below.

Special Counsel has limited its opinion as to the enforceability of the Certificates and of the Trust Agreement to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditor's rights, by equitable principles and by the exercise of judicial discretion. Additionally, the Certificates are not subject to acceleration in the event of the breach of any covenant or duty under the Trust Agreement. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the Owners of the Certificates.

Bankruptcy

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

The obligations of the Insurer under the Insurance Policy are contractual obligations and in an event of default by the Insurer, the rights and remedies available may be limited by and subject to provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights.

Bankruptcy of District. The District may be eligible to become a debtor in a Chapter 9 bankruptcy case. If the District were to go into bankruptcy, it may be able to reject the Ground Lease or the Lease Agreement or assume the Ground Lease or the Lease Agreement, despite any provision of the Ground Lease or the Lease Agreement that makes the bankruptcy or insolvency of the District an event of default thereunder.

If the District rejects the Lease Agreement, the District's obligation to pay Base Rental Payments and Additional Rental Payments will terminate. The Trustee on behalf of the Owners of the Certificates will have a claim for damages in the bankruptcy case, but this claim for damages may be significantly limited. While the Corporation may be able to recover possession of the Property and relet it, no assurance can be given that the new lease will provide for the same level of payments as the Lease Agreement. The Owners of the Certificates could suffer substantial losses.

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

If the District assumes the Lease Agreement, it may be able to assign it to a third party, notwithstanding the provisions of the transaction documents, and thereby replace the obligation of the District to pay Base Rental Payments and Additional Payments with the obligation of the third party assignee to make such payments. While there must be adequate assurances of the future performance of the assignee, that determination is made by the bankruptcy court, not the Trustee or the Owners of the Certificates, and the determination may turn out to have been wrong. There may be adverse tax consequences of such an assignment.

The District may be able to obtain authorization from the bankruptcy court to sell the Property to a third party, free and clear of the Ground Lease, the Lease Agreement, and the rights of the Trustee and the Owners of the Certificates. Under such circumstances, the Owners of the Certificates may suffer substantial losses.

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

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

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

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

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

Similarly, because the Corporation is not assigning all its rights under the Ground Lease and the Lease Agreement, it may be able to reject the Ground Lease and the Lease Agreement despite any provision of the Ground Lease or the Lease Agreement which makes the bankruptcy or insolvency of the Corporation an event of default thereunder. If the Corporation rejects the Ground Lease or the Lease Agreement, the rights of the Trustee and the Owners of the Certificates to receive Base Rental Payments and Additional Rental Payments may be terminated. Under such circumstances, the Owners of the Certificates could suffer substantial losses, and any claim for damages may be significantly limited. In addition, the Corporation may be able to sell or assign its leasehold estate in the Property, notwithstanding the provisions of the transaction documents. It is possible that such a sale or assignment would result in the termination of the Lease Agreement. If the Lease Agreement does terminate, the District's obligation to pay Base Rental Payments and Additional Rental Payments would terminate. Under such circumstances, the Owners of the Certificates could suffer substantial losses.

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

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

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

Loss of Tax Exemption

As discussed under the heading "TAX MATTERS," certain acts or omissions of the District in violation of its covenants in the Trust Agreement and the Lease Agreement, as well as certain other matters, could result in the interest evidenced by the Certificates being includable in gross income for purposes of federal income taxation retroactive to the date of delivery of the Certificates. 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 provisions contained in the Trust Agreement.

Hazardous Substances

The existence or discovery of hazardous materials may limit the beneficial use of the Property. In general, the owners and lessees of the Property may be required by law to remedy conditions of such parcel relating to release or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also similarly stringent. Under many of these laws, the owner or lessee is obligated to remedy a hazardous substance condition of the property whether or not the owner or lessee had anything to do with creating or handling the hazardous substance.

Further it is possible that the beneficial use of the Property may be limited in the future resulting from the current existence on the Property of a substance currently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the current existence on the Property of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method in which it is handled. All of these possibilities could significantly limit the beneficial use of the Property.

The District is unaware of the existence of hazardous substances on the Property sites which would materially interfere with the beneficial use thereof.

Emergency Preparedness Program; Coronavirus (COVID-19)

The District's financial results could be harmed by a national or localized outbreak of a highly contagious or epidemic disease, such as the COVID-19 disease. The outbreak of a highly contagious disease at one of the District's facilities may result in a temporary shutdown. As discussed in this Official Statement, school districts in California are funded based on the Local Control Funding Formula (the "Local Control Funding Formula" or "LCFF"), which allocates a base grant per unit of average daily attendance with additional supplemental grants based on certain factors. See "State Funding of Education; State Budget Process - Allocation of State Funding to School Districts; Local Control Funding Formula" herein for more information about the LCFF. Thus, a temporary shutdown of a school or an entire school district would reduce the average daily attendance and could impact the funding a school district receives unless the State legislature or California Department of Education takes action to exclude such days from the calculations for funding purposes. Further, any impact on the State's tax and other revenue receipts as a result of a highly contagious or epidemic disease may in turn impact other educational funding that the District receives from the State. In addition, the District may incur increased operational costs to clean, sanitize and maintain its facilities either before or after an outbreak of an infectious disease. The District cannot predict any costs associated with the potential outbreak of an infectious disease.

The District is partnering with other districts in Riverside County and District management has been working with Riverside University Health System-Public Health (County), the lead agency for the District's service area. The District expects to fully follow their guidance, along with state and federal public health agencies.

The District has in place an Emergency Preparedness Program that includes a Pandemic Influenza Plan, which District management has been reviewing and updating sections as needed for potential use with the COVID-19 virus. Pandemic response activities are highly dependent on direction from County Health Officials. As of the week ending March 6, 2020, the District had not experienced an increase in illness based on the District's attendance rates for this time of the year, compared to previous years.

On March 13, 2020, California Governor Gavin Newsom issued Executive Order N-26-20, proclaiming a State of Emergency to exist in California as a result of the threat of COVID-19 virus, and providing that if any California school districts, county offices of education, and charter schools (each a "Local Educational Agency" or "LEA") closes its schools to address the COVID-19 virus, the LEA will continue to receive state funding during the period of closure.

Likewise, on March 13, 2020, a County Public Health directive was issued for all Riverside County schools to be closed through April 3, 2020, which directive on March 17, 2020 was by further directive extended through April 30, 2020. This directive applies to all school-sponsored and after-school activities. Accordingly, District classrooms, school-sponsored and after-school activities and most administrative offices closed starting Monday, March 23, 2020 and are required to be closed through April 30, 2020.

On March 19, 2020, the Governor issued Executive Order N-33-20, a State-wide stay at home order to protect the health and well-being of all Californians and to establish consistency across the State in order to slow the spread of the COVID-19 virus. Such order to go into effect immediately and to stay in effect until further notice. The order directs all individuals living in the State to stay home or at their place of residence except as needed to maintain continuity of operations of the federal critical infrastructure sectors as outlined at https://www.cisa.gov/identifying-critical-infrastructure-during-covid-19. This includes 16 critical infrastructure sectors whose assets, systems, and networks, whether physical or virtual, are considered so vital to the United States that their incapacitation or destruction would have a debilitating effect on security, national economic security, national public health or safety, or any combination thereof. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated in this Official Statement by such reference.

With respect to school district funding, on March 17, 2020 the Governor signed Senate Bill 117 ("SB 117") as urgency legislation effective immediately, which for fiscal year 2019-20 limits the average daily attendance reported to the California Department of Education to include the full school months from July 1, 2019, to February 29, 2020. This condensed A.D.A. period applies to school districts that comply with Executive Order N-26-20. SB 117 further states the intent of the State Legislature that a school district's employees and contractors are paid during the period of a school closure due to the COVID-19 virus. SB 117 also waives instructional time penalties that would otherwise accrue, as long as the school district superintendent, county superintendent or charter school administrator certify that the closure due to the COVID-19 virus caused the school district to fall below applicable instructional time requirements. While SB 117 provides some immediate relief to school districts, the short-term and long-term impacts of the COVID-19 outbreak are unknown as the situation is rapidly evolving. The District cannot predict whether similar legislation would be enacted in the event the outbreak of the COVID-19 virus continues into fiscal year 2020-21 or beyond or a similar or other outbreak of a highly contagious disease or epidemic disease were to occur in the future.

The United States Congress is currently working to finalize a stimulus and supplemental spending plan to address the effects of the COVID-19 virus, Phase 3 of which reportedly includes more than $150 billion for the so-called "Marshall Plan" for hospitals and health care infrastructure. Also included is $150 billion for state and local governments.

Information provided by County Health Officials is available at: https://rivcoph.org/coronavirus. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated in this Official Statement by such reference. As of March 11, 2019, Riverside University Health System-Public Health had announced six cases of novel coronavirus (COVID-19). As of March

24, 2019, Riverside University Health System-Public Health had announced 59 cases of the COVID-19 virus and six deaths attributed to the COVID-19 virus.

Seismic Factors

The District, like most regions in the State, and the Property are located in an area of seismic activity from movements along active fault zones and, therefore, could be subject to potentially destructive earthquakes. Additionally, numerous minor faults transect the area. Seismic hazards encompass both potential surface rupture and ground shaking. In addition, the District may be subject to unpredictable fires, or flooding in the wake of fires or in the event of unseasonable rainfall. The occurrence of severe seismic activity, fires or flooding in the area of the District could result in substantial damage and interference with the District's right to use and occupy all or a portion of the Property, which could result in the Base Rental Payments being subject to abatement. See "–Abatement" above. The District is not required by the Lease Agreement or otherwise to obtain or maintain earthquake insurance for the Property. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Insurance."

Economic Conditions in California

State income tax and other receipts can fluctuate significantly from year to year, depending on economic conditions in the State and the nation. Because much of the District's revenues derive from payments from the State, the District's revenues can vary significantly from year to year, even in the absence of significant education policy changes. Decreases in the State's general fund revenues may significantly affect appropriations made by the State to school districts, including the District. See "DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION – State Funding of Education; State Budget Process" and "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS."

No Liability of Corporation to the Owners

Except as expressly provided in the Trust Agreement, the Corporation will not have any obligation or liability to the Owners of the Certificates with respect to the payment when due of the Base Rental 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 Agreement or the Trust Agreement, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

Cyber Security Risk

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

No assurance can be given that the District's efforts to manage cyber threats and attacks will, in all cases, be successful or that any such attack will not materially impact the operations or finances of the District. The District is also reliant on other entities and service providers, such as the County Treasurer

for investment of funds, the Trustee in its role as Trustee, and Fieldman, Rolapp & Associates, Inc., doing business as Applied Best Practices, in its role as Dissemination Agent in connection with compliance with its disclosure undertakings. No assurance can be given that the District may not be affected by cyber threats and attacks against other entities or service providers in a manner which may affect the Owners or Beneficial Owners of the Certificates, e.g., systems related to the timeliness of payments to Owners of the Certificates or compliance with disclosure filings pursuant to the Continuing Disclosure Certificate.

THE CORPORATION

The San Jacinto Unified School District School Facilities Corporation was incorporated on August 20, 1990, as a California nonprofit public benefit corporation. The Corporation was formed for the specific purposes of (i) providing financing assistance to the District by constructing, financing and leasing public facilities, land and equipment for the use and benefit for the District, (ii) acquiring by lease, purchase, installment purchase or otherwise real and personal property, including any interest therein; to enter into contracts for services or for other purposes; to construct, reconstruct, modify, add to, improve or otherwise acquire, modify and equip buildings, structures, equipment, facilities and improvements and (by sale, installment sale, lease, sublease, leaseback, gift or otherwise) make any part or all of any such real or personal property (and any interest therein) available to or for the benefit of the public, the District or any one or more departments, commissions or agencies of the District, and (iii) borrowing the necessary funds to pay the cost of financing, refinancing, acquiring, constructing, replacing, establishing, improving, maintaining, equipping and operating such real and personal property for the herein described purposes, the indebtedness for which borrowed money may, but need not, be evidenced by securities of the Corporation of any kind or character issued at any one or more times, which may be either unsecured or secured by any mortgage, trust deed, pledge, encumbrance or other lien upon any part or all of the properties and assets at any time then or thereafter owned or acquired by the Corporation. The directors of the Corporation receive no compensation. The Corporation has no financial liability to the Owners of the Certificates with respect to the payment of Base Rental Payments by the District or with respect to the performance by the District of the other agreements and covenants it is required to perform

The Corporation's articles of incorporation and by-laws empower the Corporation to act as lessee under the Ground Lease and lessor under the Lease Agreement.

DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION

Introduction

The District was established in 1868 and unified in 1944. The District encompasses an area of approximately 100 square miles in the County and provides educational services to residents in nearly all of the City of San Jacinto and portions of the cities of Hemet, Beaumont and Moreno Valley, as well as certain unincorporated areas of the County.

The District provides public education services for grades K-12. The District currently operates six kindergarten through fifth grade elementary schools, one pre-K through eighth grade World Language Academy, three sixth through eighth grade middle schools, one comprehensive ninth through twelfth grade high school, one alternative education ninth through twelfth grade high school, one home education program, one adult education school, five State of California preschools and one head start preschool. Total enrollment reported for the 2018-19 school year was 10,105 students and total enrollment reported for the 2019-20 school year is 10,142 students.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of the most recent

and subsequent audited financial reports of the District may be obtained by contacting: San Jacinto Unified School District, 2045 S. San Jacinto Avenue, San Jacinto, California 92583, Attention: Assistant Superintendent, Business Services.

Board of Trustees

The governing board of the District is the Board of Trustees of the San Jacinto Unified School District (the "Board"). The Board consists of five members who are elected by geographic area to overlapping four-year terms at elections held every two years. If a vacancy arises during any term, the vacancy is filled by an appointment by the majority vote of the remaining board members and, if there is no majority, by a special election. Each December, the Board elects a President and a Clerk to serve one-year terms. The name, office and the month and year of the expiration of the current term of each member of the Board are described below.

SAN JACINTO UNIFIED SCHOOL DISTRICT
(County of Riverside, California)

Board of Trustees

Name	Office	Term Expires
John I. Norman	President	December 2020
Deborah Rex	Clerk	December 2022
Willie Hamilton	Member	December 2020
Trica Ojeda	Member	December 2020
Jasmin Rubio	Member	December 2022

Superintendent and Business Services Personnel

The Superintendent of the District (currently an interim placement while the Board searches for a permanent employee) is appointed by the Board and reports to the Board. The Superintendent is responsible for management of the District's day-to-day operations and supervises the work of other key District administrators. Information concerning the Interim Superintendent and Assistant Superintendent, Business Services, is set forth below.

Dr. Shari Fox, Interim Superintendent. Dr. Fox has over 40 years of public education experience. She served as the San Jacinto Unified School District Superintendent from 2005 until her retirement in 2013. Prior to starting with the District she worked as a Teacher, Assistant Principal, Elementary Principal, Director of Curriculum and Instruction and Assistant Superintendent of Educational Services.

Dr. Fox holds a Bachelor of Arts Degree in Education from the University of Florida, a Master of Arts Degree in Administration and Supervision from Nova University and a Doctor of Education in Organizational Leadership from the University of LaVerne. Since her retirement, Dr. Fox has been a consultant and administrative coach for San Jacinto Unified School District. Dr. Fox currently teaches at the University of LaVerne and is an active member of the San Jacinto Rotary.

Seth Heeren, Assistant Superintendent, Business Services. Mr. Heeren has over 23 years of public school experience. He has been employed with the District since 2007. Prior to working in the District's Finance Department, Mr. Heeren worked in the Technology Department for several years where he was promoted to the Director of Technology. In 2010, Mr. Heeren became Director of Fiscal Services. He was then promoted to Executive Director of Business Services in February of 2014, and became the

Assistant Superintendent, Business Services in 2015. Mr. Heeren holds a Bachelor's Degree in Economics from the University of California, San Diego and a Master's Degree in School Business Leadership from Wilkes University.

State Funding of Education; State Budget Process

General. As is true for all school districts in California, the District's operating income consists primarily of two components: a State portion funded from the State's general fund in accordance with the Local Control Funding Formula (the "Local Control Funding Formula" or "LCFF") (see "– Allocation of State Funding to School Districts; Local Control Funding Formula") and a local portion derived from the District's share of the 1% local *ad valorem* tax authorized by the State Constitution (see "– Local Sources of Education Funding"). In addition, school districts may be eligible for other special categorical funding from State and federal government programs. The District has projected to receive approximately $111.01 million of its general fund revenues from State funds (not including the local portion derived from the District's share of the local *ad valorem* tax), projected at approximately 81.09% in fiscal year 2019-20. Such amount includes both the State funding provided under the LCFF as well as other State revenues (see "– Allocation of State Funding to School Districts; Local Control Funding Formula," "– Attendance and LCFF" and "– Other District Revenues – Other State Revenues" below). However, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may affect the District's revenues and operations, and, consequently, the District's ability to pay Base Rental Payments.

Under Proposition 98, a constitutional and statutory amendment adopted by the State's voters in 1988 and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the Constitution), a minimum level of funding is guaranteed to school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs. Recent years have seen frequent disruptions in State personal income taxes, sales and use taxes, and corporate taxes, making it increasingly difficult for the State to meet its Proposition 98 funding mandate, which normally commands about 45% of all State general fund revenues, while providing for other fixed State costs and priority programs and services. Because education funding constitutes such a large part of the State's general fund expenditures, it is generally at the center of annual budget negotiations and adjustments.

In connection with the State Budget Act for fiscal year 2013-14, the State and local education agencies therein implemented the LCFF. Funding from the LCFF replaced the revenue limit funding system and most categorical programs. See "– Allocation of State Funding to School Districts; Local Control Funding Formula" for more information.

State Budget Process. According to the State Constitution, the Governor must propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted no later than June 15. The budget requires a simple majority vote of each house of the State Legislature for passage. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. A two-thirds vote of the State Legislature is required to override any veto by the Governor. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the fiscal year 2019-20 State budget on June 27, 2019.

When the State budget is not adopted on time, basic appropriations and the categorical funding portion of each school district's State funding are affected differently. Under the rule of *White v. Davis* (also referred to as *Jarvis v. Connell*), a State Court of Appeal decision reached in 2002, there is no

constitutional mandate for appropriations to school districts without an adopted budget or emergency appropriation, and funds for State programs cannot be disbursed by the State Controller until that time, unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the State Constitution (such as appropriations for salaries of elected State officers), or (iii) mandated by federal law (such as payments to State workers at no more than minimum wage). The State Controller has consistently stated that basic State funding for schools is continuously appropriated by statute, but that special and categorical funds may not be appropriated without an adopted budget. Should the State Legislature fail to pass a budget or emergency appropriation before the start of any fiscal year, the District might experience delays in receiving certain expected revenues. The District is authorized to borrow temporary funds to cover its annual cash flow deficits, and as a result of the *White v. Davis* decision, the District might find it necessary to increase the size or frequency of its cash flow borrowings, or to borrow earlier in the fiscal year. The District does not expect the *White v. Davis* decision to have any long-term effect on its operating budgets.

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

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

Although the California Constitution requires the State to approve a balanced State Budget Act each fiscal year, the State's response to fiscal difficulties in some years has had a significant impact upon the Proposition 98 minimum guarantee and the treatment of settle-up payments with respect to years in which the Proposition 98 minimum guarantee was suspended. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the guaranteed amount. In response, teachers' unions, the State Superintendent and others sued the State or Governor in 1995, 2005, 2009 and 2011 to force them to fund schools in the full amount required. The settlement of the 1995 and 2005 lawsuits has so far resulted in over $4 billion in accrued State settle-up obligations. However, legislation enacted to pay down the obligations through additional education funding over time, including the Quality Education Investment Act of 2006, have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by temporarily deferring apportionments of Proposition 98 funds from one fiscal year to the next; by permanently deferring apportionments of Proposition 98 funds from one fiscal year to the next; by

suspending Proposition 98, as the State did in fiscal year 2004-05, fiscal year 2010-11, fiscal year 2011-12 and fiscal year 2012-13; and by proposing to amend the State Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

The District cannot predict how State income or State education funding will vary over the final Principal Payment Date of the Certificates, and the District takes no responsibility for informing owners of the Certificates as to actions the State Legislature or Governor may take affecting the current year's budget after its adoption. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

2019-20 State Budget. The Governor signed the fiscal year 2019-20 State Budget (the "2019-20 State Budget") on June 27, 2019. The 2019-20 State Budget sets forth a balanced budget for fiscal year 2019-20 that projects approximately $143.8 billion in revenues, and $91.9 billion in non-Proposition 98 expenditures and $55.9 billion in Proposition 98 expenditures. The 2019-20 State Budget includes a $1.4 billion reserve in the Special Fund for Economic Uncertainties. To provide immediate and long-term relief to school districts facing rising pension costs, the 2019-20 State Budget includes a $3.15 billion non-Proposition 98 General Fund payment to the California State Teachers' Retirement System ("CalSTRS") and the California Public Employees' Retirement System ("CalPERS") Schools Pool. Of this amount, an estimated $850 million will buy down the employer contribution rates in fiscal years 2019-20 and 2020-21. The 2019-20 State Budget includes total funding of $103.4 billion ($58.8 billion General Fund and $44.6 billion other funds) for all K-12 education programs. The 2019-20 State Budget provides $1.9 billion in new Proposition 98 funding for the LCFF, reflecting a 3.26% cost of living adjustment. The 2019-20 State Budget also includes a constitutionally required deposit into the Public School System Stabilization Account (also referred to as the Proposition 98 Rainy Day Fund) in the amount of $376.5 million. Such deposit to the Public School System Stabilization Account does not initiate any school district reserve caps, as the amount in the Public School System Stabilization Account (which is equal to the fiscal year 2019-20 deposit) is not equal to or greater than 3% of the total K-12 share of the Proposition 98 Guarantee (approximately $2.1 billion).

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

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

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

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

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

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

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

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

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

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

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

The complete 2019-20 State Budget is available from the California Department of Finance website at **www.dof.ca.gov.** The District can take no responsibility for the continued accuracy of this

internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

Proposed 2020-21 State Budget. The Governor released his proposed State budget for fiscal year 2020-21 (the "Proposed 2020-21 State Budget") on January 10, 2020. The Proposed 2020-21 State Budget sets forth a balanced budget for fiscal year 2020-21. However, the Governor cautions that although California's economy is strong, economic inequality persists throughout the State and continued growth is uncertain due to the instability in global economic markets and the nation's political climate. The Proposed 2020-21 State Budget estimates that total resources available in fiscal year 2019-20 totaled approximately $155.0 billion (including a prior year balance of approximately $8.5 billion) and total expenditures in fiscal year 2019-20 totaled approximately $149.7 billion. The Proposed 2020-21 State Budget projects total resources available for fiscal year 2020-21 of approximately $156.9 billion, inclusive of revenues and transfers of approximately $151.6 billion and a prior year balance of $5.2 billion. The Proposed 2020-21 State Budget projects total expenditures of $153.1 billion, inclusive of non-Proposition 98 expenditures of approximately $95.5 billion and Proposition 98 expenditures of approximately $57.6 billion. The Proposed 2020-21 State Budget proposes to allocate approximately $2.1 billion of the general fund's projected fund balance to the Reserve for Liquidation of Encumbrances and $1.6 billion of such fund balance to the State's Special Fund for Economic Uncertainties. In addition, the Proposed 2020-21 State Budget estimates the Rainy Day Fund will have a fund balance of approximately $18.0 billion.

Certain budgeted adjustments for K-12 education set forth in the Proposed 2020-21 State Budget include the following:

- Local Control Funding Formula. The Proposed 2020-21 State Budget includes an increase of $1.2 billion in Proposition 98 general fund resources for the LCFF.

- Rainy Day Fund. The Proposed 2020-21 State Budget projects that a $524.2 million deposit into the Rainy Day Fund will be required in fiscal year 2019-20, representing an increase of $147.7 million of the deposit projected in the 2019-20 State Budget, and that a $37.6 million withdrawal from the Rainy Day Fund will be required in fiscal year 2020-21.

- Educator Workforce Investment Grants. The Proposed 2020-21 State Budget includes an increase of $350 million of one-time Proposition 98 general fund resources to augment the funding provided in the 2019-20 State Budget for the Educator Workforce Investment Grants, which support competitive grants for professional learning opportunities for teachers and paraprofessionals across the State.

- California Collaborative for Educational Excellence. The Proposed 2020-21 State Budget includes an increase of $18 million of one-time Proposition 98 general fund resources for the California Collaborative for Educational Excellence to bolster awareness of available services and supports for all local educational agencies to strengthen the capacity of local educational agencies to improve student outcomes in State priority areas.

- Workforce Development Grant Program. The Proposed 2020-21 State Budget includes an increase of $193 million of one-time Proposition 98 general fund resources for the Workforce Development Grant Program to address workforce shortages in high-need subjects and areas.

- Teacher Residency Program. The Proposed 2020-21 State Budget includes an increase of $175 million of one-time Proposition 98 general fund resources to expand the Teacher Residency Program, which supports locally sponsored, one-year intensive, mentored, clinical teacher

preparation programs dedicated to preparing and retaining teachers in high-need subject areas in high-need communities.

- California Teacher Credential Award Program. The Proposed 2020-21 State Budget includes an increase of $100 million of one-time Proposition 98 general fund resources for the California Teacher Credential Award Program for $20,000 stipends for fully credentialed teachers who complete four years of teaching service in a high-need subject at a high-need school.

- California Classified School Employees Credentialing Program. The Proposed 2020-21 State Budget includes an increase of $64.1 million of one-time Proposition 98 general fund resources to expand the California Classified School Employees Credentialing Program, which provides grants to K-12 local educational agencies to recruit non-certificated school employees to become certificated classroom teachers.

- Special Education. The Proposed 2020-21 State Budget proposes a three-phase, multi-year process to improve special education finance, services and student outcomes. The Proposed 2020-21 State Budget proposes a new special education base formula that uses a three-year rolling average of local educational agency average daily attendance and includes a 15% increase in the Proposition 98 general fund contribution to the base formula funding over the amount provided in the 2019-20 State Budget. In addition to the new base rate funding formula, the Proposed 2020-21 Budget includes (i) an additional $250 million of Proposition 98 general fund resources on an ongoing basis based on the number of children ages 3 to 5 years with exceptional needs served; (ii) an increase of $500,000 of one-time Proposition 98 general fund resources for a study of the current Special Education Local Plan Area governance and accountability structure; (iii) an increase of $600,000 of one-time Proposition 98 general fund resources for two workgroups to study improved accountability for special education service delivery and student outcomes; and (iv) an increase of $4 million of one-time Proposition 98 general fund resources for dyslexia research, training, and a statewide conference.

- Community Schools. The Proposed 2020-21 State Budget includes an increase of $300 million of one-time Proposition 98 general fund resources to establish community school grants for local educational agencies supporting innovative community school models.

- Opportunity Grants. The Proposed 2020-21 State Budget includes an increase of $300 million of one-time Proposition 98 general fund resources to establish opportunity grants for the State's lowest performing schools and school districts, and to expand the capacity of the California Collaborative for Educational Excellence in its role within the statewide system of support.

- Computer Science. The Proposed 2020-21 State Budget includes (i) an increase of $15 million of one-time Proposition 98 general fund resources for grants to local educational agencies to support the preparation of approximately 10,000 K-12 teachers to earn a supplementary authorization on their credential to teach computer science; (ii) an increase of $2.5 million of one-time Proposition 98 general fund resources for a county office of education within the statewide system of support to identify, compile, and share computer science resources for professional development, curriculum, and best practices; and (iii) an increase of $1.3 million of one-time Proposition 98 general fund resources to develop a new UC Subject Matter Project in computer science, and $340,000 of non-Proposition 98 general fund resources for one cohort of approximately 1,200 educators to participate in the new project.

- School Nutrition. The Proposed 2020-21 State Budget includes (i) an increase of $60 million of Proposition 98 general fund resources for school nutrition; (ii) an increase of $10 million of

Proposition 98 general fund resources to provide training for school food service workers to promote healthier and more nutritious meals; and (iii) an increase of $10 million of non-Proposition 98 general fund resources and $1.5 million annually thereafter for the California Department of Food and Agriculture to establish a Farm to School Grant Program to support California farmers and expand healthy food access by providing grants to schools.

- School District Average Daily Attendance. The Proposed 2020-21 State Budget includes a decrease of $268.5 million of Proposition 98 general fund resources in fiscal year 2019-20 for school districts as a result of a decrease in projected average daily attendance from the 2019-20 State Budget, and a decrease of $175.1 million of Proposition 98 general fund resources in fiscal year 2020-21 for school districts as a result of further projected decline in average daily attendance for fiscal year 2020-21.

- Local Property Tax Adjustments. The Proposed 2020-21 State Budget includes an increase of $7.3 million of Proposition 98 general fund resources for school districts and county offices of education in fiscal year 2019-20 as a result of decreased offsetting property tax revenues, and a decrease of $1.1 billion of Proposition 98 general fund resources for school districts and county offices of education in fiscal year 2020-21 as a result of increased offsetting property taxes.

- Cost-of-Living Adjustments. The Proposed 2020-21 State Budget includes an increase of $122.4 million of Proposition 98 general fund resources to reflect a 2.29% cost-of-living adjustment for categorical programs that remain outside of the LCFF, including Special Education, Child Nutrition, State Preschool, Youth in Foster Care, the Mandates Block Grant, the Adults in Correctional Facilities Program, American Indian Education Centers, and the American Indian Early Childhood Education Program.

The complete Proposed 2020-21 State Budget is available from the California Department of Finance website at **www.dof.ca.gov.** The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

LAO Overview of Proposed 2020-21 State Budget. The Legislative Analyst's Office ("LAO"), a nonpartisan State office which provides fiscal and policy information and advice to the State Legislature, released its report on the Proposed 2020-21 State Budget entitled "The 2020-21 Budget: Overview of the Governor's Budget" on January 13, 2020 (the "2020-21 Proposed Budget Overview"). In the 2020-21 Proposed Budget Overview, the LAO summarizes the condition of the Proposed 2020-21 State Budget in light of uncertainties such as federal decisions surrounding healthcare financing and risks associated with a cooling economy. The LAO also highlights key features of the Proposed 2020-21 State Budget, which include a wide array of one-time programmatic spending and new policy goals.

The LAO notes that, under the Proposed 2020-21 State Budget, the State would end fiscal year 2020-21 with approximately $20.5 billion in total reserves, representing an increase of $1.7 billion from the 2019-20 State Budget. The LAO summarizes that the Budget Stabilization Account would reach a balance of approximately $18.0 billion at the end of fiscal year 2020-21 (representing a net increase of $1.5 billion relative to enacted 2019-20 amount), the Special Fund for Economic Uncertainties would reach a balance of approximately $1.6 billion at the end of fiscal year 2020-21 (representing an increase of $230.0 million relative to enacted fiscal year 2019-20 amount), and the Safety Net Reserve would maintain a balance of approximately $900.0 billion at the end of fiscal year 2020-21. Despite the overall increase in State reserves, the LAO observes the Proposed 2020-21 State Budget does not continue the State Legislature's practice of dedicating a sizeable portion of available surpluses to building discretionary reserves. The LAO warns that reserves are the most important tool for the State to insulate

programs from the adverse effects of budget shortfalls, and encourages the State Legislature to consider providing a target level of reserves, and consider whether it is satisfied with the proposed level of reserves.

The LAO estimates that the Governor had a $5.9 billion surplus to allocate in the Proposed 2020-21 State Budget, and that the Governor allocated approximately $2.5 billion to one-time spending, approximately $1.6 billion to maintain discretionary reserves, and approximately $1.4 billion to ongoing spending. The LAO observes that most one-time spending is allocated to reducing homelessness, while most ongoing spending is allocated to universities and healthcare programs. The LAO notes, however, that the $3.9 billion of discretionary spending is divided among approximately 140 distinct proposals, 95% of which will cost less than $100 million in fiscal year 2020-21. The LAO recommends that the State Legislature consider whether to address a large array of proposals with relatively small dollar amounts or dedicate larger amounts to a smaller number of priorities to ensure that proposals have a significant impact. Nevertheless, the LAO remarks that by focusing nearly 75% of the estimated surplus on one-time spending, the Proposed 2020-21 State Budget allows the State to maintain control of a key tool for responding to a potential recession.

The LAO observes that in addition to maintaining discretionary reserves, another critical tool to insulate programs from budget shortfalls is the State's operating surplus. The LAO notes that it recently recommended that the State commit no more than $1.0 billion to ongoing spending in order to avoid budget shortfalls and maintain a positive operating surplus. As described above, however, the LAO estimates that the Governor allocated approximately $1.4 billion to ongoing spending, which could cost the State approximately $1.8 billion annually to fully implement the proposed multiyear programs. The LAO notes that given the maturity of the recent economic expansion, the elimination of the operating surplus is particularly risky. Therefore, the LAO recommends that the Legislature consider preserving a positive operating balance in its own proposals.

The LAO notes that, as in recent years, the State's overall budget condition continues to be positive. Despite the positive near-term picture, however, the LAO warns that the multiyear outlook is subject to considerable uncertainty. The LAO recognizes that the Proposed 2020-21 State Budget provides for an operating surplus of approximately $400.0 million in fiscal year 2023-24, but that the surplus depends on the suspension of certain program augmentations by July 1, 2023. If such suspensions do not occur, the budget could face an operating deficit of nearly $2.0 billion in fiscal year 2023-24. Moreover, the LAO notes that the federal government released draft regulations in late 2019 with significant implications for State costs related to its Medi-Cal program. The LAO indicates that although the federal regulations, if adopted, would limit the State's ability to continue certain Medi-Cal financing mechanisms, the Proposed 2020-21 State Budget does not assume any fiscal impact from the draft regulations. Finally, although the LAO views the Governor's overall revenue estimates as reasonable, it points out that slowing economic growth and uncertainty regarding the cause of recent increases in corporate tax collections create a risk that overall revenues will be lower than anticipated.

The 2020-21 Proposed Budget Overview is available on the LAO website at **www.lao.ca.gov.** The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

Future Budgets and Budgetary Actions. The District cannot predict what future actions will be taken by the State Legislature and the Governor to address changing State revenues and expenditures or 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 beyond the District's ability to predict or control. Certain actions could result in a significant shortfall of revenue and

cash, and could impair the State's ability to fund schools during fiscal year 2019-20 and in future fiscal years. Certain factors, like an economic recession, could result in State budget shortfalls in any fiscal year and could have a material adverse financial impact on the District.

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

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. One effect of this amendment has been to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert $1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted 2009-10 State budget of $1.7 billion in local property tax revenues from local redevelopment agencies, which local redevelopment agencies have now been dissolved (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Assembly Bill No. 26 & *California Redevelopment Association v. Matosantos*"). Redevelopment agencies had sued the State over this latter diversion. However, the lawsuit was decided against the California Redevelopment Association on May 1, 2010. Because Proposition 22 reduces the State's authority to use or shift certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget in some years ? such as reducing State spending or increasing State taxes, and school and community college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

Allocation of State Funding to School Districts; Local Control Funding Formula. Prior to the implementation of the Local Control Funding Formula in fiscal year 2013-14, under California Education Code Section 42238 and following, each school district was determined to have a target funding level: a "base revenue limit" per student multiplied by the district's student enrollment measured in units of average daily attendance. The base revenue limit was calculated from the district's prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district was the amount needed to reach that district's base revenue limit after taking into account certain other revenues, in particular, locally generated property taxes. This is referred to as State "equalization aid." To the extent local tax revenues increased due to growth in local property assessed valuation, the additional revenue was offset by a decline in the State's contribution; ultimately, a school district whose local property tax revenues exceeded its base revenue limit was entitled to receive no State equalization aid, and received only its

special categorical aid, which is deemed to include the "basic aid" of $120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts were known as "basic aid districts," which are now referred to as "community funded districts." School districts that received some equalization aid were commonly referred to as "revenue limit districts," which are now referred to as "LCFF districts." The District is an LCFF district.

Beginning in fiscal year 2013-14, the LCFF replaced the revenue limit funding system and most categorical programs, and distributes combined resources to school districts through a base grant ("Base Grant") per unit of average daily attendance ("A.D.A.") with additional supplemental funding (the "Supplemental Grant") allocated to local educational agencies based on their proportion of English language learners, students from low-income families and foster youth. The LCFF was projected to have an eight-year implementation program to incrementally close the gap between actual funding and the target level of funding, as described below, but achieved full implementation ahead of schedule in fiscal year 2018-19. The LCFF includes the following components:

- A Base Grant for each local education agency ("LEA"). The Base Grants are based on four uniform, grade-span base rates. For fiscal year 2019-20, the LCFF provided to school districts and charter schools: (a) a Target Base Grant for each LEA equivalent to $8,503 per A.D.A. for kindergarten through grade 3; (b) a Target Base Grant for each LEA equivalent to $7,818 per A.D.A. for grades 4 through 6; (c) a Target Base Grant for each LEA equivalent to $8,050 per A.D.A. for grades 7 and 8; (d) a Target Base Grant for each LEA equivalent to $9,572 per A.D.A. for grades 9 through 12. However, the amount of actual funding allocated to the Base Grant, Supplemental Grants and Concentration Grants will be subject to the discretion of the State. This amount includes an adjustment of 10.4% to the Base Grant to support lowering class sizes in grades K-3, and an adjustment of 2.6% to reflect the cost of operating career technical education programs in grades 9-12. Further, this amount also includes a costs-of-living adjustment of 3.26% authorized by the 2019-20 State Budget.

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

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

- An Economic Recovery Target (the "ERT") that is intended to ensure that almost every LEA receives at least their pre-recession funding level (i.e., the fiscal year 2007-08 revenue limit per unit of A.D.A.), adjusted for inflation, at full implementation of the LCFF in fiscal year 2018-19. Upon full implementation in fiscal year 2018-19, LEAs now receive the greater of the Base Grant or the ERT.

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

Local Control Accountability Plans. A feature of the LCFF is a system of support and intervention for local educational agencies. School districts, county offices of education and charter schools are required to develop, implement and annually update a three-year LCAP. Each LCAP must be developed with input from teachers, parents and the community, and should describe local goals as they pertain to eight areas identified as state priorities, including student achievement, parent engagement and

school climate, as well as detail a course of action to attain those goals. Moreover, the LCAPs must be designed to align with the district's budget to ensure adequate funding is allocated for the planned actions.

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

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

Attendance and LCFF. The following table sets forth the District's actual and budgeted A.D.A., enrollment (including percentage of students who are English language learners, from low-income families and/or foster youth (collectively, "EL/LI Students"), and targeted Base Grant per unit of A.D.A. for fiscal years 2014-15 through 2019-20. The A.D.A. and enrollment numbers reflected in the following table include special education but exclude adult education.

SAN JACINTO UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
Average Daily Attendance, Enrollment and Targeted Base Grant
Fiscal Years 2014-15 through 2019-20

		A.D.A./Base Grant					Enrollment[10]	
Fiscal Year		K-3	4-6	7-8	9-12	Total A.D.A.	Total Enrollment	Unduplicated Percentage of EL/LI Students
2014-15	A.D.A.[2]:	2,928.76	2,138.37	1.409.55	2,586.73	9,063.41	9,528	82.75%
	Targeted Base Grant[3][4]:	$7,740	$7,116	$7,328	$8,712	--	--	--
2015-16	A.D.A.[2]:	2,968.22	2,177.03	1,355.69	2,686.94	9,187.83	9,648	82.34%
	Targeted Base Grant[3][5]:	$7,820	$7,189	$7,403	$8,801	--	--	--
2016-17	A.D.A.[2]:	3,022.56	2,277.28	1,393.81	2,711.37	9,405.02	9,851	82.17%
	Targeted Base Grant[3][6]:	$7,820	$7,189	$7,403	$8,801	--	--	--
2017-18	A.D.A.[2]:	2,980.34	2,260.63	1,481.34	2,811.97	9,534.28	10,011	82.46%
	Targeted Base Grant[3][7]:	$7,941	$7,301	$7,518	$8,618	--	--	--
2018-19	A.D.A.:[2]	3,030.80	2,256.65	1,520.44	2,846.39	9,654.28	10,132	82.28%
	Targeted Base Grant[3][8]:	$8,235	$7,571	$7,796	$8,618	--	--	--
2019-20[1]	A.D.A.:[1]	3,013.98	2,243.83	1,511.38	2,829.99	9,599.18	10,142	84.22%
	Targeted Base Grant[3][9]:	$8,503	$7,818	$8,050	$9,572	--	--	--

(1) Figures are estimates.
(2) A.D.A. for the second period of attendance, typically in mid-April of each school year, which does not reflect subsequent revisions related to days deemed later by the California Department of Education to have a "material decrease" in attendance or attendance at Saturday school.
(3) Such amounts represent the targeted amount of Base Grant per unit of A.D.A., and include the grade span adjustment, but do not include any supplemental and concentration grants under the LCFF. Such amounts were not expected to be fully funded in fiscal years shown above. However, the LCFF was fully implemented as of fiscal year 2018-19, two years ahead of its anticipated implementation.
(4) Targeted fiscal year 2014-15 Base Grant amount reflects a 0.85% cost-of-living adjustment from targeted fiscal year 2013-14 Base Grant amounts.
(5) Targeted fiscal year 2015-16 Base Grant amount reflects a 1.02% cost-of-living adjustment from targeted fiscal year 2014-15 Base Grant amounts.
(6) Targeted fiscal year 2016-17 Base Grant amount reflects a 0.00% cost-of-living adjustment from targeted fiscal year 2015-16 Base Grant amounts.
(7) Targeted fiscal year 2017-18 Base Grant amount reflects a 1.56% cost-of-living adjustment from targeted fiscal year 2016-17 Base Grant amounts.
(8) Targeted fiscal year 2018-19 Base Grant amount reflects a 3.70% cost-of-living adjustment from targeted fiscal year 2017-18 Base Grant amounts. This "super COLA" amount was authorized by the 2018-19 State Budget and exceeds the statutory 2.71% cost-of-living adjustment.
(9) Targeted fiscal year 2019-20 Base Grant amount reflects a 3.26% cost-of-living adjustment from targeted fiscal year 2018-19 Base Grant amounts.
(10) Reflects enrollment as of October report submitted to the California Department of Education through CBEDS for fiscal year 2014-15 and California Longitudinal Pupil Achievement Data System ("CALPADS") for the 2015-16 through 2019-20 school year. For fiscal year 2014-15, the percentage of unduplicated EL/LI Students enrollment was based on the two-year average of EL/LI Students 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 has been based on a rolling average of such school district's EL/LI Students enrollment for the then-current fiscal year and the two immediately preceding fiscal years.

Source: San Jacinto Unified School District.

The District received approximately $104.33 million in aggregate revenues reported under LCFF sources in fiscal year 2018-19, and has projected to receive approximately $108.51 million in aggregate revenues under the LCFF in fiscal year 2019-20 (or approximately 79.27% of its general fund revenues in

fiscal year 2019-20). Such amount includes supplemental grants and concentration grants projected to be approximately $24.75 million in fiscal year 2019-20.

After years of growth in A.D.A., the District is projecting a modest decline in A.D.A. in the near term. One or two charter schools are projected to expand or commence operations within the territory of the District, and the District expects to begin to experience what most school district have been experiencing as a result of a general decline in population growth.

Local Sources of Education Funding

The principal component of local revenues is a school district's property tax revenues, i.e., each district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. California Education Code Section 42238(h) itemizes the local revenues that are counted towards the amount allocated under the LCFF (and formerly, the base revenue limit) before calculating how much the State must provide in State aid. The more local property taxes a district receives, the less State aid it is entitled to receive. Prior to the implementation of the LCFF, a school district whose local property tax revenues exceeded its base revenue limit was entitled to receive no State aid, and received only its special categorical aid which is deemed to include the "basic aid" of $120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts were known as "basic aid districts," which are now referred to as "community funded districts." School districts that received some State equalization aid were commonly referred to as "revenue limit districts." The District was a revenue limit district and is now referred to as an LCFF district.

Under the LCFF, local property tax revenues are used to offset up to the entire State aid collection under the new formula; however, community funded districts would continue to receive, at a minimum, the same level of State aid as allotted in fiscal year 2012-13. See "State Funding of Education; State Budget Process - Allocation of State Funding to School Districts; Local Control Funding Formula" herein for more information about the LCFF.

Local property tax revenues account for approximately 7.04% of the District's aggregate revenues reported under LCFF sources and are projected to be approximately $7.64 million, or 5.58% of total general fund revenues in fiscal year 2019-20.

For information about the property taxation system in California and the District's property tax base, see "DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION – Local Property Taxation – Assessed Valuation of Property Within District."

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

Effect of Changes in Enrollment. Changes in local property tax income and A.D.A. affect LCFF districts and community funded districts differently.

In an LCFF district, like the District, increasing enrollment increases the total amount distributed under the LCFF and thus generally increases a district's entitlement to State equalization aid, while increases in property taxes do nothing to increase district revenues, but only offset the State funding requirement of equalization aid. Operating costs increase disproportionately slowly to enrollment growth; and only at the point where additional teachers and classroom facilities are needed. Declining enrollment has the reverse effect on LCFF districts, generally resulting in a loss of State equalization aid, while

operating costs decrease slowly and only when, for example, the district decides to lay off teachers or close schools.

In community funded districts, the opposite is generally true: increasing enrollment increases the amount to which the district would be entitled were it an LCFF district, but since all LCFF income (and more) is already generated by local property taxes, there is no increase in State income, though the district continues to receive the $120 per student in basic aid, as described above. Meanwhile, as new students impose increased operating costs, property tax income is stretched further. Declining enrollment does not reduce property tax income, and has a negligible impact on State aid, but eventually reduces operating costs, and thus can be financially beneficial to a community funded district.

Other District Revenues

Federal Revenues. The federal government provides funding for several District programs, including special education programs. Federal revenues, most of which are restricted, comprise approximately 6.94% (or approximately $9.50 million) of the District's general fund projected revenues for fiscal year 2019-20.

Other State Revenues. In addition to State apportionments for Proposition 98 funding through the Local Control Funding Formula, 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 LCFF. Categorical funding for certain programs was excluded from LCFF, and school districts will continue to receive restricted State revenues to fund these programs. Other State revenues comprise approximately 7.40% (or approximately $10.14 million) of the District's general fund projected revenues for fiscal year 2019-20.

A portion of such other State revenues are amounts the District expects to receive from State lottery funds, a portion of which may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities, or the financing of research. School districts receive lottery funds proportional to their total A.D.A. The District's State lottery revenue is projected at approximately $1.99 million for fiscal year 2019-20.

Other Local Revenues. In addition to *ad valorem* property taxes, the District receives additional local revenues from sources such as interest income, leases and rentals, educational foundations, donations and sales of property. Other local revenues comprise approximately 6.39% (or approximately $8.74 million) of the District's general fund projected revenues for fiscal year 2019-20.

Charter Schools

Charter schools are largely independent schools operating as part of the public school system created pursuant to Part 26.8 (beginning with Section 47600) of Division 4 of Title 2 of the California Education Code (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 to (a) provide parents and students with expanded choices in the types of educational opportunities that are available within the public school system, (b) 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 (c) provide competition within the public school system to stimulate improvements in all public schools.

A school district has certain fiscal oversight and other responsibilities with respect to both dependent and independent charter schools. However, independent charter schools that receive their funding directly from the State are generally not included in a school district's financial reports and audited financial statements and function like independent agencies, including having control over their staffing and budgets, which are received directly from the State. Dependent charter schools receive their funding from the school district and would generally be included in the school district's financial reports and audited financial statements.

There is currently one District-authorized, independent charter school, San Jacinto Valley Academy, operating within the District. San Jacinto Valley Academy serves grades K-12 and began operating in 1997. Enrollment for fiscal years 2017-18 and 2018-19 was 1,435 and 1,436, respectively. The District projects enrollment for fiscal year 2019-20 to be 1,493. The District cannot provide any assurances whether additional charter schools will be established within the territory of the District, or as to the impact these or other charter school developments may have on the District's finances in future years.

Local Property Taxation

Taxable property located in the District had a 2018-19 assessed value of $3,099,865,066 and has a 2019-20 assessed value of $3,310,607,012. All property (real, personal and intangible) is taxable unless an exemption is granted by the California Constitution or United States law. Under the State Constitution, exempt classes of property include household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories, and property used for religious, hospital, scientific and charitable purposes. The State Legislature may create additional exemptions for personal property, but not for real property. Most taxable property is assessed by the assessor of the county in which the property is located. Some special classes of property are assessed by the State Board of Equalization, as described under the heading, "–State-Assessed Property" below.

Taxes are levied for each fiscal year on taxable real and personal property assessed as of the preceding January 1, at which time the lien attaches. The assessed value is required to be adjusted during the course of the year when property changes ownership or new construction is completed. State law also affords an appeal procedure to taxpayers who disagree with the assessed value of any property. When necessitated by changes in assessed value during the course of a year, a supplemental assessment is prepared so that taxes can be levied on the new assessed value before the next regular assessment roll is completed. See "—Appeals of Assessed Valuation; Blanket Reductions of Assessed Values" below.

State-Assessed Property. Under the State Constitution, the State Board of Equalization assesses property of State-regulated transportation and communications utilities, including railways, telephone and telegraph companies, and companies transmitting or selling gas or electricity. The Board of Equalization also is required to assess pipelines, flumes, canals and aqueducts lying within two or more counties. The value of property assessed by the Board of Equalization is allocated by a formula to local jurisdictions in the county, including school districts, and taxed by the local county tax officials in the same manner as for locally assessed property. Taxes on privately owned railway cars, however, are levied and collected directly by the Board of Equalization. Property used in the generation of electricity by a company that does not also transmit or sell that electricity is taxed locally instead of by the Board of Equalization. Thus, the reorganization of regulated utilities and the transfer of electricity-generating property to non-utility companies, as often occurred under electric power deregulation in California, affects how those assets are assessed, and which local agencies benefit from the property taxes derived. In general, the

transfer of State-assessed property located in the District to non-utility companies will increase the assessed value of property in the District, since the property's value will no longer be divided among all taxing jurisdictions in the County. The transfer of property located and taxed in the District to a State-assessed utility will have the opposite effect: generally reducing the assessed value in the District, as the value is shared among the other jurisdictions in the County. The District is unable to predict future transfers of State-assessed property in the District and the County, the impact of such transfers on its utility property tax revenues, or whether future legislation or litigation may affect ownership of utility assets, the State's methods of assessing utility property, or the method by which tax revenues of utility property is allocated to local taxing agencies, including the District.

Classification of Locally Taxed Property. Locally taxed 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 property and property (real or personal) for which there is a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. All other property is "unsecured," and is assessed on the "unsecured roll." Secured property assessed by the State Board of Equalization is commonly identified for taxation purposes as "utility" property.

Assessed Valuation of Property Within District. The following table sets forth the assessed valuations of the various classes of property in the District for fiscal years 2010-11 through 2019-20.

SAN JACINTO UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
Assessed Valuations
Fiscal Years 2010-11 through 2019-20

Fiscal Year	Local Secured	Utility	Unsecured	Total	Annual Percent Change
2010-11	$2,120,006,229	$130,800	$72,947,563	$2,193,084,592	-9.46%
2011-12	2,099,201,287	130,800	71,709,935	2,171,042,022	-1.01
2012-13	2,046,541,243	131,600	70,217,363	2,116,890,206	-2.49
2013-14	2,142,441,204	131,600	64,440,782	2,207,013,586	4.26
2014-15	2,342,292,684	131,600	61,385,073	2,403,809,357	8.92
2015-16	2,495,366,930	131,600	61,433,859	2,556,932,389	6.37
2016-17	2,624,630,751	131,600	60,929,034	2,685,691,385	5.04
2017-18	2,812,312,468	131,600	64,187,285	2,876,631,353	7.11
2018-19	3,031,905,201	130,800	67,829,065	3,099,865,066	7.76
2019-20	3,238,740,796	130,800	71,735,416	3,310,607,012	6.79

Source: California Municipal Statistics, Inc.; annual percent change provided by Stifel, Nicolaus & Company, Incorporated.

Assessments may be adjusted during the course of the year when real property changes ownership or new construction is completed. Assessments may also be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc. When necessitated by changes in assessed value in the course of a year, taxes are pro-rated for each

portion of the tax year. See also "−Appeals of Assessed Valuation; Blanket Reductions of Assessed Values" below.

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

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

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

No assurance can be given that property tax appeals and/or blanket reductions of assessed property values will not significantly reduce the assessed valuation of property within the District in the future.

See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Limitations on Revenues" for a discussion of other limitations on the valuation of real property with respect to *ad valorem* taxes.

Assessed Valuation by Jurisdiction. The following table gives a distribution of taxable real property located in the District by jurisdiction.

SAN JACINTO UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
Assessed Valuations
2019-20 Assessed Valuation by Jurisdiction

Jurisdiction	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
City of Beaumont	$ 31,001	0.00%	$ 5,269,297,352	0.00%
City of Hemet	192,538,236	5.82	6,172,860,873	3.12
City of Moreno Valley	23,260,446	0.70	17,111,124,143	0.14
City of San Jacinto	2,946,089,982	88.99	3,272,560,507	90.02
Unincorporated Riverside County	148,687,347	4.49	45,632,869,416	0.33
Total District	$3,310,576,011	100.00%		
Total Riverside County	$3,310,576,011	100.00%	$295,937,605,964	1.12%

Source: California Municipal Statistics, Inc.

Assessed Valuation by Land Use. The following table sets forth a distribution of taxable property located in the District on the 2019-20 tax roll by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

SAN JACINTO UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
Assessed Valuation and Parcels by Land Use
Fiscal Year 2019-20

	2019-20 Assessed Valuation[(1)]	% of Total	Number of Parcels	% of Total
Non-Residential:				
Agricultural/Rural	$ 139,344,095	4.30%	406	2.45%
Commercial/Industrial	484,806,377	14.97	659	3.97
Vacant Commercial/Industrial	135,846,887	4.19	305	1.84
Vacant Other	8,560,594	0.26	331	1.99
Subtotal Non-Residential	$ 768,557,953	23.73%	1,701	10.25%
Residential:				
Single Family Residence	$2,153,370,808	66.49%	10,286	61.98%
Condominium/Townhouse	36,606,879	1.13	339	2.04
Mobile Homes and Mobile Home Lots	80,118,293	2.47	2,273	13.70
2-4 Residential Units	36,967,563	1.14	219	1.32
5+ Residential Units/Apartments	73,052,212	2.26	88	0.53
Vacant Residential	90,067,088	2.78	1,691	10.19
Subtotal Residential	$2,470,182,843	76.27%	14,896	89.75%
Total	$3,238,740,796	100.00%	16,597	100.00%

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

Assessed Valuation of Single Family Homes. The following table sets forth the assessed valuation of single-family homes located in the District for fiscal year 2019-20.

SAN JACINTO UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
Per Parcel 2019-20 Assessed Valuation of Single Family Homes

	No. of Parcels	2018-19 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	10,286	$2,153,370,808	$209,350	$208,080

2018-19 Assessed Valuation	No. of Parcels[1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	14	0.136%	0.136%	$ 240,902	0.011%	0.011%
$25,000 - $49,000	178	1.731	1.867	7,060,635	0.328	0.339
$50,000 - $74,999	307	2.985	4.851	19,280,807	0.895	1.234
$75,000 - $99,999	481	4.676	9.528	42,432,049	1.970	3.205
$100,000 - $124,999	638	6.203	15.730	72,110,904	3.349	6.554
$125,000 - $149,999	940	9.139	24.869	130,169,799	6.045	12.599
$150,000 - $174,999	1,106	10.752	35.621	179,324,502	8.328	20.926
$175,000 - $199,999	1,127	10.957	46.578	211,613,614	9.827	30.753
$200,000 - $224,999	1,013	9.848	56.426	214,735,447	9.972	40.725
$225,000 - $249,999	1,124	10.927	67.354	267,246,117	12.411	53.136
$250,000 - $274,999	995	9.673	77.027	261,253,370	12.132	65.268
$275,000 - $299,999	859	8.351	85.378	246,771,843	11.460	76.728
$300,000 - $324,999	797	7.748	93.127	247,702,512	11.503	88.231
$325,000 - $349,999	398	3.869	96.996	133,422,735	6.196	94.427
$350,000 - $374,999	211	2.051	99.047	75,996,608	3.529	97.956
$375,000 - $399,999	52	0.506	99.553	20,045,073	0.931	98.887
$400,000 - $424,999	14	0.136	99.689	5,717,020	0.265	99.153
$425,000 - $449,999	12	0.117	99.806	5,236,341	0.243	99.396
$450,000 - $474,999	2	0.019	99.825	915,801	0.043	99.438
$475,000 - $499,999	2	0.019	99.844	968,549	0.045	99.483
$500,000 and greater	16	0.156	100.000	11,126,180	0.517	100.000
Total	10,286	100.000%		$2,153,370,808	100.000%	

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

Largest Taxpayers in District. The following table sets forth the 20 taxpayers with the greatest combined ownership of taxable property in the District on the fiscal year 2019-20 tax roll, and the assessed valuation of all property owned by those taxpayers in all taxing jurisdictions within the District, are shown below.

SAN JACINTO UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
Largest 2019-20 Local Secured Taxpayers

	Property Owner	Primary Land Use	2018-19 Assessed Valuation	Percent of Total[(1)]
1.	Wal-Mart Real Estate Business Trust	Commercial	$ 25,805,200	0.80%
2.	County Lake Manufactured Home Community	Mobile Home Park	20,338,986	0.63
3.	Providence Vista Gardens Hemet Apartments	Apartments	15,810,000	0.49
4.	0312 Ramona Apartments	Apartments	14,712,793	0.45
5.	Edelbrock Foundry Corp.	Industrial	13,009,453	0.40
6.	1097 North State	Commercial	12,783,514	0.39
7.	Henghou Inv Holding Inc.	Undeveloped	12,675,000	0.39
8.	Eastgate Prop Partners	Commercial Land	12,281,249	0.38
9.	Carl Karcher Enterprises Inc.	Commercial	11,805,610	0.36
10.	Parkview MHC	Mobile Home Park	10,100,928	0.31
11.	HF Prop	Commercial Land	9,450,687	0.29
12.	Building Management Services	Commercial	8,930,220	0.28
13.	Stater Bros. Markets	Commercial	8,855,946	0.27
14.	Preserve	Residential Development	8,385,333	0.26
15.	D&A Semi Annual Mortgage Fund III	Commercial Land	8,373,744	0.26
16.	EMP Zimmer II	Commercial	8,074,484	0.25
17.	NSA Prop Holdings	Commercial	7,829,009	0.24
18.	Project Royal	Residential Development	7,582,826	0.23
19.	Ramona State Partners	Commercial	7,130,327	0.22
20.	Mattkarr Properties	Commercial	7,038,000	0.22
			$230,973,309	7.13%

(1) 2019-20 Local Secured Assessed Valuation: $3,238,740,796
Source: California Municipal Statistics, Inc.

The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness in the taxpayer's financial situation and ability or willingness to pay property taxes. Furthermore, assessments may be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control. See "−Appeals of Assessed Valuation; Blanket Reductions of Assessed Values" above.

Tax Rates. The following table sets forth the total *ad valorem* property tax rates for fiscal years 2015-16 through 2019-20 in the typical tax rate area ("TRA") of the District (TRA 10-046). This TRA comprises approximately 6.24% of the total assessed value of taxable property in the District.

SAN JACINTO UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
Typical Tax Rate per $100 Assessed Valuation (TRA 10-046)[(1)]
Fiscal Years 2015-16 through 2019-20

	2015-16	2016-17	2017-18	2018-19	2019-20
General	$1.00000	$1.00000	$1.00000	$1.00000	$1.00000
San Jacinto Unified School District	.11727	.11656	.15078	.15291	.15292
Mount San Jacinto Community College District	.01394	.01320	.01320	.01320	.01320
Metropolitan Water District	.00350	.00350	.00350	.00350	.00350
Eastern Municipal Water District, I.D. No. U-12	.00800	.00800	.00800	.00800	.00800
Total	$1.14271	$1.14126	$1.17548	$1.17761	$1.17762

(1) 2019-20 assessed valuation of TRA 10-046 is $206,478,476, which is 6.24% of the district's total assessed valuation.
Source: California Municipal Statistics, Inc.

Tax Charges and Delinquencies

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

The county treasurer-tax collector prepares the property tax bills. Property taxes on the regular secured assessment roll are due in two equal installments: the first installment is due on November 1, and becomes delinquent after December 10. The second installment is due on February 1 and becomes delinquent after April 10. If taxes are not paid by the delinquent date, a 10% penalty attaches and a $10 cost is added to unpaid second installments. If taxes remain unpaid by June 30, the tax is deemed to be in default, and a $15 state redemption fee applies. Interest then begins to accrue at the rate of 1.5% per month. The property owner has the right to redeem the property by paying the taxes, accrued penalties, and costs within five years of the date the property went into default. If the property is not redeemed within five years, it is subject to sale at a public auction by the county treasurer-tax collector.

Property taxes on the unsecured roll are due in one payment on the lien date, January 1, and become delinquent after August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue on November 1. To collect unpaid taxes, the county treasurer-tax collector may obtain a judgment lien upon and cause the sale of all property owned by the taxpayer in the county, and may seize and sell personal property, improvements and possessory interests of the taxpayer. The county treasurer-tax collector may also bring a civil suit against the taxpayer for payment.

The date on which taxes on supplemental assessments are due depends on when the supplemental tax bill is mailed.

The following table sets forth a recent history of real property tax collections and delinquencies relating to the District's general obligation bond debt service levy. The following information regarding

the secured tax charge and amount delinquent is provided solely for informational purposes. Neither the Certificates nor the Base Rental Payments are secured by or payable from such taxes.

SAN JACINTO UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
Secured Tax Charges and Delinquencies
Fiscal Years 2013-14 through 2018–19

Fiscal Year	Secured Tax Charge[(1)]	Amount Delinquent (As of June 30)	Percentage Delinquent (As of June 30)
2013-14	$2,672,580.94	$79,254.26	2.97%
2014-15	2,728,212.72	81,571.42	2.99
2015-16	2,855,503.60	66,025.16	2.31
2016-17	3,013,661.40	74,072.84	2.46
2017-18	4,173,359.35	88,395.88	2.12
2018-19	4,613,763.36	138,762.67	3.01

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

Teeter Plan

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

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

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

Significant Accounting Policies and Audited Financial Reports

The State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-12 districts. Financial transactions are accounted for in accordance with the Department of Education's California School Accounting Manual. This manual, according to Section 41010 of the Education Code, is to be followed by all California school districts, including the District. Significant accounting policies followed by the District are explained in Note 1 to the District's audited financial statements for the fiscal year ended June 30, 2019, which are included as Appendix B.

Independently audited financial reports are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. The following tables contain data abstracted from financial statements prepared by the District's prior independent auditor, Vavrinek, Trine, Day & Co. LLP, Certified Public Accountants & Consultants, Rancho Cucamonga, California for fiscal years 2013-14 through 2017-18 and by the District's current independent auditor, EideBailly, Certified Public Accountants & Business Advisors, Rancho Cucamonga, California for fiscal year 2018-19.

The District's auditor, EideBailly, has not been requested to consent to the use or to the inclusion of its reports in this Official Statement, and it has not audited or reviewed this Official Statement. The District is required by law to adopt its audited financial statements after a public meeting to be conducted no later than January 31 following the close of each fiscal year.

The following table sets forth the statement of revenues, expenditures and changes in fund balances for the District's general fund for the fiscal years 2014-15 through 2018-19.

SAN JACINTO UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Years 2014-15 through 2018-19

	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
REVENUES					
Revenue limit sources/LCFF Sources	$68,411,119	$ 82,027,120	$ 90,590,857	$ 95,035,068	$104,331,197
Federal sources	6,816,082	6,870,014	6,741,353	8,136,972	8,315,163
Other State sources	6,720,365	12,516,043	10,835,235	12,884,412	16,026,440
Other local sources	5,674,877	6,114,062	6,877,742	6,926,661	9,148,164
Total Revenues	$87,622,443	$107,527,239	$115,045,187	$122,983,113	$137,820,964
EXPENDITURES					
Current					
Instruction	$57,118,093	$ 66,458,031	$ 70,499,501	$ 74,664,980	$ 83,456,080
Instruction-related activities:					
Supervision of instruction	2,626,794	3,455,402	3,963,638	4,513,224	4,968,934
Instructional library, media and technology	736,487	840,214	852,927	792,726	899,845
School site administration	7,554,278	8,574,414	9,050,904	9,832,379	10,566,484
Pupil services:					
Home-to-school transportation	1,656,642	2,087,495	1,835,004	2,093,954	2,236,021
Food services	79,873	126,408	171,199	249,580	353,319
All other pupil services	3,962,095	4,915,715	5,293,595	5,494,924	7,034,823
General administration:					
Data processing	1,355,430	1,810,823	1,365,100	2,023,359	3,581,193
All other general administration	4,162,350	4,949,641	5,236,160	5,625,176	6,502,562
Plant services	7,347,632	8,061,078	8,293,928	9,631,941	9,624,559
Facility acquisition and construction	502,952	2,009,389	5,429,978	6,290,903	4,084,840
Other outgo	378,574	310,646	256,730	226,155	257,574
Debt service					
Principal	-	-	-	199,129	206,445
Interest and other	-	-	-	57,220	49,904
Total Expenditures	$87,481,200	$103,599,256	$112,248,664	$121,700,650	$133,822,583
Excess (Deficiency) Of Revenues Over (Under) Expenditures	141,243	3,927,983	2,796,523	1,282,463	3,998,381
OTHER FINANCING SOURCES(USES)					
Transfers in	-	-	-	-	-
Other sources – proceeds from capital leases	-	-	-	1,557,324	-
Transfers out	(669,033)	(320,245)	(311,209)	(3,116,872)	(641,324)
Net Financing Sources (Uses)	(669,033)	(320,245)	(311,209)	(1,559,548)	(641,324)
NET CHANGE IN FUND BALANCES	$ (527,790)	$ 3,607,738	$ 2,485,314	$ (277,085)	$ 3,357,057
Fund Balance—Beginning	20,117,923	19,590,133	23,197,871	25,683,185	25,406,100
Fund Balance—Ending[(1)]	$19,590,133	$ 23,197,871	$ 25,683,185	$ 25,406,100	$ 28,763,157

(1) The District's general fund balance increased $3,079,948 from fiscal year 2013-14 to fiscal year 2015-16 as it incurred operating surpluses in two of the prior three fiscal years.

Source: San Jacinto Unified School District Audited Financial Reports for Fiscal Years 2014-15 through 2018-19.

The following table sets forth the general fund balance sheet of the District for fiscal years 2014-15 through 2018-19.

SAN JACINTO UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
Summary of General Fund Balance Sheet
Fiscal Years 2014-15 through 2018-19

	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
ASSETS					
Deposits and investments	$19,295,495	$27,376,416	$27,710,005	$29,684,599	$25,265,568
Receivables	3,951,205	3,379,730	4,338,511	3,694,791	5,773,311
Due from other funds	1,308,614	1,309,234	785,905	810,829	1,019,863
Total Assets	$24,555,314	$32,065,380	$32,834,421	$34,190,219	$32,058,742
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	$ 3,534,218	$ 7,034,898	$ 4,455,769	$ 5,085,756	$ 3,066,739
Due to other funds	681,104	500,000	212,501	3,420,615	59,514
Unearned revenue	749,859	1,332,611	2,482,966	277,748	169,332
Total Liabilities	$ 4,965,181	$ 8,867,509	$ 7,151,236	$ 8,784,119	$ 3,295,585
FUND BALANCES					
Nonspendable	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000
Restricted	8,976,266	9,697,267	10,044,871	8,016,329	7,498,115
Committed	-	-	-	-	-
Assigned	7,961,434	5,651,970	8,875,394	9,984,160	13,454,553
Unassigned	2,642,433	7,838,634	6,752,920	7,395,611	7,800,489
Total Fund Balances	$19,590,133	$23,197,871	$25,683,185	$25,406,100	$28,763,157
Total Liabilities and Fund Balances	$24,555,314	$32,065,380	$32,834,421	$34,190,219	$32,058,742

Source: San Jacinto Unified School District Audited Financial Reports for Fiscal Years 2014-15 through 2018-19.

District Budget Process and County Review

State law requires school districts to maintain a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

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

The county superintendent must review and approve, conditionally approve or disapprove the budget no later than September 15. The county superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance with the established standards. In the event that the county superintendent conditionally approves or disapproves the school district's budget, the county superintendent will submit to the governing board of the school district no later than September 15 of such year written recommendations regarding revisions of the budget and the reasons for

the recommendations, including, but not limited to, the amounts of any budget adjustments needed before the county superintendent can approve that budget.

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

Subsequent to approval, the county superintendent will monitor each school district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the school district can meet its current or subsequent year financial obligations.

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

A State law adopted in 1991 (known as "A.B. 1200") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200 and the Education Code (Section 42100 *et seq.*), each school district is required to file two interim certifications with the county superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that, based on then-current projections, will meet its financial obligations for the current fiscal year and the subsequent two fiscal years. A negative certification is assigned to any school district that, based on then-current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that, based on then-current projections, will not meet its financial obligations for the current fiscal year or the two subsequent fiscal years. A certification may be revised to a negative or qualified certification by the county superintendent, as appropriate. A school district that receives a qualified or negative certification for its second interim report must provide to the county superintendent, the State Controller and the State

Superintendent no later than June 1, financial statement projections of the school district's fund and cash balances through June 30 for the period ending April 30.

Any school district that receives a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax and revenue anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the school district, unless the county superintendent determines that the school district's repayment of indebtedness is probable. In the past five years, the District has not received a negative or qualified certification for an interim financial report.

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

In the event the State elects to provide an emergency apportionment to a school district, such apportionment will constitute an advance payment of apportionments owed to the school district from the State School Fund and the Education Protection Account. The emergency apportionment may be accomplished in two ways. First, a school district may participate in a two-part financing in which the school district receives an interim loan from the State general fund, with the agreement that the school district will subsequently enter into a lease financing with the California Infrastructure and Economic Development Bank for purposes of financing the emergency apportionment, including repaying such amounts advanced to the State general fund. State law provides that so long as bonds from such lease financing are outstanding, the recipient school district (via its administrator) cannot file for bankruptcy. As an alternative, a school district may receive an emergency apportionment from the State general fund that must be repaid in 20 years. Each year, the State Superintendent will withhold from the apportionments to be made to the school district from the State School Fund and the Education Protection Account an amount equal to the emergency apportionment repayment that becomes due that year. The determination as to whether the emergency apportionment will take the form of a lease financing or an emergency apportionment from the State general fund will be based upon the availability of funds within the State general fund.

The following table sets forth the District's adopted general fund budgets for fiscal years 2016-17 through 2019-20, unaudited actuals for fiscal years 2016-17 through 2018-19, and second interim report for fiscal year 2019-20.

SAN JACINTO UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
General Fund Budgets for Fiscal Years 2016-17 through 2019-20,
Unaudited Actuals for Fiscal Years 2016-17 through 2018-19
and Second Interim Report for Fiscal Year 2019-20

	2016-17 Original Adopted Budget[1]	2016-17 Unaudited Actuals[1]	2017-18 Original Adopted Budget[2]	2017-18 Unaudited Actuals[2]	2018-19 Original Adopted Budget	2018-19 Unaudited Actuals[3]	2019-20 Original Adopted Budget	2019-20 Second Interim Report
REVENUES								
LCFF Sources	$ 88,709,172.00	$ 90,590,857.11	$ 93,917,000.00	$ 95,035,068.39	$102,415,613.00	$104,331,197.00	$107,697,838.00	$108,511,691.00
Federal Revenue	6,716,258.00	6,741,352.52	7,665,614.00	8,136,972.39	7,887,005.00	8,315,163.00	8,890,569.00	9,501,540.86
Other State Revenue	11,211,297.00	10,835,235.66	8,654,698.00	12,884,411.77	11,324,060.00	11,570,684.15	9,281,307.00	10,135,893.00
Other Local Revenue	5,682,341.00	6,877,742.14	5,594,297.00	6,926,660.59	6,424,997.00	9,148,164.00	7,242,150.00	8,742,546.38
TOTAL REVENUES	$112,319,068.00	$115,045,187.43	$115,831,609.00	$122,983,113.14	$128,051,675.00	$133,365,208.15	$133,111,864.00	$136,891,671.24
EXPENDITURES								
Certificated Salaries	$ 47,933,134.00	$ 47,783,123.57	$ 50,748,809.00	$ 51,123,391.27	$ 55,482,616.00	$ 53,483,837.00	$ 55,499,044.00	$ 55,102,883.03
Classified Salaries	16,560,849.00	16,647,596.87	17,185,670.00	17,173,007.11	19,537,317.00	18,550,037.00	19,933,841.00	20,028,382.30
Employee Benefits	23,864,704.00	22,927,318.44	26,215,679.00	25,505,334.34	30,475,139.00	28,465,869.29	30,405,714.00	30,739,089.66
Books and Supplies	8,325,791.00	7,077,541.58	4,876,391.00	6,448,789.93	6,486,990.00	8,541,992.00	6,951,315.00	7,833,550.11
Services, Other Operating Expenses	14,777,309.00	14,219,257.33	15,625,581.00	15,421,210.01	16,959,401.00	16,322,187.00	17,892,236.00	18,821,824.14
Capital Outlay	2,515,925.00	3,518,524.43	2,268,106.00	4,213,184.29	1,636,987.00	3,853,496.00	919,164.00	1,967,982.00
Other Outgo (excluding Transfers of Indirect Costs)	592,515.00	556,730.22	618,515.00	868,653.83	1,220,155.00	257,574.00	2,230,793.00	973,978.00
Other Outgo - Transfers of Indirect Costs	(144,561.00)	(181,423.49)	(217,649.00)	(224,095.22)	(236,422.00)	(364,513.00)	(395,160.00)	(430,229.00)
TOTAL EXPENDITURES	$114,425,666.00	$112,548,668.95	$117,321,102.00	$120,529,675.56	$131,562,183.00	$130,008,151.40	$133,436,947.00	$135,037,460.24
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES AND USES	(2,106,598.00)	2,496,518.48	(1,489,493.00)	2,453,437.58	(3,510,508.00)	3,357,056.75	(325,083.00)	1,854,211.00
OTHER FINANCING SOURCES/USES:								
Interfund Transfers								
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	(11,208.93)	-	(2,730,522.16)	-	(641,324)	-	-
Other Sources /Uses	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
TOTAL, OTHER SOURCES/USES	-	(11,208.93)	-	(2,730,522.16)	-	(641,324)	-	-
NET INCREASE (DECREASE) IN FUND BALANCE	(2,106,598.00)	2,485,309.55	(1,489,493.00)	(277,084.58)	(3,510,508.00)	3,357,056.75	(325,083.00)	1,115,068.00
Beginning Balance, July 1	21,206,059.00	23,197,875.52	22,446,335.00	25,683,185.07	25,406,100.00	25,406,100.49	28,763,157.24	28,763,157.24
Ending Balance, June 30	$ 19,099,461.00	$ 25,683,185.07	$ 20,956,842.00	$ 25,406,100.49	$ 21,895,592.00	$ 28,763,157.24	$ 28,438,074.24	$ 30,617,368.24
Unrestricted Balance, June 30	$ 12,299,651.00	$ 15,636,313.74	$ 13,627,100.00	$ 17,389,771.58	$ 12,990,603.00	$ 21,265,042.05	$ 21,455,905.05	$ 21,564,601.05
Restricted Balance, June 30	$ 6,799,810.00	$ 10,044,871.33	$ 7,329,742.00	$ 8,016,328.91	$ 5,387,753.00	$ 7,498,115.19	$ 6,982,169.19	$ 9,052,767.19

(1) On behalf payments of $3,289,394 are included in the actual revenues and expenditures, but have not been included in the budget amounts.
(2) On behalf payments of $3,871,746 are included in the final budget and actual revenues and expenditures, but have not been included in the original budgeted amounts.
(3) Figures are estimates.

Source: District Adopted General Fund Budgets for Fiscal Years 2016-17 through 2019-20, unaudited actuals for Fiscal Years 2016-17 through 2018-19, and the District's Second Interim Report for Fiscal Year 2019-20.

District Debt Structure

Long-Term Debt Summary. A schedule of the District's long-term obligations for the year ended June 30, 2019, consisted of the following:

Long-Term Obligation	(as restated) Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due in One Year
Series 1997 Bonds	$ 344,423	-	$ 91,637	$ 252,786	$ 87,647
Series 1998 Bonds	500,260	-	85,698	414,562	83,021
Series 2014 Refunding Bonds	39,100,000	-	825,000	38,275,000	1,145,000
Premium on bonds	5,240,165	-	372,083	4,868,082	-
Series 2017 Bonds	26,150,000	-	880,000	25,270,000	-
Premium on bonds	1,404,684	-	59,353	1,345,331	-
2010 Certificates[(1)]	37,685,000	-	930,000	36,755,000	965,000
Discount on 2010 Certificates	(539,074)	-	25,468	(513,606)	-
2017 Certificates	4,910,000	-	160,000	4,750,000	170,000
Premium on 2017 Certificates	355,048	-	19,544	335,504	-
Capital Leases	1,358,195	-	206,445	1,151,750	214,031
Compensated Absences	97,273	$106,722	-	203,995	-
Net OPEB obligation	8,642,552	887,412	412,690	9,117,274	-
	$125,248,526	$994,134	$4,067,918	$122,225,678	$2,664,699

(1) To be refunded with net proceeds of the Series 2020 Certificates which are the subject of the forward delivery refunding described below.
Source: San Jacinto Unified School District Audited Financial Report for Fiscal Year 2018-19.

General Obligation Bonds. Since 1996, the District has conducted three bond elections and issued bonds as described below. All such bonds are payable from a special *ad valorem* property tax which the County is required to levy in an amount sufficient to pay such obligations.

On November 5, 1996, the voters of the District approved a bond measure authorizing the District to issue $6,500,000 in general obligation bonds. On March 27, 1997, the District issued its 1997 General Obligation Bonds, Series A (the "Series 1997 Bonds") in the aggregate principal amount of $3,500,000. On February 5, 1998, the District issued its 1998 General Obligation Bonds, Series B (the "Series 1998 Bonds") in the aggregate principal amount of $3,000,000.

On November 7, 2006, the voters of the District approved a bond measure authorizing the District to issue $150 million in general obligation bonds (the "2006 Authorization"). On August 30, 2007, the District issued its General Obligation Bonds, Election of 2006, Series 2007 (the "Series 2007 Bonds") in the aggregate principal amount of $42,000,000, leaving $108,000,000 principal amount of bonds authorized under but unissued under the 2006 Authorization.

On December 23, 2014, the District issued its General Obligation Refunding Bonds, Series 2014 (the "Series 2014 Refunding Bonds") in the aggregate principal amount of $40,235,000, to advance refund a portion of the Series 2007 Bonds.

On November 8, 2016, the voters of the District approved a bond measure authorizing the District to issue $44.9 million in general obligation bonds (the "2016 Authorization"). On February 22, 2017, the County, on behalf of the District, issued the District's General Obligation Bonds, Election of 2016, Series 2017 (the "Series 2017 Bonds") in the aggregate principal amount of $26,150,000, leaving $18,750,000 principal amount of bonds authorized but unissued under the 2016 Authorization.

The following table summarizes the District's general obligation bonds that are currently outstanding:

Issue Date	Interest Rate	Maturity Date	Original Issue	Bonds Outstanding July 1, 2017	Additional Issuance	Redeemed	Bonds Outstanding June 30, 2019
1997	3.90-6.00%	2022	$ 3,500,000	$ 344,423	$ --	$ 91,637	$ 252,786
1998	3.80-5.20%	2023	3,000,000	500,260	--	85,698	414,562
2014	3.00-5.00%	2033	40,235,000	39,100,000	--	825,000	38,275,000
2017	2.00-5.00%	2042	26,150,000	26,150,000	--	880,000	25,270,000
				$66,094,683	$ --	$1,882,335	$64,212,348

Source: San Jacinto Unified School District Audited Financial Report for Fiscal Year 2018-19.

Certificates of Participation. On February 11, 2010, the District caused the execution and delivery of the Series 2010 Certificates, which are the subject of the forward delivery refunding described below, to prepay the District's prior certificates of participation that were executed and delivered in 1997, 1998 and 2006.

On September 8, 2017, the District caused the execution and delivery of Certificates of Participation (2017 Financing) (the "Series 2017 Certificates") in the aggregate principal amount of $4,910,000 to finance the acquisition, construction and installation of aquatic facilities at San Jacinto High School. As of June 30, 2018, the principal balance outstanding was $4,910,000 and unamortized premium on issuance of $355,048. As of June 30, 2019, the principal balance outstanding was $4,750,000 and unamortized premium on issuance of $355,048. The 2017 Certificates mature through 2038 as follows:

Year Ending September 1	Principal	Interest	Total
2020	$ 170,000	$ 181,138	$ 351,138
2021	175,000	175,088	350,088
2022	180,000	167,988	347,988
2023	185,000	159,763	344,763
2024-2028	1,080,000	646,188	1,726,188
2029-2033	1,365,000	365,263	1,730,263
2034-2038	1,595,000	129,115	1,724,115
Total	$4,750,000	$1,824,543	$6,574,543

Source: Fieldman, Rolapp & Associates, Inc.

On July 25, 2019, the District sold on a forward delivery basis, and subject to certain conditions, agreed to cause the execution and delivery of, Certificates of Participation (2020 Refunding) (the "Series 2020 Certificates") in the aggregate principal amount of $29,270,000 for delivery on or about June 4, 2020 to refund the Series 2010 Certificates. As of February 12, 2020, the principal balance of the Series 2020 Certificates expected to be outstanding is $29,270,000 with unamortized premium on issuance of $5,272,660. The Series 2020 Certificates, if executed and delivered, will mature through 2040 as follows:

Year Ending September 1	Principal	Interest	Total
2020	$1,175,000	$ 353,679	$ 1,528,679
2021	850,000	1,404,750	2,254,750
2022	895,000	1,362,250	2,257,250
2023	940,000	1,317,500	2,257,500
2024	985,000	1,270,500	2,255,500
2025	1,030,000	1,221,250	2,251,250
2026-2030	5,995,000	5,277,500	11,272,500
2031-2035	7,645,000	3,623,000	11,268,000
2036-2040	9,755,000	1,511,250	11,266,250
Total	$29,270,000	$17,341,679	$46,611,679

Source: Fieldman, Rolapp & Associates, Inc.

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

	Portable Classrooms
Balance, July 1, 2018	-
Additions	$ 1,538,108
Payments	256,349
Balance, July 1, 2019	$ 1,281,759

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2020	$ 256,350
2021	256,360
2022	256,349
2023	256,249
2024	256,351
Total	$1,281,759
Less: Amount Representing Interest	130,009
Present Value of Minimum Lease Payments	$1,151,750

Source: San Jacinto Unified School District Audited Financial Report for Fiscal Year 2018-19.

Compensated Absences. The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2018 amounted to $97,273 and at June 30, 2019 amounted to $203,995.

Tax and Revenue Anticipation Notes. The District has no tax and revenue anticipation notes outstanding and does not expect to issue any tax and revenue anticipation notes in fiscal year 2020-21.

Special Tax Bonds. The District has formed a number of community facilities districts which have issued special tax bonds under the Mello-Roos Community Facilities Act of 1982, as amended.

Such special tax bonds are payable for special taxes levied on property within the respective community facilities districts. Such special tax bonds are not payable from *ad valorem* taxes to be levied within the District and do not represent a debt of the District. Other special taxes and assessments may be levied from time to time on property within the District.

Other Post-Employment Benefits (OPEBs). In addition to the retirement plan benefits with CalSTRS and CalPERS (defined below) and the supplemental employee retirement plan described above, the District provides certain post-retirement healthcare benefits (the "Plan"), in accordance with District employment contracts. For a description of the District's Plan, which is a single-employer defined benefit healthcare plan including medical, dental, and vision benefits, in addition to life insurance and other benefits, see Note 9 to the District's financial statements attached hereto as APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2019."

The Governmental Accounting Standards Board ("GASB") released its Statement Number 45 ("Statement Number 45"), which required municipalities to account for other post-employment benefits (meaning other than pension benefits) ("OPEB") liabilities much like municipalities are required to account for pension benefits. The expense is generally accrued over the working career of employees, rather than on a pay-as-you-go basis, which has been the practice for most municipalities and public sector organizations. OPEBs generally include post-employment health benefits (medical, dental, vision, prescription drug and mental health), and care benefits. Statement Number 45 was phased in over a three-year period based upon the entity's revenues.

In June 2015, the Governmental Accounting Standards Board ("GASB") issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("Statement Number 75"). The objective of Statement Number 75 is to improve accounting and financial reporting by the State and local governments for OPEB by requiring the recognition of entire OPEB liability, a more comprehensive measure of OPEB expense, new note disclosures and certain required supplementary information. In addition, Statement Number 75 sets forth additional accounting methods to improve the usefulness of information about OPEB included in the general purpose external financial reports of State and local governmental OPEB plans for making decisions and assessing accountability. Statement Number 75 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. Statement Number 75 replaces Statement Number 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and Number 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. Statement Number 75 is effective for periods beginning after June 15, 2017. The District has implemented Statement Number 75 for fiscal year 2017-18.

The contribution requirements of Plan members and the District are established and may be amended by the District and the Teacher Education Association ("TEA"), the local California Service Employees Association ("CSEA"), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements with the District. The contribution requirements of Plan members and the District are established and may be amended by the District and the Teachers Association (CTA), the local California Service Employees Association (CSEA), as well as unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For the fiscal year ended June 30, 2019, the District reported a total OPEB liability, deferred outflows of resources, and OPEB expense of $9,117,274, $124,353, $239,638 and $1,131,211, respectively. No assets are accumulated in a trust that meets the criteria of GASB Statement No. 75. See Note 9 to the

District's financial statements attached hereto APPENDIX B − "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2019" for more information as of June 30, 2019.

Total Compensation Systems, Inc., Agoura Hills, California, has prepared an actuarial valuation of the District's retiree health insurance benefits and reports that, as of June 30, 2019, the District had an actuarial accrued liability of $11,095,826. According to such actuarial valuation, the District's projected annual pay-as-you-go amount for the year beginning July 1, 2019 is $315,689. The "pay-as-you-go" cost is the cost of benefits for current retirees. Further according to such actuarial valuation, for current employees, the value of benefits "accrued" in the year beginning July 1, 2019 (the service cost) is $1,109,139 and the OPEB expense for the fiscal year ending June 30, 2020 is projected to be $1,157,785. The above OPEB expense does not include an estimated $316,702 in employer contributions. The actuarial valuation is based on various assumptions, including 2.75% increase in inflation per year, a 3.5% discount rate (investment return), and a 2.75% increase in payroll per year. A copy of the latest actuarial valuation is available from the District, but the District may impose a charge for copying, handling and mailing any requested document.

Direct and Overlapping Debt

Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. for debt outstanding as of February 1, 2020. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of the date of the schedule and whose territory overlaps the District in whole or in part. Column 2 shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in column 3, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

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

Not included in the table below or elsewhere in this Official Statement with respect to overlapping debt are assessments which may exist on properties within the Community Facilities District for the benefit of the Western Riverside Council of Governments ("WRCOG") Property Assessed Clean Energy ("PACE") Programs, in which multiple programs the County participates as a member, through WRCOG in collaboration with its private sector partners, which provide financing for energy efficiency, renewable energy, and water conservation retrofits on residential and commercial properties. Under this program a property owner is permitted to finance the up-front cost of energy or other eligible improvements on a property, with such costs financed over a term of years through a voluntary assessment attached to the improved property. Payments for such projects and retrofits are secured by assessments on such participating residential and commercial properties. The overlapping debt information included in this Official Statement is necessarily understated by the amount of such assessments on properties within the boundaries of the District.

SAN JACINTO UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
Statement of Direct and Overlapping Bonded Debt

2019-20 Assessed Valuation: $3,310,607,012

	Percent Applicable	Debt as of 2/1/20
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:		
Metropolitan Water District	0.106%	$ 50,933
San Jacinto Unified School District	100.000	63,067,349[(1)]
Eastern Municipal Water District Improvement Districts	40.088–100.000	614,139
Riverside County Flood Control and Water Conservation District, Zone 4	5.979	749,169
Mount San Jacinto Community College District	3.439	5,653,200
San Jacinto Unified School District Community Facilities District	100.000	51,920,000
San Jacinto Community Facilities District No. 2002-1	100.000	15,965,000
Eastern Municipal Water District Community Facilities Districts	83.924-100.000	4,358,221
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$142,378,011
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Riverside County General Fund Obligations	1.119%	$ 8,587,806
Riverside County Pension Obligation Bonds	1.119	2,728,682
San Jacinto Unified School District Certificates of Participation	100.000	40,370,000
City of Moreno Valley Certificates of Participation	0.136	106,704
City of San Jacinto Pension Obligation Bonds	90.024	381,004
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$ 52,174,196
Less: Riverside County supported obligations		9,897
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$ 52,164,299
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		$ 6,226,688
GROSS COMBINED TOTAL DEBT		$200,778,895[(2)]
NET COMBINED TOTAL DEBT		$200,768,998

(1) Excludes the Certificates and the Series 2020 Certificates sold on a forward delivery basis to be delivered on June 4, 2020 for the purpose of prepaying in full the Series 2010 Certificates but includes the Series 2010 Certificates to be prepaid with net proceeds of the Series 2020 Certificates as and if executed and delivered. See "DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION – District Debt Structure – Certificates of Participation."

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

Ratios to 2019-20 Assessed Valuation:

Direct Debt ($63,067,349)	1.91%
Total Direct and Overlapping Tax and Assessment Debt	4.30%
Combined Direct Debt ($103,437,349)	3.12%
Gross Combined Total Debt	6.06%
Net Combined Total Debt	6.06%

Ratios to Redevelopment Incremental Valuation ($685,983,074):

Total Overlapping Tax Increment Debt	0.91%

Source: California Municipal Statistics, Inc.

Employment

As of February 2019, the District employed 1,042.1 FTE employees, consisting of approximately 551.4 FTE certificated employees, 406.8 FTE classified employees, 67 FTE management employees and 8.5 FTE confidential employees. For the year ended June 30, 2019, the total certificated and classified payrolls were approximately $53.48 million and $18.55 million, respectively. The District has projected total certificated and classified payrolls to be approximately $55.10 million and $20.03 million, respectively, for fiscal year 2019-20. As of February 2020, the District employed 1,099.46 FTE employees, consisting of approximately 570.30 FTE certificated employees, 450.66 FTE classified employees, 70 FTE management employees and 8.5 FTE confidential employees.

District employees are represented by employee bargaining units as follows:

SAN JACINTO UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
Labor Organizations

Name of Bargaining Unit	Number of Employees Represented	Current Contract Expiration Date
San Jacinto Teachers Association	557	June 30, 2020
California School Employees Association – CSEA Chapter 189	567	June 30, 2022

Source: San Jacinto Unified School District.

Retirement Benefits

The District participates in retirement plans with CalSTRS, which covers all full-time certificated District employees including teachers and administrators and CalPERS, which covers certain classified employees. Classified school personnel who are employed four or more hours per day may participate in CalPERS.

CalSTRS. Contributions to CalSTRS are fixed in statute. For fiscal year 2013-14, covered employees contributed 8.00% of salary to CalSTRS, while school districts contributed 8.25%. In addition to the teacher and school contributions, the State contributed 4.517% of teacher payroll to CalSTRS (calculated on payroll data from two fiscal years ago). Prior to fiscal year 2014-15 and unlike typical defined benefit programs such as those administered by CalPERS, neither the CalSTRS employer nor the State contribution rate varied annually to make up funding shortfalls or assess credits for actuarial surpluses. The State does pay a surcharge when the member and school district contributions are not sufficient to fully fund the basic defined benefit pension (generally consisting of 2% of salary for each year of service at age 60 referred to herein as "pre-enhancement benefits") within a 30-year period. However, this surcharge does not apply to system-wide unfunded liability resulting from recent benefit enhancements.

As part of the 2014-15 State budget, the Governor signed Assembly Bill 1469 ("AB 1469") which implemented a new funding strategy for CalSTRS and increased the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. Such rate increased by 1.85% beginning in fiscal year 2015-16 until the employer contribution rate is 19.10% of covered payroll as further described below. AB 1469 increased member contributions, which were previously set at 8.00% of pay, to 10.25% of pay for members hired on or before December 31, 2012 and 9.205% of pay for members hired on or

after January 1, 2013 effective July 1, 2016. However, on July 1, 2018, for members hired on or after January 1, 2013, the rate increased from 9.205% of pay to 10.250% of pay. The State's total contribution also increased from approximately 3% in fiscal year 2013-14 to 6.828% of payroll in fiscal year 2017-18, plus the continued payment of 2.5% of payroll annual for a supplemental inflation protection program for a total of 9.328%. In addition, AB 1469 provides the State Teachers Retirement Board with authority to modify the percentages paid by employers and employees for fiscal year 2021-22 and each fiscal year thereafter to eliminate the CalSTRS unfunded liability by June 30, 2046. The State Teachers Retirement Board would also have authority to reduce employer and State contributions if they are no longer necessary.

On February 1, 2017, the State Teachers' Retirement Board voted to adopt revised actuarial assumptions reflecting members' increasing life expectancies and current economic trends. The revised assumptions include a decrease from 7.50% to a 7.25% investment rate of return for the June 30, 2016 actuarial valuation, a decrease from 7.25% to a 7.00% investment rate of return for the June 30, 2017 actuarial valuation, a decrease from 3.75% to a 3.50% projected wage growth, and a decrease from 3.00% to a 2.75% price inflation factor.

As of June 30, 2018, an actuarial valuation (the "2018 CalSTRS Actuarial Valuation") for the entire CalSTRS defined benefit program showed an estimated unfunded actuarial liability of $107.2 billion, a decrease of approximately $0.1 billion from the June 30, 2017 valuation. The funded ratios of the actuarial value of valuation assets over the actuarial accrued liabilities as of June 30, 2018, June 30, 2017, June 30, 2016 and June 30, 2015, based on the actuarial assumptions, were approximately 64.0%, 62.6%, 63.7% and 68.5%, respectively. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions and other experience that may differ from the actuarial assumptions used for the CalSTRS valuation. The following are certain of the actuarial assumptions set forth in the 2018 CalSTRS Actuarial Valuation: measurement of accruing costs by the "Entry Age Normal Actuarial Cost Method," an assumed 7.00% investment rate of return for measurements subsequent to June 30, 2016, 3.00% interest on member accounts, 3.50% projected wage growth, and 2.75% projected inflation and demographic assumptions relating to mortality rates, length of service, rates of disability, rates of withdrawal, probability of refund, and merit salary increases. The 2018 CalSTRS Actuarial Valuation also assumes that all members hired on or after January 1, 2013 are subject to the provisions of PEPRA (as defined herein). See "−Governor's Pension Reform" below for a discussion of the pension reform measure signed by the Governor in August 2012 expected to help reduce future pension obligations of public employers with respect to employees hired on or after January 1, 2013. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions, changes in actuarial assumptions and other experiences that may differ from the actuarial assumptions.

Pursuant to AB 1469, a school district's contribution rates will increase in accordance with the following schedule:

Effective Date (July 1)	School District Contribution Rate
2014	8.88%
2015	10.73
2016	12.58
2017	14.43
2018	16.28
2019	17.10*
2020	18.40*

* Pursuant to the 2019-20 State Budget. See "DISTRICT FINANCIAL MATTERS – State Funding of Education; State Budget Process – 2019-20 State Budget."

Source: Assembly Bill 1469.

The following table sets forth the District's employer contributions to CalSTRS as well as the State's required non-employer contribution for fiscal years 2015-16 through 2018-19 and the projected contributions for fiscal year 2019-20.

SAN JACINTO UNIFIED SCHOOL DISTRICT
(Riverside County, California)
Contributions to CalSTRS for Fiscal Years 2015-16 through 2019-20

Fiscal Year	District Contribution	CalSTRS On-Behalf Amounts
2015-16	$4,795,798	$2,564,031
2016-17	5,890,725	3,289,394
2017-18	7,162,732	3,898,235
2018-19	8,575,567	4,264,043
2019-20[(1)]	9,277,567	4,557,880

(1) Second interim report for fiscal year 2019-20.

Source: San Jacinto Unified School District.

The District's total employer contributions to CalSTRS for fiscal years 2015-16 through 2018-19 were equal to 100% of the required contributions for each year. With the implementation of AB 1469, the District anticipates that its contributions to CalSTRS will increase in future fiscal years as compared to prior fiscal years.

The District, nonetheless, is unable to predict all factors or any changes in law that could affect its required contributions to CalSTRS in future fiscal years.

CalSTRS produces a comprehensive annual financial report and actuarial valuations which include financial statements and required supplementary information. Copies of the CalSTRS comprehensive annual financial report and actuarial valuations may be obtained from CalSTRS. The information presented in these reports is not incorporated by reference in this Official Statement.

CalPERS. All qualifying classified employees of K-12 school districts in the State are members in CalPERS, and all of such districts participate in the same plan. As such, all such school districts share the same contribution rate in each year. However, unlike school districts' participating in CalSTRS, the school districts' contributions to CalPERS fluctuate each year and include a normal cost component and a component equal to an amortized amount of the unfunded liability. Accordingly, the District cannot provide any assurances that the District's required contributions to CalPERS in future years will not significantly vary from any current projected levels of contributions to CalPERS.

School districts are currently required to contribute to CalPERS at an actuarially determined rate, which was 11.847%, 13.888%, 15.531%, and 18.062% of eligible salary expenditures for fiscal years 2015-16, 2016-17, 2017-18 and 2018-19, respectively, and 19.271% of eligible salary expenditures for fiscal year 2019-20. Plan participants enrolled in CalPERS prior to January 1, 2013 contribute 7% of their respective salaries, while participants enrolled after January 1, 2013 are subject to PEPRA (as defined herein) and are required to contribute at an actuarially determined rate, which was 6.00% of their respective salaries in fiscal years 2015-16 and 2016-17, 6.50% in fiscal year 2017-18, 7.00% in fiscal year 2018-19 and 7.00% in fiscal year 2019-20.

Since the June 30, 2015 valuation, CalPERS has employed an amortization and smoothing policy that apportions all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a five-year period. In contrast, the previous policy spread investment returns over a 15-year period with experience gains and losses spread over a rolling 30-year period. On December 21, 2016, the CalPERS Board of Administration lowered the discount rate from 7.50 percent to 7.00 percent using a three-year phase-in beginning with its fiscal year 2016-17 valuations. The employer contributions for fiscal year 2019-20 were calculated using a discount rate of 7.25%, down from 7.375% for fiscal year 2018-19. The amounts of the pension/award benefit obligation or UAAL will vary from time to time depending upon actuarial assumptions, and actual rates of return on investments, salary scales, and levels of contribution.

On April 17, 2019, the CalPERS Board established the employer contribution rates and released certain information from the CalPERS Schools Pool Actuarial Valuation as of June 30, 2018 (the "2018 CalPERS Schools Pool Actuarial Valuation"). The actuarial funding method used in the 2018 CalPERS Schools Pool Actuarial Valuation is the "Entry Age Normal Cost Method." The 2018 CalPERS Schools Pool Actuarial Valuation assumes, among other things, 2.625% inflation and payroll growth of 2.875% compounded annually. The 2018 CalPERS Schools Pool Actuarial Valuation reflects a discount rate of 7.25% compounded annually (net of administrative expenses) as of June 30, 2018 and 7.00% compounded annually (net of administrative expenses) as of June 30, 2019. The first reduction in the investment rate of return impacted the District's employer contribution rates beginning in fiscal year 2018-19. The CalPERS Board also adopted new demographic assumptions on December 19, 2017, including a reduction in the inflation assumption from 2.625% as of June 30, 2018 to 2.50% as of June 30, 2019. The reduction in the inflation assumption results in decreases in both the normal cost and the accrued liabilities in the future. The overall payroll growth was reduced from 3.0% annually as of June 30, 2017, to 2.875% as of June 30, 2018, and to 2.75% as of June 30, 2019.

Based on the changes in the discount rate, inflation rate, payroll growth rate and demographic assumptions, along with expected reductions in normal cost due to the continuing transition of active members from those employees hired prior to the implementation date, to those hired after such date, the projected contribution for fiscal year 2020-21 is projected to be 23.6%, with annual increases and decreases thereafter, resulting in a projected 26.5% employer contribution rate for fiscal year 2025-26.

The following table sets forth the District's total employer contributions to CalPERS for fiscal years 2015-16 through 2019-20.

SAN JACINTO UNIFIED SCHOOL DISTRICT
(Riverside County, California)
Contributions to CalPERS for Fiscal Years 2015-16 through 2019-20

Fiscal Year	District Contribution
2015-16	$1,637,678
2016-17	2,293,354
2017-18	2,768,569
2018-19	3,513,410
2019-20[(1)]	3,918,933

(1) Second interim report for fiscal year 2019-20.
Source: San Jacinto Unified School District.

The District's total employer contributions to CalPERS for fiscal years 2015-16 through 2019-20 were equal to 100% of the required contributions for each year. With the change in actuarial assumptions described above, the District anticipates that its contributions to CalPERS will increase in future fiscal years as the increased costs are phased in. The implementation of PEPRA (see "−Governor's Pension Reform" below), however, is expected to help reduce certain future pension obligations of public employers with respect to employees hired on or after January 1, 2013. The District cannot predict the impact these changes will have on its contributions to CalPERS in future years.

CalPERS produces a comprehensive annual financial report and actuarial valuations that include financial statements and required supplementary information. Copies of the CalPERS comprehensive annual financial report and actuarial valuations may be obtained from CalPERS Financial Services Division. The information presented in these reports is not incorporated by reference in this Official Statement.

Governor's Pension Reform. On August 28, 2012, Governor Brown and the State Legislature reached agreement on a new law that reforms pensions for State and local government employees. AB 340, which was signed into law on September 12, 2012, established the California Public Employees' Pension Reform Act of 2012 ("PEPRA") which governs pensions for public employers and public pension plans on and after January 1, 2013. For new employees, PEPRA, among other things, caps pensionable salaries at the Social Security contribution and wage base, which is $137,700 for 2020, or 120% of that amount for employees not covered by Social Security, increases the retirement age by two years or more for all new public employees while adjusting the retirement formulas, requires state employees to pay at least half of their pension costs, and also requires the calculation of benefits on regular, recurring pay to stop income spiking. For all employees, changes required by PEPRA include the prohibition of retroactive pension increases, pension holidays and purchases of service credit. PEPRA applies to all State and local public retirement systems, including county and district retirement systems. PEPRA only exempts the University of California system and charter cities and counties whose pension plans are not governed by State law. Although the District anticipates that PEPRA would not increase the District's future pension obligations, the District is unable to determine the extent of any impact PEPRA would have on the District's pension obligations at this time. Additionally, the District cannot predict if PEPRA will be challenged in court and, if so, whether any challenge would be successful.

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make. CalSTRS and CalPERS are more fully described in Note 13 to the District's financial statements attached hereto as APPENDIX B − "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2019."

GASB 67 and 68. In June 2012, the Governmental Accounting Standards Board approved a pair of related statements, Statement Number 67, Financial Reporting for Pension Plans ("Statement Number 67"), which addresses financial reporting for pension plans, and Statement Number 68, Accounting and Financial Reporting for Pensions ("Statement Number 68"), which establishes new accounting and financial reporting requirements for governments that provide their employees with pensions. The guidance contained in these statements will change how governments calculate and report the costs and obligations associated with pensions. Statement Number 67 replaces the current requirements of Statement Number 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, for most public employee pension plans, and Statement Number 68 replaces the current requirements of Statement Number 27, Accounting for Pensions by State and Local Governmental Employers, for most government employers. The new statements also replace the requirements of Statement Number 50, Pension Disclosures, for those governments and pension plans. Certain of the major changes include: (i) the inclusion of unfunded pension liabilities on the government's balance sheet (such unfunded liabilities were typically included as notes to the government's financial statements); (ii) full pension costs are shown as expenses regardless of actual contribution levels; (iii) lower actuarial discount rates are required to be used for most plans for certain purposes of the financial statements, resulting in increased liabilities and pension expenses; and (iv) shorter amortization periods for unfunded liabilities are required to be used for certain purposes of the financial statements, which generally increases pension expenses. Statement Number 67 became effective beginning in fiscal year 2013-14, and Statement Number 68 became effective beginning in fiscal year 2014-15.

Insurance, Risk Pooling and Joint Powers Agreements and Joint Ventures

The District participates in three joint ventures under joint powers agreements ("JPAs"): Riverside Schools Insurance Authority (RSIA), Riverside County Employer/Employee Partnership for Benefits (REEP), Joint Education Transit (JET), and the Alliance of Schools for Cooperative Insurance Programs (ASCIP). The District pays an annual premium to the applicable entity for its health, workers' compensation and property liability coverage. Payments for these services received are paid to the above-mentioned JPAs. The relationships between the District, the pools and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in the District's financial statements attached hereto.

For additional information about the JPAs, see Note 15 in APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2019" attached hereto.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Limitations on Revenues

On June 6, 1978, California voters approved Proposition 13 ("Proposition 13"), which added Article XIIIA to the State Constitution ("Article XIIIA"). Article XIIIA limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness, and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school

facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

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

County of Orange v. Orange County Assessment Appeals Board No. 3. Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restoration of value of the damaged property. The constitutionality of this procedure was challenged in a lawsuit brought in 2001 in the Orange County Superior Court, and in similar lawsuits brought in other counties, on the basis that the decrease in assessed value creates a new "base year value" for purposes of Proposition 13 and that subsequent increases in the assessed value of a property by more than 2% in a single year violate Article XIIIA. On appeal, the California Court of Appeal upheld the recapture practice in 2004, and the State Supreme Court declined to review the ruling, leaving the recapture law in place.

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

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment 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.

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

Article XIIIB of the California Constitution

An initiative to amend the State Constitution entitled "Limitation of Government Appropriations" was approved on September 6, 1979, thereby adding Article XIIIB to the State Constitution ("Article XIIIB"). Under Article XIIIB state and local governmental entities have an annual "appropriations limit" and are not permitted to spend certain moneys which are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the "appropriations limit." Article XIIIB does not affect the appropriation of moneys which are excluded from the definition of "appropriations subject to limitation," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the "appropriations limit" is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided

by these entities. Among other provisions of Article XIIIB, if these entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years. Any proceeds of taxes received by the District in excess of the allowable limit are absorbed into the State's allowable limit.

Article XIIIC and Article XIIID of the California Constitution

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

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4. 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 County pursuant to Article XIIIA of the California Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

Statutory Limitations

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

Appellate court decisions following the approval of Proposition 62 determined that certain provisions of Proposition 62 were unconstitutional. However, the California Supreme Court upheld Proposition 62 in its decision on September 28, 1995 in *Santa Clara County Transportation Authority v. Guardino.* This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Supreme Court's decision, such as whether the decision applies

retroactively, what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities.

Proposition 98 and Proposition 111

On November 8, 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). 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 districts and community college districts (collectively, "K-14 districts") at a level equal to the greater of (a) the same percentage of general fund revenues as the percentage appropriated to such districts in 1986-87, which percentage is equal to 40.9%, or (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for growth in enrollment and inflation.

Since the Accountability Act is unclear in some details, there can be no assurance that the Legislature or a court might not interpret the Accountability Act to require a different percentage of general fund revenues to be allocated to K-14 districts than the 40.9%, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget. In any event, the Governor and other fiscal observers expect the Accountability Act to place increasing pressure on the State's budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIIIB spending limit would restrain the State's ability to fund such other programs by raising taxes.

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

On June 5, 1990, California voters approved Proposition 111 (Senate Constitutional Amendment 1), which further modified the Constitution to alter the spending limit and education funding provisions of Proposition 98. Most significantly, Proposition 111 (1) liberalized the annual adjustments to the spending limit by measuring the "change in the cost of living" by the change in State per capita personal income rather than the Consumer Price Index, and specified that a portion of the State's spending limit would be adjusted to reflect changes in school attendance; (2) provided that 50% of the "excess" tax revenues, determined based on a two-year cycle, would be transferred to K-14 districts with the balance returned to taxpayers (rather than the previous 100% but only up to a cap of 4% of the districts' minimum funding level), and that any such transfer to K-14 districts would not be built into the school districts' base expenditures for calculating their entitlement for State aid in the following year and would not increase the State's appropriations limit; (3) excluded from the calculation of appropriations that are subject to the limit appropriations for certain "qualified capital outlay projects" and certain increases in gasoline taxes, sales and use taxes, and receipts from vehicle weight fees; (4) provided that the Appropriations Limit for each unit of government, including the State, would be recalculated beginning in the 1990-91 fiscal year, based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Senate Constitutional Amendment 1 had been in effect; and (5) adjusted the Proposition 98 formula that guarantees K-14 districts a certain amount of general fund revenues, as described below.

Under prior law, K-14 districts were guaranteed the greater of (a) 40.9% of general fund revenues (the "first test") or (b) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to per capita personal income) and enrollment (the "second test"). Under Proposition 111, school districts would receive the greater of (a) the first test, (b) the second test or (c) a third test, which would replace the second test in any year when growth in per capita general fund revenues from the prior year was less than the annual growth in State per capita personal income. Under the third test, school districts would receive the amount appropriated in the prior year adjusted for change in enrollment and per capita general fund revenues, plus an additional small adjustment factor. If the third test were used in any year, the difference between the third test and the second test would become a "credit" to be paid in future years when general fund revenue growth exceeds personal income growth.

Assembly Bill No. 26 & *California Redevelopment Association v. Matosantos*

On February 1, 2012, pursuant to the California Supreme Court's decision in *California Redevelopment Association v. Matosantos,* Assembly Bill No. 26 (First Extraordinary Session) ("AB1X 26") dissolved all redevelopment agencies in existence and designated "successor agencies" and "oversight boards" to satisfy "enforceable obligations" of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies. With limited exceptions, all assets, properties, contracts, leases, records, buildings and equipment, including cash and cash equivalents of a former redevelopment agency were transferred to the control of its successor agency and, unless otherwise required pursuant to the terms of an enforceable obligation, distributed to various related taxing agencies pursuant to AB1X 26.

It is possible that there will be additional legislation proposed and/or enacted to clarify various inconsistencies contained in AB1X 26 and there may be additional legislation proposed and/or enacted in the future affecting the current scheme of dissolution and winding up of redevelopment agencies currently contemplated by AB1X 26. For example, AB 1484 was signed by the Governor on June 27, 2012, to clarify and amend certain aspects of AB1X 26. AB 1484, among other things, attempts to clarify the role and requirements of successor agencies, provides successor agencies with more control over agency bond proceeds and properties previously owned by redevelopment agencies and adds other new and modified requirements and deadlines. AB 1484 also provides for a "tax claw back" provision, wherein the State is authorized to withhold sales and use tax revenue allocations to local successor agencies to offset payment of property taxes owed and not paid by such local successor agencies to other local taxing agencies. This "tax claw back" provision has been challenged in court by certain cities and successor agencies. The District cannot predict the outcome of such litigation and what effect, if any, it will have on the District. Additionally, no assurances can be given as to the effect of any such future proposed and/or enacted legislation on the District.

Proposition 30 and Proposition 55

On November 6, 2012, voters approved Proposition 30, also referred to as the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment. Proposition 30 temporarily (a) increased the personal income tax on certain of the State's income taxpayers by one to three percent for a period of seven years beginning with the 2012 tax year and ending with the 2019 tax year, and (b) increased the sales and use tax by one-quarter percent for a period of four years beginning on January 1, 2013 and ending with the 2016 tax year. The revenues generated from such tax increases are included in the calculation of the Proposition 98 minimum funding guarantee (see "– Proposition 98 and Proposition 111" above). The revenues generated from such temporary tax increases are deposited into a State account created pursuant to Proposition 30 (the Education Protection

Account), and 89% of the amounts therein are allocated to school districts and 11% of the amounts therein are allocated to community college districts.

The Proposition 30 sales and use tax increases expired at the end of the 2016 tax year. Under Proposition 30, the personal income tax increases were set to expire at the end of the 2018 tax year. However, the California Tax Extension to Fund Education and Healthcare Initiative ("Proposition 55"), approved by the voters on November 8, 2016, extends by 12 years the temporary personal income tax increases on incomes over $250,000 that was first enacted by Proposition 30; Proposition 55 did not extend the sales and use tax increases imposed by Proposition 30. Revenues from the income tax increase under Proposition 55 will be allocated to school districts and community colleges in the State.

Applications of Constitutional and Statutory Provisions

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding see "DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION – State Funding of Education; State Budget Process."

Proposition 2

General. Proposition 2, which included certain constitutional amendments to the Rainy Day Fund and, upon its approval, triggered the implementation of certain provisions which could limit the amount of reserves that may be maintained by a school district, was approved by the voters in the November 2014 election.

Rainy Day Fund. The Proposition 2 constitutional amendments related to the Rainy Day Fund (i) require deposits into the Rainy Day Fund whenever capital gains revenues rise to more than 8% of general fund tax revenues; (ii) set the maximum size of the Rainy Day Fund at 10% of general fund revenues; (iii) for the next 15 years, require half of each year's deposit to be used for supplemental payments to pay down the budgetary debts or other long-term liabilities and, thereafter, require at least half of each year's deposit to be saved and the remainder used for supplemental debt payments or savings; (iv) allow the withdrawal of funds only for a disaster or if spending remains at or below the highest level of spending from the past three years; (v) require the State to provide a multiyear budget forecast; and (vi) create a Proposition 98 reserve (the "Public School System Stabilization Account") to set aside funds in good years to minimize future cuts and smooth school spending. The State may deposit amounts into such account only after it has paid all amounts owing to school districts relating to the Proposition 98 maintenance factor for fiscal years prior to fiscal year 2014-15. The State, in addition, may not transfer funds to the Public School System Stabilization Account unless the State is in a Test 1 year under Proposition 98 or in any year in which a maintenance factor is created.

The 2019-20 State Budget included a constitutionally required deposit into the Public School System Stabilization Account in the amount of $376.5 million and the Proposed 2020-21 State Budget estimates the deposit in 2019-20 will be $524.2 million. Pursuant to Proposition 2, the Proposed 2020-21 State Budget projects a $37.6 million withdrawal to be made from the account in 2020-21. Such deposit to the Public School System Stabilization Account does not initiate any school district reserve caps under SB 858 or SB 751 (described below), as the amount in the Public School System Stabilization Account (which is equal to the fiscal year 2019-20 deposit) is not equal to or greater than 3% of the total K-12 share of the Proposition 98 Guarantee (approximately $2.1 billion). See "DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION – State Funding of Education; State Budget Process – 2019-20 State Budget."

SB 858. Senate Bill 858 ("SB 858") became effective upon the passage of Proposition 2. SB 858 includes provisions which could limit the amount of reserves that may be maintained by a school district in certain circumstances. Under SB 858, in any fiscal year immediately following a fiscal year in which the State has made a transfer into the Public School System Stabilization Account, any adopted or revised budget by a school district would need to contain a combined unassigned and assigned ending fund balance that (a) for school districts with an A.D.A. of less than 400,000, is not more than two times the amount of the reserve for economic uncertainties mandated by the Education Code, or (b) for school districts with an A.D.A. that is more than 400,000, is not more than three times the amount of the reserve for economic uncertainties mandated by the Education Code. In certain cases, the county superintendent of schools may grant a school district a waiver from this limitation on reserves for up to two consecutive years within a three-year period if there are certain extraordinary fiscal circumstances.

The District, which has an A.D.A of less than 400,000, is required to maintain a reserve for economic uncertainty in an amount equal to 3% of its general fund expenditures and other financing uses.

SB 751. Senate Bill 751 ("SB 751"), enacted on October 11, 2017, alters the reserve requirements imposed by SB 858. Under SB 751, in a fiscal year immediate after a fiscal year in which the amount of moneys in the Public School System Stabilization Account is equal to or exceeds 3% of the combined total general fund revenues appropriated for school districts and allocated local proceeds of taxes for that fiscal year, a school district budget that is adopted or revised cannot have an assigned or unassigned ending fund balance that exceeds 10% of those funds. SB 751 excludes from the requirements of those provisions basic aid school districts (also known as community funded districts) and small school districts having fewer than 2,501 units of average daily attendance.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID, as well as Propositions 2, 30, 55, 62, 98, 111 and 218, 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.

RATINGS

The Certificates were assigned an underlying rating of "A3" by Moody's. The rating agency may have obtained and considered information and material which has not been included in this Official Statement. Generally, rating agencies base their ratings on information and material so furnished and on investigations, studies and assumptions made by them. The rating is not a recommendation to buy, sell or hold the Certificates. The rating reflects only the view of the rating agency and an explanation of the significance of its rating may be obtained from it. There is no assurance that a rating of a rating agency will be maintained for any given period of time or that such rating may not be revised downward or withdrawn entirely by the rating agency, if in its own judgment, circumstances warrant. Any such downward change in or withdrawal may have an adverse effect on the market price of the Certificates. Neither the Underwriter nor the District has undertaken any responsibility after the execution and delivery of the Certificates to assure the maintenance of the rating or to oppose any such revision or withdrawal.

In addition, S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") is expected to assign its insured rating of "AA" to the Certificates with the understanding that upon delivery of the Certificates, the Insurance Policy will be delivered by the Insurer. See also "CERTIFICATE INSURANCE" herein. Such rating is expected to be assigned solely as a result of the issuance of the Insurance Policy and would reflect only S&P's view of the claims-paying ability and financial strength of the Insurer. Neither the Underwriter nor the District has made any independent

investigation of the claims-paying ability of the Insurer and no representation is made that the insured rating of the Certificates based upon the purchase of the Insurance Policy will remain the same. The existence of the Insurance Policy will not, of itself, negatively affect the underlying ratings. However, any downward revision or withdrawal of any rating of the Insurer may have an adverse effect on the market price or marketability of the Certificates.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, special counsel to the District ("Special Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, the portion of each Base Rental Payment designated as and constituting interest paid by the District under the Lease Agreement and received by the Owners of the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Special Counsel is of the further opinion that interest evidenced by the Certificates is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Special Counsel is set forth in Appendix C hereto.

To the extent the issue price of any scheduled principal payment of the Certificates is less than the amount payable on the scheduled principal payment date of such Certificates (excluding amounts stated to be interest and payable at least annually over the term of such Certificates), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest evidenced by the Certificates which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular scheduled principal payment date of the Certificates is the first price at which a substantial amount of such scheduled principal payment date of the Certificates is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any schedule principal payment date of the Certificates accrues daily over the term to the scheduled principal payment date of such Certificates on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Certificates to determine taxable gain or loss upon disposition (including sale, prepayment, or payment on scheduled principal date) of such Certificates. Beneficial Owners of the Certificates should consult their own tax advisors with respect to the tax consequences of ownership of Certificates with original issue discount, including the treatment of Beneficial Owners who do not purchase such Certificates in the original offering to the public at the first price at which a substantial amount of such Certificates is sold to the public.

Certificates purchased, whether at original execution and delivery thereof or otherwise, for an amount higher than their principal evidenced thereby payable on the scheduled principal payment date thereof (or, in some cases, at their earlier prepayment date) ("Premium Certificates") will be treated as having amortizable premium. No deduction is allowable for the amortizable premium in the case of obligations, like those evidenced by the Premium Certificates, the interest with respect to which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Certificate, will be reduced by the amount of amortizable premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Certificates should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest evidenced by obligations such as the Certificates. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest evidenced by the Certificates will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest evidenced by the Certificates being included in gross income for federal income tax purposes, possibly from the date of original execution and delivery of the Certificates. The opinion of Special Counsel assumes the accuracy of these representations and compliance with these covenants. Special Counsel has not undertaken to determine (or to inform any person), whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Special Counsel's attention after the date of execution and delivery of the Certificates may adversely affect the value of, or the tax status of interest evidenced by, the Certificates. Accordingly, the opinion of Special Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Special Counsel is of the opinion that interest evidenced by the Certificates is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest evidenced by, the Certificates may otherwise affect a Certificate holder's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Special Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest evidenced by the Certificates to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Certificates. Prospective purchasers of the Certificates should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Special Counsel is expected to express no opinion.

The opinion of Special Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Special Counsel's judgment as to the proper treatment of the Certificates for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Special Counsel cannot give and has not given any opinion or assurance about the future activities of the District, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Special Counsel's engagement with respect to Certificates ends with the execution and delivery of the Certificates, and, unless separately engaged, Special Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Certificates in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Certificates for audit, or the course or result of such audit, or an audit of

obligations presenting similar tax issues may affect the market price for, or the marketability of, the Certificates, and may cause the District or the Beneficial Owners to incur significant expense.

CERTAIN LEGAL MATTERS

Orrick, Herrington & Sutcliffe LLP, Special Counsel to the District, will render its opinion with respect to the legality of the Lease Agreement and the Trust Agreement. A copy of its legal opinion will accompany the original delivery of each Certificate. The form of the legal opinion proposed to be delivered by Special Counsel is included as Appendix C to this Official Statement. Special Counsel, as such, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain other legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the District, for the Underwriter by James F. Anderson Law Firm, A Professional Corporation, Laguna Hills, California, and for the District and the Corporation by Atkinson, Andelson, Loya, Ruud & Romo, Cerritos, California.

FINANCIAL INTERESTS

The fees of Bond Counsel, Disclosure Counsel, Underwriter's Counsel and the Municipal Advisor are contingent upon the execution and delivery of the Certificates. Orrick, Herrington & Sutcliffe LLP represents the Stifel, Nicolaus & Company, Incorporated on matters unrelated to the Certificates.

While none of the District, the Corporation, nor the Underwriter believes that the following represent potential or actual material conflicts of interest, in 2017, 2018 and 2019, Stifel, Nicolaus & Company, Incorporated's Fabric of Society program provided scholarships to four graduating seniors attending San Jacinto High School.

MUNICIPAL ADVISOR

Fieldman, Rolapp & Associates, Inc. (the "Municipal Advisor"), has been engaged by the District to perform financial services in connection with the delivery of the Certificates and certain other financial matters. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. The Municipal Advisor is not contractually obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. The fees of the Municipal Advisor are contingent upon delivery of the Certificates.

ABSENCE OF MATERIAL LITIGATION

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or governmental or public entity pending or, to the best knowledge of the District, threatened against the District (i) which affects or seeks to prohibit, restrain or enjoin the execution or delivery of the Certificates, the Lease Agreement, the Ground Lease, the Trust Agreement, the Assignment Agreement or the Continuing Disclosure Agreement, (ii) contesting the validity of the Certificates, the Lease Agreement, the Ground Lease, the Trust Agreement, the Assignment Agreement or the Continuing Disclosure Agreement (as an if any of the same may then be executed and delivered), the powers of the District to enter into or perform its obligations under the Lease Agreement, the Ground Lease, the Trust Agreement or the Continuing Disclosure Agreement, or the existence or powers of the District, or (iii) which, if determined adversely to the District, would materially impair the District's ability to meet

its obligations under the Lease Agreement or materially and adversely affect the District's financial condition.

The District does have claims pending against it. The aggregate amount of the uninsured liabilities of the District which may result from all claims will not, in the opinion of the District, materially affect the District's finances or impair its ability to make Base Rental Payments under the Lease Agreement.

UNDERWRITING

The Certificates are expected to be purchased by Stifel, Nicolaus & Company, Incorporated (the "Underwriter") pursuant to a Certificate Purchase Agreement between the Underwriter and the Authority (the "Purchase Agreement"), the Underwriter has agreed to purchase the Certificates for an aggregate purchase price of $9,240,644.45, which represents the par amount of the Certificates, less original issue discount of $168,900.55, less an Underwriter's discount of $85,455.00. The Purchase Agreement provides that the Underwriter will purchase all of the Certificates, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions.

The Certificates may be offered and sold to certain dealers (including dealers depositing said Certificates into investment trusts) and others at prices lower than the initial public offering price, and the public offering price may be changed from time to time by the Underwriter.

MISCELLANEOUS

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

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

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

SAN JACINTO UNIFIED SCHOOL DISTRICT

By: /s/ Shari L. Fox
Shari L. Fox,
Interim Superintendent

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following summary discussion of selected provisions of the Lease Agreement, the Ground Lease, the Assignment Agreement and the Trust Agreement are made subject to all of the provisions of such documents. This summary discussion does not purport to be a complete statement of said provisions and prospective purchasers of the Certificates are referred to the complete texts of said documents, copies of which are available upon request sent to the Trustee.

DEFINITIONS

"Acquisition Costs" means all costs of acquiring, constructing and installing the Project, including but not limited to:

(a) all costs which the Corporation or the District shall be required to pay to a seller or any other Person under the terms of any contract or contracts for the purchase of any portion of the Project;

(b) all costs which the Corporation or the District shall be required to pay a contractor or any other Person for the acquisition, construction and installation of any portion of the Project;

(c) obligations of the Corporation or the District incurred for services (including obligations payable to the Corporation or the District for actual out-of-pocket expenses of the Corporation or the District) in connection with the acquisition, construction and installation of the Project, including reimbursement to the Corporation or the District for all advances and payments made in connection with the Project prior to or after delivery of the Certificates;

(d) the actual out-of-pocket costs of the Corporation or the District for test borings, surveys, estimates and preliminary investigations therefor, as well as for the performance of all other duties required by or consequent to the proper acquisition, construction and installation of the Project, including administrative expenses under the Lease Agreement and under the Trust Agreement relating to the acquisition, construction and installation of the Project;

(e) Costs of Issuance, to the extent amounts for the payment thereof are not available in the Costs of Issuance Fund; and

(f) any sums required to reimburse the Corporation or the District for advances made by the Corporation or the District for any of the above items or for any other costs incurred and for work done by the Corporation or the District which are properly chargeable to the Project.

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

"Additional Rental Payments" means all amounts payable by the District as Additional Rental Payments pursuant to the Lease Agreement.

"Asbestos Containing Materials" means material in friable form containing more than 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, dated as of the date of the Trust Agreement, by and between the Corporation and the Trustee, as originally executed and as it may from time to time be amended, supplemented or otherwise modified in accordance with the provisions thereof.

"Authorized Corporation Representative" means the President of the Corporation, the Vice President of the Corporation, the Chief Financial Officer of the Corporation and the Secretary of the Corporation, and any other person authorized by the Board of Directors of the Corporation to act on behalf of the Corporation under or with respect to the Trust Agreement.

"Authorized Denominations" means $5,000 or any integral multiple thereof.

"Authorized District Representative" means the Superintendent of the District, the Assistant Superintendent, Business Services of the District and the Executive Director of Business Services of the District, and any other person authorized by the Board of Trustees of the District to act on behalf of the District under or with respect to the Trust Agreement.

"Base Rental Deposit Date" means the 15th day next preceding each Interest Payment Date.

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

"Base Rental Payment Schedule" means the schedule of Base Rental Payments payable to the Corporation from the District pursuant to the Lease Agreement.

"Base Rental Payments" means all amounts payable to the Corporation by the District as Base Rental Payments pursuant to the Lease Agreement.

"Beneficial Owners" means those Persons for whom the Participants have caused the Depository to hold Book-Entry Certificates.

"Book-Entry Certificates" means the Certificates registered in the name of the nominee of DTC, or any successor securities depository for the Certificates, as the registered owner thereof pursuant to the terms and provisions of the Trust Agreement.

"Business Day" means a day other than (a) Saturday or Sunday, (b) a day on which banking institutions in the city or cities in which the Principal Office of the Trustee is located are authorized or required by law to be closed, or (c) a day on which the New York Stock Exchange is closed.

"California State School Facility Program" means the Leroy Greene School Facilities Act of 1998 (commencing with Section 17070.10 of the California Education Code) or any successor statute thereto.

"Cede & Co." means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Certificates.

"Certificate Purchase Agreement" means the Certificate Purchase Agreement, by and between the Purchaser and the District relating to the Certificates.

"Certificate Year" means each twelve-month period beginning on September 1 in each year and extending to the next succeeding August 31, both dates inclusive, except that the first Certificate Year shall begin on the Delivery Date and end on August 31, 2020.

"Certificates" means the San Jacinto Unified School District Certificates of Participation (2020 Financing), executed and delivered by the Trustee pursuant to the Trust Agreement.

"Code" means the Internal Revenue Code of 1986.

"Continuing Disclosure Agreement" means the Continuing Disclosure Agreement, dated as of the date of the Trust Agreement, by and between the District and the Trustee, as originally executed and as it may from time to time be amended, supplemented or otherwise modified in accordance with the provisions thereof.

"Corporation" means the San Jacinto Unified School District School Facilities Corporation, a nonprofit public benefit corporation organized and existing under the laws of the State of California, and its successors.

"Corporation Event of Default" means an event described as such pursuant to the Lease Agreement summarized under the heading "DEFAULT AND REMEDIES – Corporation Event of Default; Action on Corporation Event of Default."

"Costs of Issuance" means all the costs of executing and delivering the Certificates, including all printing and document preparation expenses in connection with the Trust Agreement, the Lease Agreement, the Ground Lease, the Assignment Agreement, the Certificates and the preliminary official statement and final official statement pertaining to the Certificates, rating agency fees, title insurance fees, market study fees, legal fees and expenses of counsel with respect to the execution and delivery of the Certificates, any computer and other expenses incurred in connection with the Certificates, the fees and expenses of the Trustee including fees and expenses of its counsel, the fees and expenses of any municipal advisor to the District, any premium for municipal bond insurance or a reserve surety, and other fees and expenses incurred in connection with the execution of the Certificates, to the extent such fees and expenses are approved by the District.

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

"Defeasance Securities" means (a) non-callable direct obligations of the United States of America ("United States Treasury Obligations"), (b) evidences of ownership of proportionate interests in future interest and principal payments on United States Treasury Obligations held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying United States Treasury Obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated, (c) subject to the prior written consent of the Insurer, pre-refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively, or (d) subject to the prior written consent of the Insurer, securities eligible for "AAA" defeasance under then existing criteria of S&P, or any combination thereof.

"Delivery Date" means the date of delivery of the Certificates.

"Depository" means the securities depository acting as Depository pursuant to the Trust Agreement.

"District" means the San Jacinto Unified School District, a school district organized and existing under the laws of the State of California, and its successors.

"DTC" means The Depository Trust Company, New York, New York and its successors.

"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.

"Fair Rental Value" means, with respect to the Property, the annual fair rental value thereof, as set forth in the Lease Agreement.

"General Obligation Bond Proceeds" means proceeds received by the District from the issuance and sale of bonds of the District (or a school facilities improvement district formed by the District) pursuant to the provisions of California Education Code Section 15100 *et seq.,* Section 15264 *et seq.* or Section 15300 *et seq.,* or California Government Code Section 53506 *et seq.*

"Ground Lease" means the Ground Lease, dated as of the date of the Trust Agreement, by and between the District and the Corporation, as originally executed and as it may from time to time be amended, supplemented or otherwise modified in accordance with the provisions thereof and of the Lease Agreement.

"Hazardous Materials" means 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 Corporation, the District, the Property or the business operations conducted by the Corporation or the District thereon.

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

"Insolvency Proceeding" has the meaning ascribed to such term in the Trust Agreement.

"Insurance Business Day" means any day other than (a) a Saturday or Sunday, (b) any day on which the Principal Office of the Trustee or the principal office of the Insurer are closed, and (c) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York.

"Insurance Policy" means the Municipal Bond Insurance Policy, and any endorsement thereto, issued by the Insurer guaranteeing the scheduled payment of the interest and principal evidenced by the Certificates when due, or any insurance policy substituted for said Municipal Bond Insurance Policy.

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

"Insurer Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A., at its principal office in the City of New York, New York, as its prime or base lending rate (the "Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank, N.A.) plus 3.0%, and (ii) the then applicable highest rate of interest evidenced by the Certificates, and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. Interest at the Insurer Rate shall be computed on the basis of the actual days elapsed over a year of 360 days. In the event JPMorgan Chase Bank, N.A., ceases to announce its Prime Rate, the Prime Rate shall be the prime rate or base lending rate of such other bank, banking association or trust company as the Insurer, in its sole and absolute discretion, shall designate.

"Insurer's Fiscal Agent" means a fiscal agent appointed by the Insurer for purposes of, and in accordance with the terms contained in, the Insurance Policy.

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

"Interest Payment Date" means March 1 and September 1 of each year commencing September 1, 2020.

"Laws and Regulations" means any applicable law, regulation, code, order, rule, judgment or consent agreement, including those relating to zoning, building, use and occupancy, fire safety, health, sanitation, air pollution, ecological matters, environmental protection, hazardous or toxic materials, substances or wastes, conservation, parking, architectural barriers to the handicapped, or restrictive covenants or other agreements affecting title to the Property.

"Lease Agreement" means the Lease Agreement, dated as of the date of the Trust Agreement, by and between the District and the Corporation, as originally executed and as it may from time to time be amended, supplemented or otherwise modified in accordance with the provisions thereof.

"Letter of Representations" means the letter of the District delivered to and accepted by the Depository on or prior to the delivery of the Certificates as Book-Entry Certificates setting forth the basis on which the Depository serves as depository for such Book-Entry Certificates, as originally executed or as it may be amended or supplemented or replaced by a letter to a substitute Depository.

"Mandatory Sinking Account Payment" means the principal evidenced by the Certificates required to be paid on each Mandatory Sinking Account Payment Date pursuant to the Trust Agreement.

"Mandatory Sinking Account Payment Date" means (a) for the Certificates with a stated Principal Payment Date of September 1, 2028, September 1, 2021 and each September 1 thereafter continuing through and including September 1, 2028, (b) for the Certificates with a stated Principal Payment Date of September 1, 2031, September 1, 2029 and each September 1 thereafter continuing through and including September 1, 2031, (c) for the Certificates with a stated Principal Payment Date of September 1, 2034, September 1, 2032 and each September 1 thereafter continuing through and including September 1, 2034, (d) for the Certificates with a stated Principal Payment Date of September 1, 2036, September 1, 2035 and September 1, 2036, (e) for the Certificates with a stated Principal Payment Date of September 1, 2038, September 1, 2037 and September 1, 2038, and (f) for the Certificates with a stated Principal Payment Date of September 1, 2040, September 1, 2039 and September 1, 2040.

"Moody's" means Moody's Investors Service, Inc., its successors and assigns, and, if Moody's Investors Service, Inc., shall for any reason no longer perform the functions of a securities rating agency "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the District.

"Net Proceeds" means any insurance proceeds or condemnation award in excess of $50,000 paid with respect to any of the Property, remaining after payment therefrom of all reasonable expenses incurred in the collection thereof.

"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 written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the District.

"Outstanding," means, with respect to the Certificates, as of any date, Certificates theretofore or thereupon being executed and delivered under the Trust Agreement, except (a) Certificates canceled by the Trustee or delivered to the Trustee for cancellation on or prior to such date, (b) Certificates in lieu of which other Certificates have been executed and delivered, or that have been paid without surrender thereof pursuant to the provisions of the Trust Agreement described under the heading "TERMS AND CONDITIONS OF CERTIFICATES – Certificates Mutilated, Lost, Destroyed or Stolen," and (c) Certificates paid or deemed to have been paid within the meaning of the provisions of the Trust Agreement described under the heading "DEFEASANCE – Certificates Deemed to Have Been Paid."

"Owner" means, with respect to a Certificate, the Person in whose name such Certificate is registered on the Registration Books.

"Participating Underwriter" has the meaning ascribed to such term in the Continuing Disclosure Agreement.

"Participant" means any entity which is recognized as a participant by the Depository in the book-entry system of maintaining records with respect to Book-Entry Certificates.

"Permitted Encumbrances" means, with respect to the Property, as of any particular time, (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the District may, pursuant to provisions of the Lease Agreement described under the heading "REPRESENTATIONS AND WARRANTIES; COVENANTS – Taxes," permit to remain unpaid, (b) the Assignment Agreement, (c) the Lease Agreement, (d) the Ground Lease, (e) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law as normally would exist with respect to properties similar to the Property for the purposes for which it was acquired or is held by the District, (f) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions that exist of record as of the Delivery Date that the District certifies in writing will not affect the intended use of the Property or impair the security granted to the Trustee for the benefit of the Owners of the Certificates by the Trust Agreement and the Assignment Agreement, and (g) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the Delivery Date that the District certifies in writing do not affect the intended use of the Property or impair the security granted to the Trustee for the benefit of the Owners of the Certificates by the Trust Agreement and the Assignment Agreement and to which the Corporation and the Insurer consents in writing.

"Permitted Investments" means the following:

(a) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), and obligations of any agency, department or instrumentality of the United States of America the timely payment of principal of and interest on which are fully guaranteed by the United States of America ("Federal Securities);

(b) any of the following direct or indirect obligations of the following agencies of the United States of America: (i) direct obligations of the Export-Import Bank; (ii) certificates of beneficial ownership issued by the Farmers Home Administration; (iii) participation certificates issued by the General Services Administration; (iv) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Federal Housing Administration; (v) project notes issued by the United States Department of Housing and Urban Development; and (vi) public housing notes and bonds guaranteed by the United States of America;

(c) interest-bearing demand deposit accounts or time deposits (including certificates of deposit) in a federal or state chartered bank (including the Trustee and its affiliates) or a state licensed branch of a foreign bank or a state or federal association (as defined in Section 5102 of the California Financial Code), provided that (i) the unsecured short-term obligations of such commercial bank or savings and loan association shall be rated A1 or better by S&P, or (ii) such demand deposit accounts or time deposits shall be fully insured by the Federal Deposit Insurance Corporation;

(d) commercial paper rated in the highest short-term rating category by S&P, issued by corporations which are organized and operating within the United States of America, and which matures not more than 180 days following the date of investment therein;

(e) bankers acceptances, consisting of bills of exchange or time drafts drawn on and accepted by a commercial bank whose short-term obligations are rated in the highest short term rating category by S&P, which mature not more than 270 days following the date of investment therein;

(f) obligations the interest on which is excludable from gross income pursuant to Section 103 of the Code and which are rated A or better by S&P;

(g) obligations issued by any corporation organized and operating within the United States of America having assets in excess of $500,000,000, which obligations are rated A or better by S&P;

(h) money market funds which are rated Am or better by S&P, including funds for which the Trustee and its affiliates provide investment advisory or other management services;

(i) an investment agreement or guaranteed investment contract with, or guaranteed by, a financial institution or corporation, the long-term unsecured obligations of which are or, in the case of an insurance company, the long term financial strength of which is, rated "AA-" or better by S&P at the time of initial investment; provided, that the investment agreement shall be subject to a downgrade provision with at least the following requirements:

(1) the agreement shall provide that within ten Business Days after the financial institution's long-term unsecured credit rating has been withdrawn, suspended, or

reduced below "AA-" by S&P (such events referred to as "rating downgrades") the financial institution shall give notice to the District and the Trustee and, within such ten-day period, and for as long as the rating downgrade is in effect, shall deliver in the name of the Trustee Federal Securities with an aggregate current market value equal to at least 105% of the principal amount of the investment agreement invested with the financial institution at that time, and shall deliver additional Federal Securities as needed to maintain an aggregate current market value equal to at least 105% of the principal amount of the investment agreement within three days after each evaluation date, which shall be at least weekly, and

(2) the agreement shall provide that, if the financial institution's long-term unsecured credit rating is reduced below "A-" by S&P, the financial institution shall give notice of the downgrade to the District and the Trustee within five Business Days, and the Trustee may, upon five Business Days' written notice to the financial institution, withdraw all amounts invested pursuant to the investment agreement, with accrued but unpaid interest thereon to the withdrawal date, and terminate the agreement.

(j) repurchase agreements with (i) any domestic bank, or domestic branch of a foreign bank, the long-term debt of which is rated at least "A" by S&P and Moody's; (ii) 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 "A" by S&P and Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (iii) any other entity (or entity whose obligations are guaranteed by an affiliate or parent company) rated at least "A" by S&P and Moody's, provided that:

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

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

(3) the repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral 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 Holder of the Collateral is in possession);

(4) all other requirements of S&P and Moody's in respect of repurchase agreements shall be met; and

(5) the repurchase agreement shall provide that if during its term the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3" respectively, the provider must immediately notify the District and Trustee and the provider must, at the direction of the District or the Trustee, within 10 days of receipt

of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the District or Trustee.

"Persons" means an individual, corporation, firm, association, partnership, limited liability company, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Policy Payments Account" means the account by that name established and held by the Trustee pursuant to the Trust Agreement.

"Preference Claim" has the meaning ascribed to such term in the Trust Agreement.

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

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

"Principal Office" means the Trustee's principal corporate trust office in St. Paul, Minnesota, or any other office designated by the Trustee.

"Principal Payment Date" means, with respect to a Certificate, the date on which the principal evidenced by such Certificate is scheduled, as of the date of execution and delivery of such Certificate, to become due and payable.

"Project" consists of the acquisition, construction, installation, improvement and equipping of certain schools and other capital facilities, including a classroom building and related school facilities for a new middle school.

"Property" means the real property described in Exhibit B to the Lease Agreement and any improvements thereto.

"Purchaser" means Stifel, Nicolaus & Company, Incorporated, as underwriter and purchaser of the Certificates pursuant to the Certificate Purchase Agreement.

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

"Rebate Requirement" has the meaning ascribed to such term in the Tax Certificate.

"Record Date" means, with respect to any Interest Payment Date, the fifteenth day of the calendar month immediately preceding such Interest Payment Date, whether or not such day is a Business Day.

"Registration Books" means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Certificates pursuant to the Trust Agreement.

"Release" means to pump, spill, leak, dispose of, empty, discharge or release.

"Rental Payments" means, collectively, the Base Rental Payments and the Additional Rental Payments.

"Rental Period" means the period from the Delivery Date through June 30, 2020 and, thereafter, the twelve-month period commencing on July 1 of each year during the term of the Lease Agreement.

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

"Reserve Fund" means the fund by that name established in accordance with the Trust Agreement.

"Reserve Insurer" means Build America Mutual Assurance Company, a New York mutual insurance corporation, or any successor thereto or assignee thereof.

"Reserve Policy" means the Municipal Bond Debt Service Reserve Insurance Policy, and any endorsement thereto, issued by the Reserve Insurer under which claims may be made in order to provide moneys in the Reserve Fund available for the purposes thereof.

"Reserve Requirement" means, as of any date of calculation, an amount equal to the least of (a) "10% of the proceeds of the issue," within the meaning of Section 148 of the Code, (b) the maximum amount of principal and interest evidenced by the Certificates coming due in any Certificate Year, and (c) 125% of the average amount of principal and interest evidenced by the Certificates coming due in each Certificate Year.

"S&P" means S&P Global Ratings, a business unit of Standard and Poor's Financial Services, LLC, its successors and assigns, and, if S&P Global Ratings shall for any reason no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the District.

"Scheduled Termination Date" means September 1, 2040.

"State Reimbursement Funds" means funds received by the District under the California State School Facility Program.

"Supplemental Annual Premium" means, as of any date, an amount equal to the product of (a) 0.0005, times (b) the amount of principal evidenced by Certificates Outstanding as of such date.

"Tax Certificate" means the Tax Certificate executed by the District at the time of execution and delivery of the Certificates relating to the requirements of Section 148 of the Code, as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

"Trust Agreement" means the Trust Agreement, dated as of April 1, 2020, by and among the Trustee, the Corporation and the District, as originally executed and as it may from time to time be amended, supplemented or otherwise modified in accordance with the provisions thereof.

"Trustee" means U.S. Bank National Association, as trustee under the Trust Agreement, or any successor thereto as Trustee under the Trust Agreement substituted in its place as provided in the Trust Agreement.

"Verification Report" means, with respect to the deemed payment of Certificates pursuant to clause (ii) of subsection (a) of the provisions of the Trust Agreement described under the heading "DEFEASANCE − Certificates Deemed To Have Been Paid," a report of a nationally recognized certified public accountant, or firm of such accountants, verifying that the Defeasance Securities and cash, if any, deposited in connection with such deemed payment satisfy the requirements of clause (ii) of subsection (a)

of the provisions of the Trust Agreement described under the heading "DEFEASANCE − Certificates Deemed To Have Been Paid."

"Written Certificate of the Corporation" means a written certificate signed in the name of the Corporation by an Authorized Corporation Representative. Any such certificate may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

"Written Certificate of the District" or **"Written Request of the District"** means, respectively, a written certificate or written request signed in the name of the District by an Authorized District Representative. Any such certificate or request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

THE GROUND LEASE

LEASE OF THE PROPERTY; RENTAL

Lease of Property. The District leases to the Corporation, and the Corporation leases from the District, for the benefit of the Owners of the Certificates, the Property, subject only to Permitted Encumbrances, to have and to hold for the term of the Ground Lease.

Rental. The Corporation shall pay, or cause to be paid, to the District as and for rental of the Property under the Ground Lease, an amount set forth in the Ground Lease (the "Ground Lease Payment"). The Ground Lease Payment shall be paid from the proceeds of the Certificates; provided, however, that in the event the available proceeds of the Certificates are not sufficient to enable the Corporation to pay such amount in full, the remaining amount of the Ground Lease Payment shall be reduced to an amount equal to the amount of such available proceeds. The District shall deposit the Ground Lease Payment in one or more separate funds or accounts to be held and administered for the purpose of financing the Project.

Pursuant to the Ground Lease, the Corporation and the District find and determine that the amount of the Ground Lease Payment does not exceed the fair market value of the leasehold interest in the Property which is conveyed under the Ground Lease by the District to the Corporation. No other amounts of rental shall be due and payable by the Corporation for the use and occupancy of the Property under the Ground Lease.

QUIET ENJOYMENT

The parties intend that the Property will be leased back to the District pursuant to the Lease Agreement for the term thereof. It is further intended that, to the extent provided in the Ground Lease and in the Lease Agreement, if an event of default occurs under the Lease Agreement, the Corporation, or its assignee, will have the right, for the then remaining term of the Ground Lease to (a) take possession of the Property, (b) if it deems it appropriate, cause an appraisal of the Property and a study of the then reasonable use thereof to be undertaken, and (c) relet the Property. Subject to any rights the District may have under the Lease Agreement (in the absence of an event of default) to possession and enjoyment of the Property, the District covenants and agrees that it will not take any action to prevent the Corporation from having quiet and peaceable possession and enjoyment of the Property during the term of the Ground Lease and will, at the request of the Corporation and at the District's cost, to the extent that it may lawfully do so, join in any legal action in which the Corporation asserts its right to such possession and enjoyment.

SPECIAL COVENANTS AND PROVISIONS

Waste. The Corporation agrees that at all times that it is in possession of the Property, it will not commit, suffer or permit any waste on the Property, and that it will not willfully or knowingly use or permit the use of the Property for any illegal purpose or act.

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

Waiver of Personal Liability. All liabilities under the Ground Lease on the part of the Corporation shall be solely liabilities of the Corporation as a nonprofit public benefit corporation, and the District

releases each and every director, officer and employee of the Corporation of and from any personal or individual liability under the Ground Lease. No director, officer or employee of the Corporation shall at any time or under any circumstances be individually or personally liable under the Ground Lease to the District or to any other party whomsoever for anything done or omitted to be done by the Corporation under the Ground Lease.

All liabilities under the Ground Lease on the part of the District shall be solely liabilities of the District as a school district, and the Corporation releases each and every member, officer and employee of the District of and from any personal or individual liability under the Ground Lease. No member, officer or employee of the District shall at any time or under any circumstances be individually or personally liable under the Ground Lease to the Corporation or to any other party whomsoever for anything done or omitted to be done by the District under the Ground Lease.

Taxes. The District covenants and agrees to pay any and all assessments of any kind or character and also all taxes, including possessory interest taxes, levied or assessed upon the Property.

Right of Entry. The District reserves the right for any of its duly authorized representatives to enter upon the Property at any reasonable time to inspect the same.

Representations of the District. The District represents and warrants to the Corporation, the Insurer and the Trustee as follows:

(a) the District has the full power and authority to enter into, to execute and to deliver the Ground Lease, and to perform all of its duties and obligations under the Ground Lease, and has duly authorized the execution of the Ground Lease;

(b) except for Permitted Encumbrances, the Property is not subject to any dedication, easement, right of way, reservation in patent, covenant, condition, restriction, lien or encumbrance which would prohibit or materially interfere with the use of the Property for school purposes as contemplated by the District;

(c) all taxes, assessments or impositions of any kind with respect to the Property, except current taxes, have been paid in full; and

(d) the Property is necessary to the District in order for the District to perform its governmental function relating to public education.

Representations of the Corporation. The Corporation represents and warrants to the District, the Insurer and the Trustee that the Corporation has the full power and authority to enter into, to execute and to deliver the Ground Lease, and to perform all of its duties and obligations under the Ground Lease, and has duly authorized the execution and delivery of the Ground Lease.

ASSIGNMENT, SELLING AND SUBLEASING

Assignment to Trustee; Third-Party Beneficiaries. (a) The District acknowledges and agrees that upon the execution and delivery of the Assignment Agreement (which is occurring simultaneously with the execution and delivery of the Ground Lease), substantially all right, title and interest of the Corporation in and to the Ground Lease will be sold, assigned and transferred to the Trustee for the benefit of the Owners of the Certificates. The District consents to such sale, assignment and transfer. Upon the execution and delivery of the Assignment Agreement, references in the operative provisions of the Ground Lease to the Corporation shall be deemed to be references to the Trustee, as assignee of the Corporation.

(b) The District consents to the Trust Agreement and acknowledges and agrees to the rights of the Trustee and the Insurer as set forth therein.

(c) As a material inducement to the Trustee and the Insurer, the Corporation and the District agree that the Trustee and the Insurer shall be third-party beneficiaries of the Ground Lease.

Assignment, Selling and Subleasing. The Ground Lease may be assigned or sold, and the Property may be subleased, as a whole or in part, by the Corporation, with the prior written consent of the Insurer, or at the direction of the Insurer (so long as the Insurer is not in default in its payment obligations under the Insurance Policy), without the necessity of obtaining the consent of the District, if an event of default occurs under the Lease Agreement. The Corporation shall, within 30 days after such an assignment, sale or sublease, furnish or cause to be furnished to the District a true and correct copy of such assignment, sublease or sale, as the case may be.

Restrictions on District. The District agrees that, except with respect to Permitted Encumbrances and except as provided in the Ground Lease, it will not mortgage, sell, encumber, assign, transfer or convey the Property or any portion thereof during the term of the Ground Lease.

IMPROVEMENTS

Title to all improvements made on the Property during the term of the Ground Lease shall vest in the District, but shall be subject to the terms of the Ground Lease.

TERM; TERMINATION

Term. The term of the Ground Lease shall commence as of the date of commencement of the term of the Lease Agreement and shall remain in full force and effect from such date to and including the Scheduled Termination Date, unless such term is extended or sooner terminated as provided in the Ground Lease.

Extension; Early Termination. If, on the Scheduled Termination Date, the Certificates shall not be fully paid, or provision therefor made in accordance with the defeasance provisions of the Trust Agreement, or the Trust Agreement shall not be discharged by its terms, or if the Rental Payments payable under the Lease Agreement shall have been abated at any time, then the term of the Ground Lease shall be automatically extended until the date upon which all Certificates shall be fully paid, or provision therefor made in accordance with the defeasance provisions of the Trust Agreement, and the Trust Agreement shall be discharged by its terms, except that the term of the Ground Lease shall in no event be extended more than ten years beyond the Scheduled Termination Date. If, prior to the Scheduled Termination Date, all Certificates shall be fully paid, or provision therefor made in accordance with the defeasance provisions of the Trust Agreement, and the Trust Agreement shall be discharged by its terms, the term of the Ground Lease shall end simultaneously therewith.

Action on Default. In each and every case upon the occurrence and during the continuance of a default by the Corporation under the Ground Lease, the District shall have all the rights and remedies permitted by law, except the District, to the extent permitted by law, waives any and all rights to terminate the Ground Lease.

Amendments; Substitution and Release. The Ground Lease may be amended, changed, modified, altered or terminated (subject to the prior written consent of the Insurer) only in accordance with the provisions of the Lease Agreement. The District shall have the right to substitute alternate real property for the Property or to release portions of the Property as provided in the Lease Agreement.

Governing Law. The Ground Lease shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

THE LEASE AGREEMENT

LEASE OF PROPERTY; TERM

Lease of Property. The Corporation leases to the District and the District leases from the Corporation the Property, on the terms and conditions set forth in the Lease Agreement and subject to all Permitted Encumbrances.

The leasing of the Property by the District to the Corporation pursuant to the Ground Lease shall not effect or result in a merger of the District's leasehold estate in the Property as lessee under the Lease Agreement and its fee estate in the Property as lessor under the Ground Lease, and the Corporation shall continue to have a leasehold estate in the Property pursuant to the Ground Lease throughout the term thereof and of the Lease Agreement. The Lease Agreement shall constitute a sublease with respect to the Property. The leasehold interest in the Property granted by the District to the Corporation pursuant to the Ground Lease is and shall be independent of the Lease Agreement; the Lease Agreement shall not be an assignment or surrender of the leasehold interest in the Property granted to the Corporation under the Ground Lease.

Term; Occupancy. The term of the Lease Agreement shall commence on the Delivery Date and shall end on the Scheduled Termination Date, unless such term is extended or sooner terminated as provided in the Lease Agreement. If on the Scheduled Termination Date the Certificates shall not be fully paid, or provision therefor made in accordance with the defeasance provisions of the Trust Agreement, or the Trust Agreement shall not be discharged by its terms, or if the Rental Payments shall remain due and payable or shall have been abated at any time and for any reason, then the term of the Lease Agreement shall be automatically extended until the date upon which all Certificates shall be fully paid, or provision therefor made in accordance with the defeasance provisions of the Trust Agreement, and the Trust Agreement shall be discharged by its terms and all Rental Payments shall have been paid in full, except that the term of the Lease Agreement shall in no event be extended more than ten years beyond the Scheduled Termination Date. If prior to the Scheduled Termination Date, or prior to the date to which the term of the Lease Agreement has been extended pursuant to the Lease Agreement, all Certificates shall be fully paid, or provision therefor made in accordance with the defeasance provisions of the Trust Agreement, the Trust Agreement shall be discharged by its terms and all Rental Payments shall have been paid in full, the term of the Lease Agreement shall end simultaneously therewith.

The District shall take possession of the Property on the Delivery Date.

RENTAL PAYMENTS

Base Rental Payments. (a) *General.* Subject to the provisions of the Lease Agreement relating to Rental Abatement, the provisions of the Lease Agreement summarized under the heading "EMINENT DOMAIN; PREPAYMENT" and the provisions of the Lease Agreement relating to a revision of the Base Rental Payment Schedule pursuant to paragraph (b) below, the District shall pay to the Corporation, as Base Rental Payments, the amounts, at the times, specified in the Base Rental Payment Schedule, a portion of which Base Rental Payments shall constitute principal components and a portion of which shall constitute interest components. The interest components of the Base Rental Payments shall be paid by the District as and constitute interest paid on the principal components of the Base Rental Payments. Except to the extent specified in the rental abatement provisions of the Lease Agreement, Rental Payments, including Base Rental Payments, shall be paid by the District to the Corporation for and in consideration of the right to use and occupy the Property and in consideration of the continued right to the quiet use and enjoyment thereof during each Rental Period for which such Rental Payments are to be paid.

The obligation of the District to make the Base Rental Payments does not constitute a debt of the District or of the State of California 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 of California is obligated to levy or pledge any form of taxation or for which the District or the State of California has levied or pledged any form of taxation.

(b) *Payments other than Regularly Scheduled Payments.* If the term of the Lease Agreement shall have been extended pursuant to the provisions thereof, the obligation of the District to pay Rental Payments shall continue to and including the date of termination of the term of the Lease Agreement as so extended. Upon such extension, the principal and interest components of the Base Rental Payments shall be established so that the principal components will in the aggregate be sufficient to pay all extended and unpaid principal components and the interest components will in the aggregate be sufficient to pay all extended and unpaid interest components; provided, however, that the Rental Payments payable in any Rental Period shall not exceed the annual fair rental value of the Property.

Additional Rental Payments. The District shall also pay, as Additional Rental Payments, such amounts as shall be required for the payment of the following:

(a) all taxes and assessments of any type or nature charged to the Corporation or the District or affecting the Property or the respective interests or estates of the Corporation or the District therein;

(b) all reasonable administrative costs of the Corporation relating to the Property including, but without limiting the generality of the foregoing, salaries, wages, fees and expenses, compensation and indemnification of the Trustee payable by the Corporation under the Trust Agreement, fees of auditors, accountants, attorneys or engineers, and all other necessary and reasonable 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 Trust Agreement or the Lease Agreement or to defend the Corporation and its members, directors, officers, agents and employees;

(c) insurance premiums for all insurance required pursuant to the Lease Agreement;

(d) any amounts with respect to the Lease Agreement, the Trust Agreement or the Certificates required to be rebated to the federal government in accordance with section 148(f) of the Code;

(e) all Supplemental Annual Premiums; and

(f) all other payments not constituting Base Rental Payments required to be paid by the District under the provisions of the Lease Agreement or the Trust Agreement, including any other amounts payable to the Insurer or the Reserve Insurer.

Amounts constituting Additional Rental Payments payable under the Lease Agreement shall be paid by the District directly to the person or persons to whom such amounts shall be payable. The District shall pay all such amounts when due or at such later time as such amounts may be paid without penalty or, in any other case, within 60 days after notice in writing from the Trustee to the District stating the amount of Additional Rental Payments then due and payable and the purpose thereof.

Fair Rental Value. The parties to the Lease Agreement have agreed and determined that the Rental Payments are not in excess of the Fair Rental Value of the Property. In making such determination of Fair Rental Value, consideration has been given to the uses and purposes that may be served by the Property

and the benefits therefrom that will accrue to the District and the general public. Payments of the Rental Payments for the Property during each Rental Period shall constitute the total rental for said Rental Period.

Payment Provisions. Each installment of Base Rental Payments payable under the Lease Agreement shall be paid in lawful money of the United States of America to or upon the order of the Trustee, as assignee of the Corporation, at the Principal Office of the Trustee, or such other place or entity as the Trustee shall designate. Each Base Rental Payment shall be deposited with the Trustee, as assignee of the Corporation, no later than the Base Rental Deposit Date preceding the Interest Payment Date on which such Base Rental Payment is due. Any Base Rental Payment that shall not be paid by the District when due and payable under the terms of the Lease Agreement shall bear interest from the date when the same is due thereunder until the same shall be paid (a) at the Insurer Rate to the extent that (i) such Base Rental Payment has been paid to the Owners, on behalf of the District, by the Insurer pursuant to the Insurance Policy or (ii) such Base Rental Payment has been paid to the Owners, on behalf of the District, from moneys on deposit in the Reserve Fund as a result of a payment under the Reserve Policy, or (b) in all other cases, at the rate equal to the highest rate of interest evidenced by any of the Outstanding Certificates. Notwithstanding any dispute between the Corporation and the District, the District shall make all Rental Payments when due without deduction or offset of any kind and shall not withhold any Rental Payments pending the final resolution of such dispute. In the event of a determination that the District was not liable for said Rental Payments or any portion thereof, said payments or excess of payments, as the case may be, shall be credited against subsequent Rental Payments due under the Lease Agreement or refunded at the time of such determination. Amounts required to be deposited by the District with the Trustee pursuant to the provisions of the Lease Agreement summarized in this paragraph on any date shall be reduced to the extent of available amounts on deposit in the Base Rental Payment Fund, the Interest Fund or the Principal Fund.

Appropriations Covenant. The District covenants to take such action as may be necessary to include all Rental Payments due under the Lease Agreement as a separate line item in its annual budgets and to make necessary annual appropriations for all such Rental Payments. The covenants on the part of the District contained in the Lease Agreement shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the 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 Agreement agreed to be carried out and performed by the District.

Rental Abatement. (a) Except as otherwise specifically provided in the Lease Agreement, during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the District's right to use and occupy any portion of the Property, Rental Payments shall be abated proportionately, and the District waives the benefits of California Civil Code Sections 1932(1), 1932(2) and 1933(4) and any and all other rights to terminate the Lease Agreement by virtue of any such interference, and the Lease Agreement shall continue in full force and effect. The District and the Corporation shall, in a reasonable manner and in good faith determine the amount of such abatement; provided, however, that the Rental Payments due for any Rental Period shall not exceed the annual fair rental value of that portion of the Property available for use and occupancy by the District during such Rental Period. The District and the Corporation shall provide the Trustee and the Insurer with a certificate setting forth the amount of abatement and the basis therefor. Such abatement shall continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Property, ending with the substantial completion of the work of repair or replacement of the Property, or the portion thereof so damaged or destroyed; and, to the extent necessary to pay unpaid Rental Payments, the term of the Lease Agreement shall be extended as provided therein, except that the term of the Lease Agreement shall in no event be extended more than ten years beyond the Scheduled Termination Date.

Notwithstanding the foregoing, to the extent that moneys are available for the payment of Rental Payments in any of the funds and accounts established under the Trust Agreement, Rental Payments shall not be abated as provided above but, rather, shall be payable by the District as a special obligation payable solely from said funds and accounts.

Supplemental Annual Premium. Commencing on September 2, 2025, and on each September 2 thereafter, there shall become payable by the District to the Insurer a Supplemental Annual Premium for the amount of principal evidenced by Certificates Outstanding as of such September 2, which Supplemental Annual Premium shall be due and payable on such September 2.

MAINTENANCE; ALTERATIONS AND ADDITIONS

Maintenance and Utilities. Throughout the term of the Lease Agreement, as part of the consideration for rental of the Property, all improvement, repair and maintenance of the Property shall be the responsibility of the District, and the District shall pay for or otherwise arrange for the payment of all utility services supplied to the Property, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, ventilation, air conditioning, water and all other utility services, and shall pay for or otherwise arrange for 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 assignee or sublessee thereof. In exchange for the Rental Payments, the Corporation agrees to provide only the Property.

Additions to Property. Subject to the provisions of the Lease Agreement summarized under the heading "REPRESENTATIONS AND WARRANTIES; COVENANTS – Liens," the District and any sublessee shall, at its own expense, have the right to make additions, modifications and improvements to the Property. To the extent that the removal of such additions, modifications or improvements would not cause material damage to the Property, such additions, modifications and improvements shall remain the sole property of the District or such sublessee, and neither the Corporation nor the Trustee shall have any interest therein. Such additions, modifications and improvements shall not in any way damage the Property or cause it to be used for purposes other than those authorized under the provisions of state and federal law; and the Property, upon completion of any additions, modifications and improvements made pursuant to the provisions of the Lease Agreement summarized in this paragraph, shall be of a value which is at least equal to the value of the Property immediately prior to the making of such additions, modifications and improvements.

Installation of District's Equipment. The District and any sublessee may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed items of equipment or other personal property in or upon the Property. All such items shall remain the sole property of the District or such sublessee, and neither the Corporation nor the Trustee shall have any interest therein. The District or such sublessee may modify or remove such equipment or other personal property at any time, provided that such party shall repair and restore any and all damage to the Property resulting from the installation, modification or removal of any such items. Nothing in the Lease Agreement shall prevent the District or any sublessee from purchasing items to be installed pursuant to the provisions of the Lease Agreement summarized in this paragraph under a conditional sale or lease purchase contract, or subject to a vendor's lien or security agreement as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Property.

INSURANCE

Property Casualty Insurance; Rental Interruption Insurance. (a) The District shall maintain or cause to be maintained, throughout the term of the Lease Agreement, a standard comprehensive general liability insurance policy or policies in protection of the District, the Corporation and their respective members,

directors, officers, agents and employees. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the use or ownership of the Property. Said policy or policies shall provide coverage in the minimum liability limits of $1,000,000 for personal injury or death of each person and $3,000,000 for personal injury or deaths of two or more persons in a single accident or event, and in a minimum amount of $500,000 for damage to property (subject to a deductible clause of not to exceed $100,000) resulting from a single accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of $3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried or required to be carried by the District, and may be maintained in whole or in part in the form of self-insurance by the District, provided that such self-insurance complies with the provisions of the Lease Agreement. The Net Proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the Net Proceeds of such insurance shall have been paid.

(b) The District shall maintain or cause to be maintained, throughout the term of the Lease Agreement, workers' compensation insurance issued by a responsible carrier authorized under the laws of the State of California to insure employers against liability for compensation under the California Labor Code, or any act enacted as an amendment or supplement thereto or in lieu thereof, such workers' compensation insurance to cover all persons employed by the District in connection with the Property and to cover full liability for compensation under any such act. The District's obligations under the Lease Agreement summarized in this paragraph may be satisfied by self-insurance, provided that such self-insurance complies with the provisions of the Lease Agreement.

(c) The District shall maintain or cause to be maintained throughout the term of the Lease Agreement, casualty insurance insuring the Property against fire, lightning and all other risks covered by an extended coverage endorsement (excluding earthquake and flood) to the full insurable value of the Property, subject to a $100,000 loss deductible provision, unless some other deductible is acceptable to the Insurer. Full insurable value shall not be less than the principal evidenced by the Outstanding Certificates. The District's obligations under the Lease Agreement summarized in this paragraph may be satisfied by self-insurance, provided that such self-insurance complies with the provisions of the Lease Agreement. All Net Proceeds received under said policy or policies shall be deposited with the Trustee and applied as provided in the Trust Agreement.

(d) The District shall maintain or cause to be maintained, throughout the term of the Lease Agreement, rental interruption insurance to cover the Corporation's loss, total or partial, of Base Rental Payments resulting from the loss, total or partial, of the use of any part of the Property as a result of any of the hazards required to be covered pursuant to the provisions of the Lease Agreement summarized in paragraph (c) above in an amount equal to the lesser of (i) the amount sufficient at all times to pay an amount not less than the product of two times the maximum amount of Base Rental Payments scheduled to be paid during any Rental Period or (ii) such lesser amount as may be agreed to by the Insurer. The District's obligations under the Lease Agreement summarized in this paragraph may not be satisfied by self-insurance. All Net Proceeds received under said policy or policies shall be deposited with the Trustee and applied as provided in the Trust Agreement.

(e) The insurance required by the Lease Agreement shall be provided by carriers rated at least "A" by A.M. Best Company or S&P, unless the Insurer shall approve in writing an insurer with a lower rating.

Title Insurance. The District shall provide, at its own expense, one or more CLTA or ALTA title insurance policies for the Property, in the aggregate amount of not less than the initial aggregate amount of

principal evidenced by the Certificates. Said policy or policies shall insure (a) the fee interest of the District in the Property, (b) the Corporation's ground leasehold estate in the Property under the Ground Lease, and (c) the District's leasehold estate under the Lease Agreement in the Property, subject only to Permitted Encumbrances; provided, however, that one or more of said estates may be insured through an endorsement to such policy or policies. All Net Proceeds received under said policy or policies shall 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 title insurance obtained pursuant to the Lease Agreement or required thereby shall provide that all proceeds thereunder shall be payable to the Trustee for the benefit of the Certificate Owners.

Additional Insurance Provision; Form of Policies. (a) The District shall pay or cause to be paid when due the premiums for all insurance policies required by the provisions of the Lease Agreement summarized under the heading "INSURANCE – Property Casualty Insurance; Rental Interruption Insurance," and shall promptly furnish or cause to be furnished evidence of such payments to the Trustee. All such policies shall contain a standard lessee clause in favor of the Trustee and the general liability insurance policies shall be endorsed to show the Trustee as an additional insured. All such policies shall provide that the Trustee and the Insurer shall be given 30 days notice of the expiration thereof, any intended cancellation thereof or any reduction in the coverage provided thereby. The Trustee shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Trustee; provided, however, that the Trustee shall not agree to any adjustment, compromise or settlement without the Insurer's written consent.

(b) The District shall cause to be delivered to the Trustee and the Insurer on or before August 15 of each year, commencing August 15, 2020, a schedule of the insurance policies being maintained in accordance with the Lease Agreement and a Written Certificate of the District stating that such policies are in full force and effect and that the District is in full compliance with the requirements of the provisions of the Lease Agreement summarized under the heading "INSURANCE." The District shall, upon request of the Insurer, deliver to the Insurer certificates or duplicate originals or certified copies of each insurance policy described in such schedule. The Trustee shall be entitled to rely upon said Written Certificate of the District as to the District's compliance with the provisions of the Lease Agreement summarized under the heading "INSURANCE." Neither the Trustee nor the Insurer shall be responsible for the sufficiency of coverage or amounts of such policies. All policies of insurance required by the Lease Agreement shall be in form satisfactory to the Insurer.

Self-Insurance. Insurance provided through a California joint powers authority of which the District is a member or with which the District contracts for insurance shall be deemed to be self-insurance for purposes of the Lease Agreement. All statements of self-insurance provided in accordance with the Lease Agreement shall be in form satisfactory to the Insurer. Any self-insurance maintained by the District pursuant to the Lease Agreement shall comply with the following terms:

(a) the self-insurance program shall be approved in writing by the Insurer;

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

(c) 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 each such fund shall be evaluated on an annual basis by the 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;

(d) the self-insured claims reserve fund shall be held in a separate trust fund; and

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

DEFAULTS AND REMEDIES

Defaults and Remedies. (a) (i) If the District shall fail (A) to pay any Rental Payment payable under the Lease Agreement when the same becomes due and payable, time being expressly declared to be of the essence in the Lease Agreement, or (B) to keep, observe or perform any other term, covenant or condition contained therein or in the Trust Agreement to be kept or performed by the District, or (ii) upon the happening of any of the events specified in paragraph (b) below, the District shall be deemed to be in default under the Lease Agreement and it shall be lawful for the Corporation to exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement. In determining whether a default has occurred under clause (i)(A) of the preceding sentence, no effect shall be given to payments made under the Insurance Policy. The District shall in no event be in default in the observance or performance of any covenant, condition or agreement in the Lease Agreement on its part to be observed or performed, other than as referred to in clause (i)(A), or (ii) of the preceding sentence, unless the District shall have failed, for a period of 30 days or such additional time as is reasonably required, but in no event greater than 60 days without the prior written consent of the Insurer, to correct any such default after notice by the Corporation or the Insurer to the District properly specifying wherein the District has failed to perform any such covenant, condition or agreement. Upon any such default, the Corporation, in addition to all other rights and remedies it may have at law, shall have the option to do any of the following:

(1) To terminate the Lease Agreement in the manner provided on account of default by the District, notwithstanding any re-entry or re-letting of the Property as provided for in subparagraph (2) below, and to re-enter the Property and remove all persons in possession thereof and all personal property whatsoever situated upon the Property and place such personal property in storage in any warehouse or other suitable place, for the account of and at the expense of the District. In the event of such termination, the District agrees to surrender immediately possession of the Property, without let or hindrance, and to pay the Corporation all damages recoverable at law that the Corporation may incur by reason of default by the District, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon the Property and removal and storage of such property by the Corporation or its duly authorized agents in accordance with the provisions contained in the Lease Agreement. Neither notice to pay Rental Payments or to deliver up possession of the Property given pursuant to law nor any entry or re-entry by the Corporation nor any proceeding in unlawful detainer, or otherwise, brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of the Property nor the appointment of a receiver upon initiative of the Corporation to protect the Corporation's interest under the Lease Agreement shall of itself operate to terminate the Lease Agreement, and no termination of the Lease Agreement on account of default by the District shall be or become effective by operation of law or acts of the parties thereto, or otherwise, unless and until the Corporation shall have given written notice to the District of the election on the part of the Corporation to terminate the Lease Agreement. The District covenants and agrees that no surrender of the Property or of the remainder of the term of the Lease Agreement or any termination of

the Lease Agreement shall be valid in any manner or for any purpose whatsoever unless stated by the Corporation by such written notice.

(2) Without terminating the Lease Agreement, (x) to collect each installment of Rental Payments as the same become due and enforce any other terms or provisions of the Lease Agreement to be kept or performed by the District, regardless of whether or not the District has abandoned the Property, or (y) to exercise any and all rights of entry and re-entry upon the Property. In the event the Corporation does not elect to terminate the Lease Agreement in the manner provided for in subparagraph (1) above, the District shall remain liable and agrees to keep or perform all covenants and conditions contained in the Lease Agreement to be kept or performed by the District and, if the Property is not re-let, to pay the full amount of the Rental Payments to the end of the term of the Lease Agreement or, in the event that the Property is re-let, to pay any deficiency in Rental Payments that results therefrom; and further agrees to pay said Rental Payments and/or Rental Payment deficiency punctually at the same time and in the same manner as provided in the Lease Agreement for the payment of Rental Payments thereunder, notwithstanding the fact that the Corporation may have received in previous years or may receive thereafter in subsequent years Rental Payments in excess of the Rental Payments specified in the Lease Agreement, and notwithstanding any entry or re-entry by the Corporation or suit in unlawful detainer, or otherwise, brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of the Property. Should the Corporation elect to re-enter as provided in the Lease Agreement, the District irrevocably appoints the Corporation as the agent and attorney-in-fact of the District to re-let the Property, or any part thereof, from time to time, either in the Corporation's name or otherwise, upon such terms and conditions and for such use and period as the Corporation may deem advisable and to remove all persons in possession thereof and all personal property whatsoever situated upon the Property and to place such personal property in storage in any warehouse or other suitable place, for the account of and at the expense of the District, and the District indemnifies and agrees to save harmless the Corporation from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon and re-letting of the Property and removal and storage of such property by the Corporation or its duly authorized agents in accordance with the provisions contained in the Lease Agreement. The District agrees that the terms of the Lease Agreement constitute full and sufficient notice of the right of the Corporation to re-let the Property in the event of such re-entry without effecting a surrender of the Lease Agreement, and further agrees that no acts of the Corporation in effecting such re-letting shall constitute a surrender or termination of the Lease Agreement irrespective of the use or the term for which such re-letting is made or the terms and conditions of such re-letting, or otherwise, but that, on the contrary, in the event of such default by the District the right to terminate the Lease Agreement shall vest in the Corporation to be effected in the sole and exclusive manner provided for in subparagraph (1) above. The District further agrees to pay the Corporation the cost of any alterations or additions to the Property necessary to place the Property in condition for re-letting immediately upon notice to the District of the completion and installation of such additions or alterations.

Pursuant to the Lease Agreement, the District waives any and all claims for damages caused or which may be caused by the Corporation in re-entering and taking possession of the Property as provided in the Lease Agreement and all claims for damages that may result from the destruction of or injury to the Property and all claims for damages to or loss of any property belonging to the District, or any other person, that may be in or upon the Property.

(b) If (i) the District's interest in the Lease Agreement or any part thereof be assigned or transferred, either voluntarily or by operation of law or otherwise, without the written consent of the Corporation and the Insurer, as provided in the Lease Agreement, (ii) the District or any assignee shall file any petition or institute any proceeding under any act or acts, state or federal, dealing with or relating to the subject or subjects of bankruptcy or insolvency, or under any amendment of such act or acts, either as a bankrupt or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby the District asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of the District's debts or obligations, or offers to the District's creditors to effect a composition or extension of time to pay the District's debts or asks, seeks or prays for reorganization or to effect a plan of reorganization, or for a readjustment of the District's debts, or for any other similar relief, or if any such petition or any such proceedings of the same or similar kind or character be filed or be instituted or taken against the District, or if a receiver of the business or of the property or assets of the District shall be appointed by any court, except a receiver appointed at the instance or request of the Corporation, or if the District shall make a general assignment for the benefit of the District's creditors, or (iii) the District shall abandon or vacate the Property, then the District shall be deemed to be in default under the Lease Agreement.

(c) In addition to the other remedies set forth in the Lease Agreement, upon the occurrence of an event of default, the Corporation shall be entitled to proceed to protect and enforce the rights vested in the Corporation by the Lease Agreement or by law. The provisions of the Lease Agreement and the duties of the District and of its board, officers or employees shall be enforceable by the Corporation by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Corporation shall have the right to bring the following actions:

(i) *Accounting.* By action or suit in equity to require the District and its board, officers and employees and its assigns to account as the trustee of an express trust.

(ii) *Injunction.* By action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Corporation.

(iii) *Mandamus.* By mandamus or other suit, action or proceeding at law or in equity to enforce the Corporation's rights against the District (and its board, officers and employees) and to compel the District to perform and carry out its duties and obligations under the law and its covenants and agreements with the District as provided in the Lease Agreement.

Each and all of the remedies given to the Corporation under the Lease Agreement or by any law now or hereafter enacted are cumulative and the single or partial exercise of any right, power or privilege under the Lease Agreement shall not impair the right of the Corporation to the further exercise thereof or the exercise of any or all other rights, powers or privileges. The term "re-let" or "re-letting" as used in the Lease Agreement shall include, but not be limited to, re-letting by means of the operation by the Corporation of the Property. If any statute or rule of law validly shall limit the remedies given to the Corporation under the Lease Agreement, the Corporation nevertheless shall be entitled to whatever remedies are allowable under any statute or rule of law.

In the event the Corporation shall prevail in any action brought to enforce any of the terms and provisions of the Lease Agreement, the District shall pay a reasonable amount as and for attorney's fees incurred by the Corporation in attempting to enforce any of the remedies available to the Corporation under the Lease Agreement.

Notwithstanding anything to the contrary contained in the Lease Agreement, the Corporation shall have no right upon a default under the Lease Agreement by the District or otherwise to accelerate Rental Payments. Notwithstanding anything to the contrary contained in the Lease Agreement, so long as the

Insurer is not in default in its payment obligations under the Insurance Policy, no remedy shall be exercised under the Lease Agreement without the prior written consent of the Insurer and the Insurer shall have the right to direct the exercise of any remedy thereunder.

(d) Notwithstanding anything to the contrary contained in the Lease Agreement, the termination of the Lease Agreement by the Corporation on account of a default by the District under the provisions of the Lease Agreement summarized under the heading "DEFAULTS AND REMEDIES – Defaults and Remedies," shall not effect or result in a termination of the lease of the Property by the District to the Corporation pursuant to the Ground Lease.

Waiver. Failure of the Corporation to take advantage of any default on the part of the District shall not be, or be construed as, a waiver thereof, nor shall any custom or practice which may grow up between the parties in the course of administering the Lease Agreement be construed to waive or to lessen the right of the Corporation to insist upon performance by the District of any term, covenant or condition of the Lease Agreement, or to exercise any rights given the Corporation on account of such default. A waiver of a particular default shall not be deemed to be a waiver of any other default or of the same default subsequently occurring. The acceptance of Rental Payments under the Lease Agreement shall not be, or be construed to be, a waiver of any term, covenant or condition of the Lease Agreement.

Corporation Event of Default; Action on Corporation Event of Default. The failure by the Corporation to observe and perform the covenants, agreements or conditions on its part contained in the Lease Agreement as described under the heading "REPRESENTATIONS AND WARRANTIES; COVENANTS – Quiet Enjoyment," if such failure shall have continued for a period of 60 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Corporation, the Trustee and the Insurer, by the District, shall constitute a Corporation Event of Default under the Lease Agreement; provided, however, that if the Corporation shall fail to correct such failure within such 60 day period, the Insurer shall have 90 additional days to correct such failure on behalf of the Corporation prior to such failure constituting a Corporation Event of Default; and, provided further that if, in the reasonable opinion of the Corporation or the Insurer, as applicable, the failure stated in the notice can be corrected, but not within such 60 or 90 day period, such failure shall not constitute a Corporation Event of Default if corrective action is instituted by the Corporation or the Insurer within such 60 or 90 day period and the Corporation or the Insurer, as applicable, shall thereafter diligently and in good faith cure such failure in a reasonable period of time. In each and every case upon the occurrence and during the continuance of a Corporation Event of Default by the Corporation under the Lease Agreement, the District shall have all the rights and remedies permitted by law; provided, however, that a Corporation Event of Default shall not permit the nonpayment of Rental Payments or the termination of the Lease Agreement by the District. Notwithstanding anything to the contrary contained in the Lease Agreement, the provisions of the Lease Agreement summarized in this paragraph shall not impair, restrict or limit the application of the provisions of the Lease Agreement summarized under the heading "RENTAL PAYMENTS – Rental Abatement."

EMINENT DOMAIN; PREPAYMENT

Eminent Domain. If all of the Property (or portions thereof such that the remainder is not usable for public purposes by the District) shall be taken under the power of eminent domain, the term of the Lease Agreement shall cease as of the day that possession shall be so taken. If less than all of the Property shall be taken under the power of eminent domain and the remainder is usable for public purposes by the District at the time of such taking, then the Lease Agreement shall continue in full force and effect as to such remainder, and the parties waive the benefits of any law to the contrary, and in such event there shall be a partial abatement of the Rental Payments in accordance with the provisions of the Lease Agreement. So long as any Certificates is Outstanding, any award made in eminent domain proceedings for the taking of

the Property, or any portion thereof, shall be paid to the Trustee and applied to the prepayment of Certificates as provided in the prepayment and application of Net Proceeds provisions of the Trust Agreement. Any such award made after all of the Certificates, and all other amounts due under the Trust Agreement and the Lease Agreement, have been fully paid, shall be paid to the Corporation and to the District as their respective interests may appear.

Prepayment.

(a) The District may (i) prepay all or a portion of the Base Rental Payments which are payable on or after September 1, 2031, from any source of available funds (other than General Obligation Bond Proceeds or State Reimbursement Funds), on any date on or after September 1, 2030, by paying (A) all or a portion, as elected by the District, of the principal components of the Base Rental Payments, and (B) the accrued but unpaid interest component of such Base Rental Payments to be prepaid to the date of such prepayment, and (ii) prepay all or a portion of the Base Rental Payments which are payable after September 1, 2022 from General Obligation Bond Proceeds or State Reimbursement Funds, on any date on or after September 1, 2022, by paying (A) all or a portion, as elected by the District, of the principal components of the Base Rental Payments, and (B) the accrued but unpaid interest component of such Base Rental Payments to be prepaid to the date of such prepayment.

(b) The District may prepay, from any source of available funds, all or any portion of the Base Rental Payments by depositing with the Trustee moneys or securities as provided, and subject to the terms and conditions set forth, in the defeasance provisions of the Trust Agreement sufficient to make such Base Rental Payments when due or to make such Base Rental Payments through a specified date on which the District has a right to prepay such Base Rental Payments pursuant to the provisions of the Lease Agreement summarized in paragraph (a) above, and to prepay such Base Rental Payments on such prepayment date, at a prepayment price determined in accordance with the provisions of the Lease Agreement summarized in paragraph (a) above.

(c) If less than all of the Base Rental Payments are prepaid pursuant to the provisions of the Lease Agreement then, as of the date of such prepayment pursuant to the provisions of the Lease Agreement summarized in paragraph (a) above, or the date of a deposit pursuant to the provisions of the Lease Agreement summarized in paragraph (b) above, the principal and interest components of the Base Rental Payments shall be recalculated in order to take such prepayment into account. If, following a partial prepayment of Base Rental Payments, the Property is damaged, destroyed or taken by eminent domain, or a defect in title to the Property is discovered, the District shall not be entitled to, and by such prepayment waives the right of, abatement of such prepaid Base Rental Payments and the District shall not be entitled to any reimbursement of such Base Rental Payments.

(d) If all of the Base Rental Payments are prepaid pursuant to the Lease Agreement and if all amounts due to the Insurer have been paid in full then, as of the date of such prepayment pursuant to the provisions of the Lease Agreement summarized in paragraph (a) above, or deposit pursuant to the provisions of the Lease Agreement summarized in paragraph (b) above, the term of the Lease Agreement shall be terminated.

(e) Prepayments of Base Rental Payments made pursuant to the Lease Agreement shall be applied to the prepayment of Certificates as provided in the prepayment provisions of the Trust Agreement.

(f) Before making any prepayment pursuant to the Lease Agreement, the District shall give written notice to the Corporation and the Insurer specifying the date on which the prepayment will be made, which date shall be not less than 40 nor more than 60 days from the date such notice is given, unless the Corporation agrees to a different notice period.

REPRESENTATIONS AND WARRANTIES; COVENANTS

Representations of the District. The District represents and warrants that as of the Delivery Date:

(a) the District has the full power and authority to enter into, to execute and to deliver the Lease Agreement and the Trust Agreement, and to perform all of its duties and obligations thereunder, and has duly authorized the execution and delivery of the Lease Agreement and the Trust Agreement;

(b) the Property is not located in a 100-year flood plain;

(c) the District has, after due inquiry, no knowledge and has not given or received any written notice indicating that the Property or the past or present use thereof or any practice, procedure or policy employed by it in the conduct of its business materially violates any Laws and Regulations;

(d) 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 this paragraph or as may have been remediated in accordance with Laws and Regulations (i) used, treated, stored, transported or disposed of any material amount of Hazardous Materials on, from or beneath the Property, (ii) Released 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; provided, however, that excluded from the representations and warranties in this subsection 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 buildings, the use, treatment, storage, transportation and disposal of which has been and shall be in compliance with all Laws and Regulations;

(e) 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, respectively; and

(f) the District has not received any notice from any insurance company that has issued a policy with respect to the Property or from the applicable state or local government agency responsible for insurance standards (or any other body exercising similar functions) requiring the performance of any repairs, alterations or other work, which repairs, alterations or other work have not been completed at the Property, respectively. The District has not received any notice of default or breach which has not been cured under any covenant, condition, restriction, right-of-way, reciprocal easement, agreement or other easement affecting the Property which is to be performed or complied with by it.

Representations of the Corporation. The Corporation represents and warrants that the Corporation, as of the Delivery Date, has the full power and authority to enter into, to execute and to deliver the Lease Agreement, the Assignment Agreement and the Trust Agreement, and to perform all of its duties and obligations thereunder, and has duly authorized the execution and delivery of the Lease Agreement, the Assignment Agreement and the Trust Agreement.

Right of Entry. The Corporation shall have the right to enter upon and to examine and inspect the Property during reasonable business hours, and in emergencies at all times, for any reasonable purpose connected with the Corporation's rights or obligations under the Lease Agreement, and for all other lawful purposes. The Insurer shall have the right to enter upon and to examine and inspect the Property during

reasonable business hours, and in emergencies at all times, for any reasonable purpose connected with the Insurer's rights or obligations under the Lease Agreement.

Quiet Enjoyment. The District, by keeping and performing the covenants and agreements contained in the Lease Agreement, shall at all times during the term thereof peaceably and quietly have, hold and enjoy the Property without suit, trouble or hindrance from the Corporation.

Liens. In the event the District shall at any time during the term of the Lease Agreement cause any changes, alterations, additions, improvements, or other work to be done or performed or materials to be supplied, in or upon the Property, the District shall pay, when due, all sums of money that may become due for, or purporting to be for, any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the District in, upon or about the Property and that may be secured by a mechanics', materialmen's or other lien against the Property or the Corporation's interest therein, and shall cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due; provided, however that, if the District desires to contest any such lien, it may do so as long as such contest is in good faith. If any such lien shall be reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and said stay thereafter expires, the District shall forthwith pay and discharge said judgment.

Taxes. (a) The District shall pay or cause to be paid all taxes and assessments of any type or nature charged to the Corporation or affecting the Property or the respective interests or estates therein; provided, however, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the District shall be obligated to pay only such installments as are required to be paid during the term of the Lease Agreement as and when the same become due.

(b) After giving notice to the Corporation, the Insurer and the Trustee, the District or any sublessee may, at the District's or such sublessee's 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 unless the Corporation, the Insurer or the Trustee shall notify the District or such sublessee that, in the opinion of independent counsel, by nonpayment of any such items, the interest of the Corporation in the Property will be materially endangered or the Property, or any part thereof, will be subject to loss or forfeiture, in which event the District or such sublessee shall promptly pay such taxes, assessments or charges or provide the Corporation with full security against any loss which may result from nonpayment, in form satisfactory to the Corporation, the Insurer and the Trustee.

Assignment and Subleasing. Neither the Lease Agreement nor any interest of the District thereunder shall be sold, mortgaged, pledged, assigned or transferred by the District by voluntary act or by operation of law or otherwise; provided, however, that the Property may be subleased in whole or in part by the District with the prior written consent of the Corporation and the Insurer (so long as the Insurer is not in default in its payment obligations under the Insurance Policy) and provided, further that, any such sublease shall be subject to all of the following conditions:

(a) the Lease Agreement and the obligation of the District to make all Rental Payments thereunder shall remain the primary obligation of the District;

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

(c) no such 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 Constitution and laws of the State of California;

(d) any sublease of the Property by the District shall explicitly provide that such sublease is subject to all rights of the Corporation under the Lease Agreement, including the right to re-enter and re-let the Property or terminate the Lease Agreement upon a default by the District; and

(e) the District shall furnish the Trustee with an Opinion of Counsel to the effect that such sublease will not, in and of itself, cause the interest evidenced by the Certificates to be included in gross income for federal income tax purposes.

Environmental Compliance. (a) Neither the District nor the Corporation shall 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, nor shall 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 or 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 school districts, the use, storage, treatment, transportation and disposal of which shall be in compliance with all Environmental Regulations. Upon the occurrence of any Release or threat of Release of Hazardous Materials, the Corporation or 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 in the Lease Agreement, underground storage tanks shall only be permitted subject to compliance with the provisions of the Lease Agreement summarized in paragraph (d) below and only to the extent necessary to maintain the improvements on the Property.

(b) The District and the Corporation shall comply with, and shall cause all tenants, subtenants, licensees, guests, invitees, contractors, employees and agents on the Property to comply with, all Environmental Regulations, and shall keep the Property free and clear of any liens imposed pursuant thereto; provided, however, that any such liens, if not discharged, may be bonded. The District and the Corporation shall cause each tenant under any lease, and use their best efforts to cause all of such tenant's subtenants, agents, licensees, employees, contractors, guests and invitees and the guests and invitees of all of the foregoing to comply with all Environmental Regulations with respect to the Property; provided, however, that the Corporation and the District shall remain solely responsible for ensuring such compliance and such limitation shall not diminish or affect in any way the Corporation's or the District's obligations contained in the provisions of the Lease Agreement summarized in paragraph (c) below. Upon receipt of any notice from any person with regard to the Release of Hazardous Materials on, from or beneath the Property, the District or the Corporation, as appropriate, shall give prompt written notice thereof to the District or the Corporation, as appropriate, 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 provisions of the Lease Agreement described under the heading "REPRESENTATIONS AND WARRANTIES; COVENANTS – Representations of the District." is not true or correct, the Corporation and the District shall, to the extent permitted by law, defend, indemnify and hold harmless the Corporation, the Insurer and

the Trustee and any director, member, officer, employee, successor or assignee thereof from and against any claims, demands, penalties, fines, attorneys' fees (including attorneys' fees incurred to enforce the indemnification contained in the provisions of the Lease Agreement described under the heading "REPRESENTATIONS AND WARRANTIES; COVENANTS – Environmental Compliance"), consultants' fees, investigation and laboratory fees, liabilities, settlements (five Insurance Business Days' prior notice of which the Corporation, the Insurer or the Trustee, as appropriate, shall have delivered to the District), court costs, damages, losses, costs or expenses of whatever kind or nature, known or unknown, contingent or otherwise, occurring in whole or in part, arising out of, or in any way related to (i) the presence, disposal, Release, threat of Release, removal, discharge, storage or transportation of any Hazardous Materials on, from or beneath the Property, (ii) any personal injury, including wrongful death or property damage, real or personal, arising out of or related to such Hazardous Materials, (iii) any lawsuit brought or threatened, settlement reached (five Insurance Business Days' prior notice of which the Corporation, the Insurer 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 provisions of the Lease Agreement summarized in paragraphs (a) or (b) above by the District or the Corporation or any of their 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 either the Corporation or the District is strictly liable under any Environmental Regulation, the District's obligation to the Corporation, the Insurer and the Trustee and the other indemnitees under the foregoing indemnification shall 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 provisions of the Lease Agreement summarized in this paragraph (c) shall survive the payment of all Certificates and the discharge of the Trust Agreement.

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

Condemnation. So long as the Certificates are Outstanding, the District, to the extent it may lawfully so bind itself, shall not exercise the power of condemnation with respect to the Property. To the extent permitted by law, if for any reason the foregoing covenant is determined to be unenforceable or if the District shall fail or refuse to abide by such covenant and condemns the Property, the value of the District's leasehold estate under the Lease Agreement in the Property shall be not less than the amount sufficient to pay the Base Rental Payments to the first date on which they may be prepaid pursuant to the prepayment provisions of the Lease Agreement and to prepay the Base Rental Payments on such date.

Other Obligations. Except for the Certificates and Permitted Encumbrances, the District shall not, during the term of the Lease Agreement, issue or incur or cause to be executed and delivered, directly or indirectly, any additional certificates of participation, notes, bonds or other indebtedness that are either (a) payable from or secured by lease payments or rentals payable under the Lease Agreement, or (b) secured by, or granted a lien on, the Property.

Corporation Not Liable; Indemnification. None of the Corporation, the Insurer and the Trustee and all directors, members, officers and employees thereof shall be liable to the District or to any other Person for any death, injury or damage that may result to any person or property by or from any cause whatsoever in, on or about the Property. To the extent permitted by law, the District shall, at its expense, indemnify and hold the Corporation, the Insurer and the Trustee and all directors, members, officers and employees thereof harmless against and from any and all claims by or on behalf of any Person arising from the acquisition, construction, occupation, use, operation, maintenance, possession, conduct or management of or from any work done in or about the Property or from the subletting of any part thereof, including any liability for violation of conditions, agreements, restrictions, laws, ordinances, or regulations affecting the

Property or the occupancy or use thereof, but excepting the negligence or willful misconduct of the Person seeking indemnity. The District, at its expense, shall pay and indemnify and save the Corporation, the Insurer and the Trustee and all directors, members, officers and employees thereof harmless against and from any and all claims arising from (a) any condition of the Property and the adjoining sidewalks and passageways, (b) any breach or default on the part of the District in the performance of any covenant or agreement to be performed by the District pursuant to the Lease Agreement, (c) any act or negligence of licensees in connection with their use, occupancy or operation of the Property, or (d) any accident, injury or damage whatsoever caused to any person, firm or corporation in or about the Property or upon or under the sidewalks and from and against all costs, reasonable counsel fees, expenses and liabilities incurred in any action or proceeding brought by reason of any claim referred to in the provisions of the Lease Agreement summarized under the heading "REPRESENTATIONS AND WARRANTIES; COVENANTS – Corporation Not Liable," but excepting the negligence or willful misconduct of the Person seeking indemnity. In the event that any action or proceeding is brought against the Corporation, the Insurer or the Trustee or any director, member, officer or employee thereof, by reason of any such claim, the District, upon notice from the Corporation, the Insurer or the Trustee or such director, member, officer or employee thereof, shall resist or defend such action or proceeding by counsel reasonably satisfactory to the Corporation, the Insurer or the Trustee or such director, member, officer or employee thereof.

Notwithstanding the fact that it is the intention of the parties that the Corporation, the Insurer and the Trustee and all directors, members, officers and employees thereof shall not incur any pecuniary liability by reason of the terms of the Lease Agreement, or the undertakings required of the Corporation thereunder or any director, member, officer or employee thereof, by reason of the execution and delivery of the Certificates, by reason of the execution or authorization of any document or certification in connection with the Certificates, including the Trust Agreement, the Lease Agreement or any preliminary or final official statement, by reason of the performance or nonperformance of any act required of any of them by the Lease Agreement or the Trust Agreement or by reason of the performance or nonperformance of any act requested of any of them by the District, the Corporation, the Insurer or the Trustee, including all claims, liabilities, damages, losses or expenses arising in connection with the violation of any statute or regulation pertaining to the foregoing; nevertheless, if the Corporation, the Insurer or the Trustee or any director, member, officer or employee thereof should incur any such pecuniary liability, then in such event the District shall indemnify and hold harmless the Corporation, the Insurer and the Trustee, and all directors, members, officers and employees thereof, against all claims by or on behalf of any Person arising out of the same, or in connection with any action or proceeding brought thereon, but excepting the negligence or willful misconduct of the Person seeking indemnity, and upon notice from the Corporation, the Insurer or the Trustee, the District shall defend the Corporation, the Insurer and the Trustee in any such action or proceeding. The provisions of the Lease Agreement summarized under the heading "REPRESENTATIONS AND WARRANTIES; COVENANTS – Corporation Not Liable," shall survive the termination of the Lease Agreement for any claim, proceeding or action arising from any event or omission occurring during the term of the Lease Agreement.

Title to Property upon Termination. Upon the termination or expiration of the term of the Lease Agreement, other than as provided in the provisions of the Lease Agreement summarized under the headings "DEFAULTS AND REMEDIES – Defaults and Remedies" and "EMINENT DOMAIN; PREPAYMENT – Eminent Domain," and the first date upon which the Certificates are no longer Outstanding, all right, title and interest in and to the Property shall vest in the District. Upon any such termination or expiration, the Corporation shall execute such conveyances, deeds and other documents as may be necessary to effect such vesting of record.

NO CONSEQUENTIAL DAMAGES; USE OF THE PROPERTY; SUBSTITUTION OR RELEASE

No Consequential Damages. In no event shall the Corporation be liable for any incidental, indirect, special or consequential damage in connection with or arising out of the Lease Agreement or the District's use of the Property.

Use of the Property. The District shall not use, operate or maintain the Property improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by the Lease Agreement. In addition, the District shall comply in all respects, including with respect to the use, maintenance and operation of the Property) with all laws of the jurisdictions in which its operations may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Property; provided, however, that the District may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Corporation, adversely affect the estate of the Corporation in and to any of the Property or its interest or rights under the Lease Agreement.

Substitution or Release of the Property. The District shall have the right, but only with the written consent of the Insurer, to substitute alternate real property for any portion of the Property or to release a portion of the Property from the Lease Agreement pursuant to the Lease Agreement. All costs and expenses incurred in connection with such substitution or release shall be borne by the District. Notwithstanding any substitution or release pursuant to the Lease Agreement, there shall be no reduction in or abatement of the Base Rental Payments due from the District under the Lease Agreement as a result of such substitution or release. Any such substitution or release of any portion of the Property shall be subject to the following specific conditions, which are conditions precedent to such substitution or release:

(a) an independent certified real estate appraiser selected by the District shall have found, and shall have delivered a certificate to the District, the Insurer and the Trustee setting forth its findings, that the Property, as constituted after such substitution or release, (i) has an annual fair rental value greater than or equal to 105% of the maximum amount of Base Rental Payments payable by the District in any Rental Period, and (ii) has a useful life equal to or greater than the useful life of the Property, as constituted prior to such substitution or release;

(b) the District shall have obtained or caused to be obtained a CLTA or an ALTA title insurance policy or policies with respect to any substituted property in the amount of the fair market value of such substituted property of the type and with the endorsements described in the Lease Agreement; provided, however, that such fair market value shall have been determined by an independent certified real estate appraiser selected by the District, which appraiser shall have delivered a certificate to the District and the Trustee setting forth its findings;

(c) the District shall have provided the Trustee with an Opinion of Counsel to the effect that such substitution or release will not, in and of itself, cause the interest evidenced by the Certificates to be included in gross income for federal income tax purposes;

(d) the District, the Corporation and the Trustee shall have executed, and the District shall have caused to be recorded with the Riverside County Recorder, any document necessary to reconvey to the District the portion of the Property being substituted or released and to include any substituted real property in the description of the Property contained in the Lease Agreement and in the Ground Lease; and

(e) the District shall have certified to the Corporation that the substituted real property is of approximately the same degree of essentiality to the District as the portion of the Property for which it is being substituted.

MISCELLANEOUS

Net-Net-Net Lease. The Lease Agreement shall be deemed and construed to be a "net-net-net lease" and the Rental Payments shall be an absolute net return to the Corporation, free and clear of any expenses, charges or set-off whatsoever and notwithstanding any dispute between the District and the Corporation.

Amendments. (a) The Lease Agreement and the Ground Lease, and the rights and obligations of the Corporation and the District thereunder, may be amended at any time by an amendment thereto which shall become binding upon execution by the District and the Corporation, but only with the written consent of the Insurer (so long as the Insurer is not in default in its payment obligations under the Insurance Policy) and the Owners of a majority of the aggregate amount of principal evidenced by the Certificates then Outstanding, provided that no such amendment shall (i) extend the payment date of any Base Rental Payment, reduce the interest component or principal component of any Base Rental Payment or change the prepayment terms and provisions, 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) and the Owner of each Certificate so affected, or (ii) reduce the percentage of the aggregate amount of principal evidenced by the Certificates, the consent of the Owners of which is required for the execution of any amendment of the Lease Agreement or the Ground Lease 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) and the Owners of all the Certificates then Outstanding.

(b) The Lease Agreement and the Ground Lease, and the rights and obligations of the District and the Corporation thereunder, may also be amended at any time by an amendment thereto which shall become binding upon execution by the District and the Corporation, but without the written consents of any Owners, but only with the prior written consent of the Insurer (so long as the Insurer is not in default in its payment obligations under the Insurance Policy) and only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the agreements, conditions, covenants and terms required by the Corporation or the District to be observed or performed therein other agreements, conditions, covenants and terms thereafter to be observed or performed by the Corporation or the District, or to surrender any right or power reserved therein to or conferred therein on the Corporation or the District;

(ii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained therein or in regard to questions arising thereunder that the Corporation or the District may deem desirable or necessary and not inconsistent therewith;

(iii) 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 components of Base Rental Payments;

(iv) to provide for the substitution or release of a portion of the Property in accordance with the provisions of the Lease Agreement; or

(v) to make such other changes therein or modifications thereto as the Corporation or the District may deem desirable or necessary, and which shall not materially adversely affect the interests of the Insurer or the Owners.

Assignment to Trustee; Effect. The District understands and agrees that, upon the execution and delivery of the Assignment Agreement, which is occurring simultaneously with the execution and delivery of the Lease Agreement, all right, title and interest of the Corporation in and to the Lease Agreement will be sold, assigned and transferred to the Trustee, for the benefit of the Owners of the Certificates. The District consents to such sale, assignment and transfer. Upon the execution and delivery of the Assignment Agreement, references in the operative provisions of the Lease Agreement to the Corporation shall be deemed to be references to the Trustee, as assignee of the Corporation.

Rights of Insurer. As long as the Insurance Policy is in effect and the Insurer is not in default in respect of its payment obligations thereunder, the Insurer shall be deemed to be the sole and exclusive Owner of the Outstanding Certificates for purposes of all approvals, consents, waivers, institution of any action, and the direction of all remedies, including but not limited to approval of or consent to any amendment of or supplement to the Lease Agreement and the Ground Lease which requires the consent or approval of the Owners of a majority of the aggregate principal evidenced by the Certificates then Outstanding; provided, however, that the Insurer shall not be deemed to be the sole and exclusive Owner of the Outstanding Certificates with respect to any amendment or supplement to the Lease Agreement or the Ground Lease which seeks to amend or supplement the Lease Agreement or the Ground Lease for purposes set forth in clause (i) or clause (ii) of paragraph (a) of the provisions of the Lease Agreement summarized under the heading "MISCELLANEOUS – Amendments," and, provided, further, that the Insurer shall not be deemed to be the sole and exclusive Owner of the Outstanding Certificates for such purposes, and shall not have the right to direct or consent to District, Corporation, Trustee or Owner action, during any period if:

(a) the Insurer shall fail to make any payment under the Insurance Policy when due and such failure shall continue for three Business Days;

(b) any material provision of the Insurance Policy shall be held to be invalid by a final, non-appealable order of a court of competent jurisdiction, or the validity or enforceability thereof shall be contested in writing by the Insurer; or

(c) a proceeding shall have been instituted in a court having jurisdiction in the premises seeking an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution in respect of the Insurer under Article 16 of the Insurance Law of the State of New York or any successor provision thereto and such proceeding is not terminated for a period of 90 consecutive days or such court enters an order granting the relief sought in such proceeding.

Third-Party Beneficiary. The Insurer is a third-party beneficiary of the Lease Agreement.

Validity and Severability. If for any reason the Lease Agreement shall be held by a court of competent jurisdiction to be void, voidable or unenforceable by the Corporation or by the District, or if for any reason it is held by such a court that any of the covenants and conditions of the District under the Lease Agreement, including the covenant to pay Rental Payments, is unenforceable for the full term of the Lease Agreement, then and in such event the Lease Agreement is and shall be deemed to be a Lease Agreement under which the Rental Payments are to be paid by the District annually in consideration of the right of the District to possess, occupy and use the Property, and all of the terms, provisions and conditions of the Lease Agreement, except to the extent that such terms, provisions and conditions are contrary to or inconsistent with such holding, shall remain in full force and effect.

Governing Law. The Lease Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

THE ASSIGNMENT AGREEMENT

Assignment. Pursuant to the Assignment Agreement, the Corporation, for good and valuable consideration, the receipt of which is acknowledged, does sell, assign and transfer to the Trustee, irrevocably and absolutely, without recourse, for the benefit of the owners of the Certificates, all of its right, title and interest in and to the Ground Lease and the Lease Agreement, including its right to receive the Base Rental Payments to be paid by the District under and pursuant to the Lease Agreement; provided, however, that the Corporation shall retain its rights under the Lease Agreement to indemnification and to payment or reimbursement of its reasonable costs and expenses. The assignment is absolute and, as of the effective date of the Assignment Agreement, is presently effective. All such right, title and interest so sold, assigned and transferred by the Corporation to the Trustee shall be administered by the Trustee in accordance with the provisions of the Trust Agreement, the Lease Agreement and the Ground Lease.

Acceptance. The Trustee accepts the foregoing sale, assignment and transfer, subject to the terms and provisions of the Trust Agreement, and agrees that all of the Base Rental Payments shall be applied and the right, title and interest so sold, assigned and transferred shall be exercised by the Trustee as provided in the Trust Agreement, the Lease Agreement and the Ground Lease.

Conditions. Excepting only the sale, assignment and transfer to the Trustee of the Corporation's right, title and interest in and to the Ground Lease and the Lease Agreement pursuant to the Assignment Agreement, the Assignment Agreement shall impose no obligations whatsoever upon the Trustee beyond those expressly provided in the Trust Agreement, the Lease Agreement and the Ground Lease.

Third-Party Beneficiary. The Insurer is a third-party beneficiary of the Assignment Agreement.

Amendment. The Assignment Agreement shall not be amended, supplemented or otherwise modified 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).

Governing Law. The Assignment Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

THE TRUST AGREEMENT

TERMS AND CONDITIONS OF CERTIFICATES

Certificate Registration Books. (a) The Trustee shall keep at its Principal Office sufficient books for the registration and transfer of the Certificates, which books shall be available for inspection and copying by the District and the Insurer at reasonable hours and under reasonable conditions; and upon presentation for such purpose the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer the Certificates on such books as provided in the Trust Agreement.

(b) The Trustee may treat the Owner of any Certificate as the absolute owner of such Certificate for all purposes, whether or not the principal or interest evidenced by such Certificate shall be overdue, and the Trustee shall not be affected by any knowledge or notice to the contrary; and payment of the interest and principal evidenced by such Certificate shall be made only to such Owner, which payments shall be valid and effectual to satisfy and discharge the liability evidenced by such Certificate to the extent of the sum or sums so paid.

Transfer and Payment of Certificates; Exchange of Certificates. Each Certificate is transferable by the Owner thereof, in person or by his attorney duly authorized in writing, at the Principal Office of the Trustee, upon surrender of such Certificate for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Trustee.

Whenever any Certificate shall be surrendered for transfer, the Trustee shall execute and deliver a new Certificate or Certificates evidencing principal in the same aggregate amount and having the same stated Principal Payment Date. The Trustee shall require the payment by any Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

Each Certificate may be exchanged at the Principal Office of the Trustee for Certificates evidencing principal in a like aggregate amount and having the same stated Principal Payment Date in such Authorized Denominations as the Owner thereof may request. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Trustee shall not be required to transfer or exchange any Certificate during the period commencing on the date five days before the date of selection of Certificates for prepayment and ending on the date of mailing notice of such prepayment, nor shall the Trustee be required to transfer or exchange any Certificate or portion thereof selected for prepayment from and after the date of mailing the notice of prepayment thereof.

Temporary Certificates. The Certificates may be initially delivered in temporary form exchangeable for definitive Certificates when ready for delivery, which temporary Certificates shall be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Trustee, shall be in fully registered form and shall contain such reference to any of the provisions of the Trust Agreement as may be appropriate. Every temporary Certificate shall be executed and delivered by the Trustee upon the same conditions and terms and in substantially the same manner as definitive Certificates. If the Trustee executes and delivers temporary Certificates, it shall prepare and execute definitive Certificates without delay, and thereupon the temporary Certificates may be surrendered at the Principal Office of the Trustee in exchange for such definitive Certificates, and until so exchanged such temporary Certificates shall be entitled to the same benefits under the Trust Agreement as definitive Certificates executed and delivered under the Trust Agreement.

Certificates Mutilated, Lost, Destroyed or Stolen. If any Certificate shall become mutilated, the Trustee, at the expense of the Owner thereof, shall execute and deliver a new Certificate evidencing a like principal amount and having the same stated Principal Payment Date and number 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 shall be canceled by it and disposed of in a manner deemed appropriate by the Trustee. 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 indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Owner thereof, shall execute and deliver a new Certificate evidencing a like principal amount and having the same stated Principal Payment Date, numbered as the Trustee shall determine, in lieu of and in substitution for the Certificate so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Certificate executed and delivered by it under the provisions of the Trust Agreement summarized in this paragraph and of the expenses which may be incurred by it under such provisions. Any Certificate executed and delivered under the provisions of the Trust Agreement summarized in this paragraph in lieu of any Certificate alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits thereof with all other Certificates executed and delivered under the Trust Agreement, and the Trustee shall not be required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the amount of Certificates which may be executed and delivered under the Trust Agreement or for the purpose of determining any percentage of Certificates Outstanding under the Trust Agreement, but both the original and replacement Certificate shall be treated as one and the same. Notwithstanding any other provision of the Trust Agreement summarized in this paragraph, in lieu of executing and delivering a new Certificate for a Certificate which has been lost, destroyed or stolen and which evidences principal that is then payable, the Trustee may make payment of such Certificate to the Owner thereof if so instructed by the District.

Book-Entry System. (a) The Certificates shall initially be executed and delivered as Book-Entry Certificates and the Certificates for each stated Principal Payment Date shall be in the form of a separate single fully registered Certificate (which may be typewritten). The ownership of each Book-Entry Certificate shall be registered in the Registration Books in the name of the Nominee, as nominee of the Depository. Payment of principal or interest evidenced by any Book-Entry Certificate registered in the name of the Nominee shall be made on the applicable payment date by wire transfer of New York clearing house or equivalent next day funds or by wire transfer of same day funds to the account of the Nominee. Such payments shall be made to the Nominee at the address which is, on the Record Date, shown for the Nominee in the Registration Books.

(b) With respect to Book-Entry Certificates, the District, the Corporation and the Trustee shall 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, the Corporation and the Trustee shall 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 Registration Books, 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 Certificates are prepaid in part, (iv) the payment to any Participant or any other person, other than an Owner as shown in the Registration Books, of any amount with respect to principal, premium, if any, or interest evidenced by Book-Entry Certificates, or (v) any consent given or other action taken by the Depository as Owner.

(c) The District and the Trustee may treat and consider the person in whose name each Book-Entry Certificate is registered in the Registration Books as the absolute Owner of such Book-Entry Certificate for the purpose of payment of principal, prepayment premium, if any, and interest evidenced by

such Certificate, for the purpose of selecting any Certificates, or portions thereof, to be prepaid, 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, for the purpose of obtaining any consent or other action to be taken by Owners and for all other purposes whatsoever, and the District, the Corporation and the Trustee shall not be affected by any notice to the contrary.

(d) In the event of a prepayment of all or a portion of a Certificate, the Depository, in its discretion, (i) may request the Trustee to execute and deliver a new Certificate, or (ii) if DTC is the sole Owner of such Certificate, shall make an appropriate notation on the Certificate indicating the date and amounts of the reduction in principal evidenced thereby resulting from such prepayment, except in the case of final payment, in which case such Certificate must be presented to the Trustee prior to payment.

(e) The Trustee shall pay all principal, premium, if any, and interest evidenced by the Certificates only to or "upon the order of" (as that term is used in the Uniform Commercial Code as adopted in the State of California) the respective Owner, as shown in the Registration Books, or his respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the obligations with respect to payment of principal, premium, if any, and interest evidenced by the Certificates to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Registration Books, shall receive a Certificate evidencing principal, premium, if any, and interest evidenced by the Certificates. Upon delivery by the Depository to the Owners, the Trustee and the District 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 shall refer to such nominee of the Depository.

(f) In order to qualify the Book-Entry Certificates for the Depository's book-entry system, the District shall execute and deliver to the Depository a Letter of Representations. The execution and delivery of a Letter of Representations shall not in any way impose upon the Corporation, the District or the Trustee any obligation whatsoever with respect to persons having interests in such Book-Entry Certificates other than the Owners, as shown on the Registration Books. Such Letter of Representations may provide the time, form, content and manner of transmission, of notices to the Depository. In addition to the execution and delivery of a Letter of Representations by the District, the District, the Corporation and the Trustee shall 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.

(g) In the event the District determines that it is in the best interests of the Beneficial Owners that they be able to obtain certificated Certificates and that such Certificates should therefore be made available and notifies the Depository and the Trustee of such determination, the Depository will notify the Participants of the availability through the Depository of certificated Certificates. In such event, the Trustee shall transfer and exchange certificated Certificates as requested by the Depository and any other Owners in appropriate amounts. In the event (i) the Depository determines not to continue to act as securities depository for Book-Entry Certificates, or (ii) the Depository shall no longer so act and gives notice to the Trustee of such determination, then the District shall discontinue the Book-Entry system with the Depository. If the District determines to replace the Depository with another qualified securities depository, the District shall prepare or direct the preparation of a new single, separate, fully registered Certificate for each stated Principal Payment Date of such Book-Entry Certificates, registered in the name of such successor or substitute qualified securities depository or its nominee. If the District fails to identify another qualified securities depository to replace the Depository, then the Certificates shall no longer be restricted to being registered in the Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging such Certificates shall designate, in accordance with the provisions of the Trust Agreement described under the headings "TERMS AND CONDITIONS OF CERTIFICATES – Transfer and Payment of Certificates; Exchange of Certificates" and "—Certificates

Mutilated, Lost, Destroyed or Stolen." Whenever the Depository requests the District to do so, the District will cooperate with the Depository in taking appropriate action after reasonable notice (i) to make available one or more separate certificates evidencing the Book-Entry Certificates to any Participant having Book-Entry Certificates credited to its account with the Depository, and (ii) to arrange for another securities depository to maintain custody of certificates evidencing the Book-Entry Certificates.

(h) Notwithstanding any other provision of the Trust Agreement to the contrary, if DTC is the sole Owner of the Certificates, so long as any Book-Entry Certificate is registered in the Registration Books in the name of the Nominee, all payments of principal, premium, if any, and interest evidenced by such Certificate and all notices with respect to such Certificate shall be made and given, respectively, as provided in the Letter of Representations or as otherwise instructed by the Depository.

(i) In connection with any notice or other communication to be provided to Owners pursuant to the Trust Agreement by the District, the Corporation or the Trustee, with respect to any consent or other action to be taken by Owners, the Trustee shall establish a record date for such consent or other action and give the Depository notice of such record date no later than 15 calendar days in advance of such record date to the extent possible. Notice to the Depository shall be given only when DTC is the sole Owner of the Certificates.

FUNDS AND ACCOUNTS; RENTAL PAYMENTS

Pledge; Base Rental Payment Fund. (a) Subject only to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Trust Agreement, in order to secure the District's obligations under the Trust Agreement and under the Lease Agreement, the District irrevocably pledges to the Owners, and grants a lien on and a security interest in, all of its right, title and interest, if any, in and to all amounts on deposit from time to time in the funds and accounts established under the Trust Agreement (other than the Rebate Fund), which amounts shall be used for the payment of the Base Rental Payments in accordance with the terms of the Trust Agreement and of the Lease Agreement. Said pledge shall constitute a first lien on and security interest in such assets, which shall immediately attach to such assets and be effective, binding and enforceable against the District, its successors, purchasers of any of such assets, creditors and all others asserting rights therein, to the extent set forth in, and in accordance with, the Trust Agreement, irrespective of whether those parties have notice of the pledge of, lien on and security interest in such assets and without the need for any physical delivery, recordation, filing or further act.

(b) It is the intent of the parties to the Trust Agreement that the Corporation not have any right, title or interest in or to the amounts on deposit from time to time in the funds and accounts established under the Trust Agreement. If, contrary to the intent of the parties to the Trust Agreement, the Corporation is found to have any right, title or interest in or to any such amounts, then, subject only to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Trust Agreement, the Corporation irrevocably pledges to the Owners, and grants a lien on and a security interest in, all of its right, title and interest, if any, in and to all amounts on deposit from time to time in the funds and accounts established under the Trust Agreement (other than the Rebate Fund). Said pledge shall constitute a first lien on and security interest in such assets, which shall immediately attach to such assets and be effective, binding and enforceable against the Corporation, its successors, purchasers of any of such assets, creditors and all others asserting rights therein, to the extent set forth in, and in accordance with, the Trust Agreement, irrespective of whether those parties have notice of the pledge of, lien on and security interest in such assets and without the need for any physical delivery, recordation, filing or further act.

(c) All Base Rental Payments shall be paid directly by the District to the Trustee, and if received by the Corporation at any time shall be deposited by the Corporation with the Trustee within one Business Day after the receipt thereof. All Base Rental Payments paid by the District shall be deposited by the Trustee in the Base Rental Payment Fund, which the Trustee shall establish and maintain until all required Base Rental Payments are paid in full pursuant to the Lease Agreement and until the first date upon which the Certificates are no longer Outstanding. The moneys in the Base Rental Payment Fund shall be held in trust by the Trustee and shall be disbursed only for the purposes and uses authorized in the Trust Agreement. Any Net Proceeds of rental interruption insurance received with respect to the Property shall be deposited in the Base Rental Payment Fund.

(d) Pursuant to the Assignment Agreement, the Corporation has sold, assigned and transferred to the Trustee, irrevocably and absolutely, for the benefit of the Owners, all of its right, title and interest in and to the Ground Lease and the Lease Agreement, including its right to receive Base Rental Payments to be paid by the District under and pursuant to the Lease Agreement; provided, however, that the Corporation has retained the rights to indemnifications and to payment or reimbursement of its reasonable costs and expenses under the Lease Agreement. The Corporation shall not have any obligation or liability to the Owners with respect to the payment when due of the Base Rental Payments by the District, or with respect to the performance by the District of the other agreements and covenants required to be performed by it contained in the Ground Lease, the Lease Agreement or the Trust Agreement, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

Deposit of Base Rental Payments. The Trustee shall transfer the amounts on deposit in the Base Rental Payment Fund, at the times and in the manner provided in the Trust Agreement, to the following respective funds, each of which the Trustee agrees to establish and maintain until all required Base Rental Payments are paid in full pursuant to the Lease Agreement and until the first date upon which the Certificates are no longer Outstanding. The moneys in each of such funds shall be held in trust by the Trustee and shall be disbursed only for the purposes and uses authorized in the Trust Agreement.

(a) *Interest Fund*. The Trustee, on each Interest Payment Date, shall deposit in the Interest Fund that amount of moneys representing the portion of the Base Rental Payments designated as the interest component coming due on such Interest Payment Date. On each Interest Payment Date, the Trustee shall withdraw from the Interest Fund, for payment to the Owners, the interest evidenced by the Certificates coming due on such Interest Payment Date.

(b) *Principal Fund*. The Trustee, on each Principal Payment Date and each Mandatory Sinking Account Payment Date, shall deposit in the Principal Fund that amount of moneys representing the portion of the Base Rental Payments designated as the principal component coming due on such Principal Payment Date or Mandatory Sinking Account Payment Date,. On each Principal Payment Date and each Mandatory Sinking Account Payment Date, the Trustee shall withdraw from the Principal Fund, for payment to the Owners, the principal evidenced by the Certificates due and payable on such Principal Payment Date or and each Mandatory Sinking Account Payment Date.

(c) *Prepayment Fund*. The Trustee, on the prepayment date specified in the Written Request of the District filed with the Trustee at the time that any prepaid Base Rental Payment is paid to the Trustee pursuant to the Lease Agreement, shall deposit in the Prepayment Fund that amount of moneys representing the portion of the Base Rental Payments designated as prepaid Base Rental Payments. Additionally, the Trustee shall deposit in the Prepayment Fund any amounts required to be deposited therein pursuant to the provisions of the Trust Agreement related to the Acquisition Fund, the provisions of the Trust Agreement described under the heading "FUNDS AND ACCOUNTS; RENTAL PAYMENTS – Application of Net Proceeds" or the provisions of the Trust Agreement described under the heading "FUNDS AND

ACCOUNTS; RENTAL PAYMENTS – Title Insurance." Moneys in the Prepayment Fund shall be used by the Trustee for the purpose of paying the interest, premium, if any, and principal evidenced by the Certificates to be prepaid. All moneys held by the Trustee in the Prepayment Fund shall either be held uninvested or invested in Defeasance Securities, which mature in sufficient amounts and on the dates needed to make the prepayments of Certificates for which such moneys were deposited.

Application of Net Proceeds. If the Property or any portion thereof shall be damaged or destroyed, subject to the further requirements of the Trust Agreement summarized under the heading "FUNDS AND ACCOUNTS; RENTAL PAYMENTS – Application of Net Proceeds," the District shall, as expeditiously as possible, continuously and diligently prosecute or cause to be prosecuted the repair or replacement thereof, unless the District elects not to repair or replace the Property or the affected portion thereof in accordance with the provisions thereof.

The Net Proceeds of any insurance (other than Net Proceeds of rental interruption insurance), including the proceeds of any self-insurance, received on account of any damage or destruction of the Property or a portion thereof shall as soon as possible be deposited with the Trustee and be held by the Trustee in a special account to be established by the Trustee, as an account subject to the provisions of the Trust Agreement, and made available for and, to the extent necessary, shall be applied to the cost of repair or replacement of the Property or the affected portion thereof upon receipt of a Written Request of the District, together with invoices therefor. Pending such application, such proceeds may be invested by the Trustee as directed by the District in Permitted Investments that mature not later than such times as moneys are expected to be needed to pay such costs of repair or replacement.

Notwithstanding the foregoing, the District shall, within 60 days of the occurrence of the event of damage or destruction, notify the Trustee and the Insurer in writing as to whether the District intends to replace or repair the Property or the portions of the Property which were damaged or destroyed. If the District does intend to replace or repair the Property or portions thereof, the District shall deposit with the Trustee the full amount of any insurance deductible to be deposited to the special account.

If such damage, destruction or loss was such that there resulted a substantial interference with the District's right to the use or occupancy of the Property and an abatement in whole or in part of Rental Payments would result from such damage or destruction pursuant to the rental abatement provisions of the Lease Agreement (disregarding, for the purpose of determining whether such an abatement would result, the provisions of the Lease Agreement summarized under paragraph (b) under the heading "RENTAL PAYMENTS – Rental Abatement"), then the District shall be required either to (a) apply sufficient funds from the insurance proceeds and other legally available funds to the replacement or repair of the Property or the portions thereof which have been damaged to the condition which existed prior to such damage or destruction, or (b) apply sufficient funds from the insurance proceeds and other legally available funds to the prepayment, as set forth in the Trust Agreement, in full of all the Outstanding Certificates or all of those Outstanding Certificates which would have been payable from that portion of the Base Rental Payments which would be abated as a result of the damage or destruction (disregarding, for the purpose of determining what portion of the Base Rental Payments would be so abated, the provisions of the Lease Agreement summarized under paragraph (b) under the heading "RENTAL PAYMENTS – Rental Abatement"). Funds to be applied to the prepayment of Certificates in accordance with clause (b) above shall be deposited in the Prepayment Fund. Any proceeds of any insurance, including the proceeds of any self-insurance remaining after the portion of the Property which was damaged or destroyed is restored to and made available to the District in substantially the same condition and annual fair rental value as that which existed prior to the damage or destruction as required by clause (a) above or the prepayment of Certificates as required by clause (b) above, in each case as evidenced by a Written Certificate of the District to such effect, shall be deposited in the Reserve Fund to the extent that the amount therein is less than the Reserve Requirement (taking into account amounts available under any Reserve Facility). If the District is not

required to replace or repair the Property, or the affected portion thereof, as set forth in clause (a) above or to use such amounts to prepay Certificates as set forth in clause (b) above, then such proceeds shall be deposited in the Reserve Fund to the extent that the amount therein is less than the Reserve Requirement (taking into account amounts available under any Reserve Facility). Any amounts not required to be so deposited into the Reserve Fund shall, if there is first delivered to the Trustee and the Insurer a Written Certificate of the District to the effect that the annual fair rental value of the Property after such damage or destruction, and after any repairs or replacements made as a result of such damage or destruction, is at least equal to 100% of the maximum amount of Base Rental Payments becoming due under the Lease Agreement in the then current Rental Period or any subsequent Rental Period and the fair replacement value of the Property after such damage or destruction is at least equal to the sum of the then unpaid principal components of Base Rental Payments, be paid to the District to be used for any lawful purpose.

The proceeds of any award in eminent domain with respect to the Property shall be deposited by the Trustee in the Prepayment Fund and applied to the prepayment of Outstanding Certificates pursuant to the Trust Agreement.

Title Insurance. Proceeds of any policy of title insurance received by the Trustee in respect of the Property shall be applied and disbursed by the Trustee as follows:

(a) if the District determines (and sets forth in a Written Certificate of the District) 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 Rental Payments payable by the District under the Lease Agreement, such proceeds shall, with the written approval of the Insurer, be remitted to the District and used for any lawful purpose thereof; or

(b) 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 would result in an abatement in whole or in part of Rental Payments payable by the District under the Lease (disregarding, for the purpose of determining whether such an abatement would result, the provisions of the Lease Agreement summarized under paragraph (b) under the heading "RENTAL PAYMENTS – Rental Abatement"), then the District shall, in a Written Request of the District, direct the Trustee to, and the Trustee shall, immediately deposit such proceeds in the Prepayment Fund and such proceeds shall, with the written approval of the Insurer, be applied to the prepayment of Certificates in the manner provided in the Trust Agreement.

Reserve Fund. (a) The Trustee shall establish and maintain the Reserve Fund until all required Base Rental Payments are paid in full pursuant to the Lease Agreement and until the first date upon which the Certificates are no longer Outstanding. There shall be deposited in the Reserve Fund on the Delivery Date the Reserve Policy pursuant to the Trust Agreement. The moneys in the Reserve Fund and any Reserve Facility shall be held in trust by the Trustee and shall be used and disbursed only for the purposes and uses authorized in the Trust Agreement.

(b) The District may substitute a Reserve Facility for all or a part of the Reserve Facility then on deposit in the Reserve Fund by depositing such substitute Reserve Facility with the Trustee so long as, at the time of such substitution, the amount on deposit in the Reserve Fund, together with the amount available under such Reserve Facility and any previously substituted Reserve Facilities, shall be at least equal to the Reserve Requirement; provided, however, that, prior to any such substitution, the Trustee shall have received the written consent of the Insurer (so long as the Insurer is not in default in its payment obligations under the Insurance Policy). The District shall 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). Moneys for

which a Reserve Facility has been substituted as provided in the Trust Agreement shall be transferred, at the election of the District, to the Base Rental Payment Fund, or upon receipt of an Opinion of Counsel to the effect that such transfer, in and of itself, will not adversely affect the exclusion of interest evidenced by the Certificates from gross income for federal income tax purposes, to a special account to be held by the Trustee and applied to the payment of capital costs of the District, as directed in a Written Request of the District. Any amounts paid pursuant to any Reserve Facility shall be deposited in the Reserve Fund.

(c) Amounts on deposit in the Reserve Fund which were not derived from payments under any Reserve Facility credited to the Reserve Fund to satisfy a portion of the Reserve Requirement shall be used and withdrawn by the Trustee prior to using and withdrawing any amounts derived from payments under any such Reserve Facility. In order to accomplish such use and withdrawal of such amounts not derived from payments under any such Reserve Facility, the Trustee shall, as and to the extent necessary, liquidate any investments purchased with such amounts. If and to the extent that, more than one Reserve Facility is credited to the Reserve Fund to satisfy a portion of the Reserve Requirement, drawings thereunder, and repayment of expenses with respect thereto, shall be made on a pro-rata basis (calculated by reference to the policy limits available thereunder without regard to the legal or financial ability or willingness of any Reserve Facility provider to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw).

If, on any Interest Payment Date, the amount on deposit in the Interest Fund is insufficient to pay the interest evidenced by the Certificates payable on such Interest Payment Date, the Trustee shall transfer from the Reserve Fund and deposit in the Interest Fund an amount sufficient to make up such deficiency. If a Reserve Facility is credited to the Reserve Fund to satisfy a portion of the Reserve Requirement, the Trustee shall make a claim for payment under such Reserve Facility, in accordance with the provisions thereof, in an amount which, together with other available moneys in the Reserve Fund, will be sufficient to make said deposit in the Interest Fund.

If, on any Principal Payment Date or Mandatory Sinking Account Payment Date, the amount on deposit in the Principal Fund is insufficient to pay the principal evidenced by the Certificates payable on such Principal Payment Date or Mandatory Sinking Account Payment Date, the Trustee shall transfer from the Reserve Fund and deposit in the Principal Fund an amount sufficient to make up such deficiency. If a Reserve Facility is credited to the Reserve Fund to satisfy a portion of the Reserve Requirement, the Trustee shall make a claim for payment under such Reserve Facility, in accordance with the provisions thereof, in an amount which, together with other available moneys in the Reserve Fund, will be sufficient to make said deposit in the Principal Fund.

Moneys, if any, on deposit in the Reserve Fund shall be withdrawn and applied by the Trustee for the final payment of principal and interest evidenced by the Certificates.

(d) In the event of any transfer from the Reserve Fund or the making of any claim under any Reserve Facility, the Trustee shall, within five days thereafter, provide written notice to the District of the amount and the date of such transfer or claim.

(e) To the extent that proceeds of a payment under the Reserve Policy are applied to the payment of interest or principal evidenced by a Certificate, the Reserve Insurer shall become the Owner of such portion of such Certificate and the right to receive payment of such interest or principal and shall be fully subrogated to all of the Owner's rights thereunder to the extent of such payment, including the Owner's rights to payment thereof. To evidence such subrogation (i) in the case of subrogation as to claims for interest, the Trustee shall note the Reserve Insurer's rights as subrogee on the Registration Books, and (ii) in the case of subrogation as to claims for principal, the Trustee shall note the Reserve Insurer's rights as

subrogee on the Registration Books upon surrender of the Certificate evidencing such principal by the Owner thereof to the Trustee.

(f) If, as a result of the District's non-payment, when due, of all or a portion of a Base Rental Payment (other than a non-payment caused by an abatement of Rental Payments pursuant to the Lease Agreement), a claim has been made under the Reserve Policy and the Reserve Insurer has paid such claim, the first of Base Rental Payments, including the interest component thereof, calculated at the Insurer Rate as provided in the Lease Agreement, thereafter received from the District under the Lease Agreement and not needed to pay the principal or interest evidenced by the Certificates on the next Interest Payment Date, Principal Payment Date or Mandatory Sinking Account Payment Date, shall be paid to the Reserve Insurer, as the Owner of the Certificates (or portions thereof) evidencing such delinquent Base Rental Payment, in repayment of such payment by the Reserve Insurer until such payment is paid in full. If as a result of the District's non-payment of all or a portion of a Base Rental Payment (which non-payment is caused by an abatement of Rental Payments pursuant to the Lease Agreement), a claim has been made on the Reserve Policy and the Reserve Insurer has paid such claim, the Reserve Insurer, as the Owner of the Certificates (or portions thereof) evidencing such abated Base Rental Payment, shall be entitled to receive, during the extension of the term of the Lease Agreement provided for in the Lease Agreement, any amounts paid in respect of such abated and unpaid Base Rental Payment pursuant to the provisions of the Lease Agreement summarized under paragraph (b) of the heading "RENTAL PAYMENTS – Base Rental Payments" and the provisions of the Lease Agreement summarized under the heading "RENTAL PAYMENTS – Payment Provisions". Any such payment by the District pursuant to the provisions of the Trust Agreement relating to the Reserve Fund shall be applied first to the interest component of such delinquent Base Rental Payment due the Reserve Insurer and second to the principal components of such delinquent Base Rental Payment due the Reserve Insurer.

(g) If (i) the sum of the amount on deposit in the Reserve Fund, plus the amount available under all available Reserve Facilities, is less than the Reserve Fund Requirement, (ii) there are no amounts then due to the Reserve Insurer under the Reserve Policy, and (iii) there are no amounts then due to the provider of any other Reserve Facility under such Reserve Facility, the first of Base Rental Payments thereafter received from the District under the Lease Agreement and not needed to pay the principal or interest evidenced by the Certificates on the next Interest Payment Date, Principal Payment Date or Mandatory Sinking Account Payment Date, shall be used, first, to reinstate the amounts available under the Reserve Facilities that have been drawn upon and, second, to increase the amount on deposit in the Reserve Fund, so that the amount available under the Reserve Facilities, when added to the amount on deposit in the Reserve Fund, shall equal the Reserve Requirement.

(h) If, as a result of the payment of principal or interest evidenced by the Certificates or otherwise, the Reserve Requirement is reduced, amounts on deposit in the Reserve Fund in excess of such reduced Reserve Requirement shall be transferred to the Base Rental Payment Fund.

(i) On any date on which Certificates are defeased in accordance with the Trust Agreement, the Trustee shall, if so directed in a Written Request of the District, transfer any moneys in the Reserve Fund in excess of the Reserve Requirement resulting from such defeasance to the entity or fund so specified in such Written Request of the District, to be applied to such defeasance.

Costs of Issuance Fund. The Trustee shall establish and maintain a separate special fund to be held by the Trustee designated the "Costs of Issuance Fund." On the Delivery Date, there shall be deposited in the Costs of Issuance Fund the amount required to be deposited therein pursuant to the Trust Agreement. The Trustee shall disburse moneys from the Costs of Issuance Fund on such dates and in such amounts as are necessary to pay Costs of Issuance, in each case upon the Written Request of the District, stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was

incurred and that such payment is a proper charge against the Costs of Issuance Fund. On the last Business Day that is no later than six months after the Delivery Date, the Trustee shall transfer any amounts then remaining in the Costs of Issuance Fund to the Base Rental Payment Fund and the Trustee shall close the Costs of Issuance Fund.

Acquisition Fund. (a) The Trustee shall establish and maintain a separate fund to be held by the Trustee designated the "Acquisition Fund." On the Delivery Date, there shall be deposited in the Acquisition Fund the amount required to be deposited therein pursuant to the Trust Agreement. All moneys in the Acquisition Fund shall be held by the Trustee in trust and applied by the Trustee, as provided in the Trust Agreement to the payment of Acquisition Costs.

(b) Upon receipt by the Trustee of a Written Request of the District requesting the Trustee to make a payment from the Acquisition Fund, which Written Request shall be in substantially the form of the exhibit attached to the Trust Agreement, the Trustee shall pay the amount set forth in such Written Request as directed by the terms thereof.

(c) Upon the filing of a Written Certificate of the District stating (i) that the portion of the Project to be financed from the Acquisition Fund has been completed and that all costs of such Project have been paid, or (ii) that such portion of the Project has been substantially completed and that all remaining costs of such portion of the Project have been determined and specifying the amount to be retained therefor, the Trustee shall (A) if the amount remaining in the Acquisition Fund (less any such retention) is equal to or greater than $50,000, transfer the portion of such amount equal to the largest integral multiple of $5,000 that is not greater than such amount to the Prepayment Fund, to be applied to the prepayment of Certificates pursuant to the provisions of the Trust Agreement related to optional prepayment, and (B) after making the transfer, if any, required to be made pursuant to the preceding clause (A), transfer all of the amount remaining in the Acquisition Fund (less any such retention) to the Interest Fund, to be applied to the payment of interest evidenced by the Certificates.

Rebate Fund. (a) In addition to the other funds and accounts created pursuant to the Trust Agreement, the Trustee shall establish and maintain the "Rebate Fund." There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Certificate. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the United States of America. Notwithstanding defeasance of the Certificates pursuant to the Trust Agreement or anything to the contrary contained therein, all amounts required to be deposited into or on deposit in the Rebate Fund shall be governed exclusively by the provisions of the Trust Agreement summarized in this paragraph and by the Tax Certificate (which is incorporated in the Trust Agreement by reference). The Trustee shall have no liability or responsibility to enforce compliance by the District with the terms of the Tax Certificate. The Trustee may conclusively rely upon the District's determinations, calculations and certifications required by the Tax Certificate. The Trustee shall have no responsibility to independently make any calculation or determination or to review the District's calculations.

(b) Any funds remaining in the Rebate Fund after payment in full of all of the principal and interest evidenced by the Certificates and after payment of any amounts described in the Trust Agreement summarized in this paragraph, shall be withdrawn by the Trustee and remitted to the District.

Investments. (a) *General*. Except as otherwise provided in the Trust Agreement, all moneys in any of the funds or accounts established pursuant to the Trust Agreement and held by the Trustee shall be invested by the Trustee solely in Permitted Investments, as directed in writing by the District two Business Days prior to the making of such investment. Moneys in all funds and accounts held by the Trustee shall be invested in Permitted Investments maturing not later than the date on which it is estimated that such

moneys will be required for the purposes specified in the Trust Agreement; provided, however, that Permitted Investments in which moneys in the Reserve Fund are so invested shall mature no later than the earlier of five years from the date of investment or the final stated Principal Payment Date of the Certificates; provided, further, that if such Permitted Investments may be redeemed at par so as to be available on each Interest Payment Date, any amount in the Reserve Fund may be invested in such redeemable Permitted Investments maturing on any date on or prior to the final stated Principal Payment Date of the Certificates. Absent timely written direction from the District, the Trustee shall invest any funds held by it in Permitted Investments described in clause (h) of the definition thereof.

(b) *Role and Responsibilities of the Trustee*. The Trustee or an affiliate thereof may act as principal or agent in the acquisition or disposition of any such Permitted Investment and shall be entitled to a customary and reasonable fee therefor. The Trustee shall not be liable or responsible for any loss suffered in connection with any such investment made by it under the terms of and in accordance with the Trust Agreement. The Trustee shall sell or present for redemption any obligations so purchased whenever it shall be necessary in order to provide moneys to meet any payment of the funds so invested, and the Trustee shall not be liable or responsible for any losses resulting from any such investment sold or presented for redemption.

The District acknowledges 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 will not receive such confirmation to the extent permitted by law. The Trustee will furnish the District periodic cash transaction statements which shall include detail for all investment transactions made by the Trustee under the Trust Agreement. The Trustee may make any investments under the Trust Agreement through its own bond or investment department or trust investment department, or those of its parent or any affiliate. The Trustee or any of its affiliates may act as sponsor, advisor or manage in connection with any investments made by the Trustee under the Trust Agreement.

(c) *Valuation*. Investments (except investment agreements) in any fund or account established under the Trust Agreement shall be valued, exclusive of accrued interest, (i) not less often than semi-annually no later than February 15 and August 15 or more frequently if deemed necessary by the Insurer but not more often than monthly, and (ii) upon any draw upon the Reserve Fund. All investments of amounts deposited in any fund or account established under the Trust Agreement shall be valued at the market value thereof.

(d) *Earnings*. Subject to the provisions of the Trust Agreement related to the Rebate Fund, any interest or profits received with respect to investments held in any of the funds or accounts established under the Trust Agreement (other than the Reserve Fund) shall be retained therein. Subject to the provisions of the Trust Agreement related to the Rebate Fund, any interest or profits received with respect to investments held in the Reserve Fund shall, prior to the date on which a Written Certificate of the District is filed with the Trustee pursuant to the provisions of the Trust Agreement summarized in paragraph (c) under the heading "FUNDS AND ACCOUNTS; RENTAL PAYMENTS – Acquisition Fund," to be transferred to the Acquisition Fund and, thereafter, be transferred to the Base Rental Payment Fund. Notwithstanding the foregoing, any such transfer shall be made from the Reserve Fund only if and to the extent that, after such transfer, the amount on deposit in the Reserve Fund, together with amounts available to be drawn on all Reserve Facilities, if any, available therein, is at least equal to the Reserve Requirement.

COVENANTS

Compliance with Trust Agreement. The Trustee is required to execute and deliver the Certificates only in accordance with the provisions of the Trust Agreement, and each of the Corporation and the District

shall faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Trust Agreement required to be complied with, kept, observed and performed by it.

Compliance with Ground Lease and Lease Agreement. Each of the Corporation and the District shall faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Ground Lease and the Lease Agreement required to be complied with, kept, observed and performed by it and, together with the Trustee, shall enforce the Ground Lease and the Lease Agreement against the other party thereto in accordance with their respective terms.

Observance of Laws and Regulations. The Corporation, the District and the Trustee shall faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on them by contract, or prescribed by any law of the United States of America or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not become abandoned, forfeited or in any manner impaired.

Other Liens. The District will keep the Property and all parts thereof free from judgments and materialmen's and mechanics' liens and free from all claims, demands, encumbrances and other liens of whatever nature or character, other than Permitted Encumbrances, and free from any claim or liability which materially impairs the District in conducting its business or utilizing the Property, and the Trustee at its option (after first giving the District ten days' written notice to comply therewith and failure of the District to so comply within such ten-day period) may defend against any and all actions or proceedings, or may pay or, with the written consent of the Insurer, compromise any claim or demand asserted in any such actions or proceedings; provided, however, that, in defending against any such actions or proceedings or in paying or compromising any such claims or demands, the Trustee shall not in any event be deemed to have waived or released the District from liability for or on account of any of its agreements and covenants contained in the Trust Agreement, or from its obligation thereunder to perform such agreements and covenants. The Trustee shall have no liability with respect to any determination made in good faith to proceed or decline to defend, pay or compromise any such claim or demand.

So long as any Certificates are Outstanding, neither the Trustee or the District shall create or suffer to be created any pledge of or lien on the amounts on deposit in any of the funds or accounts created under the Trust Agreement, other than the pledge and lien thereof.

The Trustee shall not encumber the Property other than in accordance with the Ground Lease, the Lease Agreement, the Trust Agreement and the Assignment Agreement.

Prosecution and Defense of Suits. The District shall promptly, upon request of the Trustee, the Insurer or any Owner, take such action from time to time as may be necessary or proper to remedy or cure any cloud upon or defect in the title to the Property or any part thereof, whether now existing or hereafter developing, shall prosecute all actions, suits or other proceedings as may be appropriate for such purpose and shall indemnify and save the Trustee, the Insurer and every Owner harmless from all cost, damage, expense or loss, including attorneys' fees, which they or any of them may incur by reason of any such cloud, defect, action, suit or other proceeding.

Recordation. The District will record, or cause to be recorded, with the appropriate county recorder, the Lease Agreement, the Ground Lease and the Assignment Agreement, or memoranda thereof.

Tax Covenants. (a) The District shall not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest evidenced by the Certificates under Section 103 of the Code. Without limiting the generality of the foregoing, the District will comply with the requirements of the Tax Certificate, which is incorporated in the Trust Agreement as if fully set forth therein. This covenant shall survive payment in full or defeasance of the Certificates.

(b) In the event that at any time the District is of the opinion that for purposes of the Trust Agreement related to the tax covenants it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Trustee in any of the funds or accounts established thereunder, the District shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

(c) Notwithstanding any provisions of the Trust Agreement related to the tax covenants, if the District shall provide to the Trustee an Opinion of Counsel to the effect that any specified action required under the Trust Agreement related to the tax covenants is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest evidenced by the Certificates, the Trustee may conclusively rely on such opinion in complying with the requirements of the Trust Agreement related to tax covenants and of the Tax Certificate, and the covenants thereunder shall be deemed to be modified to that extent.

Continuing Disclosure. Each of the District and the Trustee shall comply with and carry out all of the provisions of the Continuing Disclosure Agreement applicable to it. Notwithstanding any other provision of the Trust Agreement, failure of the District or the Trustee to comply with the Continuing Disclosure Agreement shall not constitute an event of default under the Trust Agreement; provided, however, that the Trustee may (and, at the written direction of any Participating Underwriter or the Owners of at least 25% of the aggregate amount of principal evidenced by Outstanding Certificates and upon being indemnified to its reasonable satisfaction, shall) or any Owner or Beneficial Owner of the Certificates may take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Further Assurances. Whenever and so often as requested to do so by the Trustee, the Insurer or any Owner, the Corporation and the District will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee, the Insurer and the Owners all advantages, benefits, interests, powers, privileges and rights conferred or intended to be conferred upon them by the Trust Agreement, the Assignment Agreement, the Ground Lease or the Lease Agreement.

DEFAULT AND LIMITATIONS OF LIABILITY

Action on Default. If an event of default (within the meaning of the Lease Agreement) shall happen, then such event of default shall constitute an event of default under the Trust Agreement. The Trustee, as assignee of the Corporation, may give notice of an event of default under the Lease Agreement to the District, and shall do so if directed in writing to do so by the Insurer (so long as the Insurer is not in default in its payment obligations under the Insurance Policy) 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, with the prior written consent of the Insurer, at the direction of the Owners of not less than a majority of the aggregate principal evidenced by Certificates then Outstanding, and (b) shall, upon being indemnified to its reasonable satisfaction, so long as the Insurer is not in default in its payment obligations under the Insurance Policy, at the direction of the Insurer, upon

notice in writing to the District and the Corporation, exercise any of the remedies granted to the Corporation under the Lease Agreement and, in addition, with the written consent or at the written direction of the Insurer, 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.

Other Remedies of the Trustee. Subject to the provisions of the Trust Agreement summarized under the heading "DEFAULT AND LIMITATIONS OF LIABILITY – Action on Default," the Trustee shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the District or any member, director, officer or employee thereof, and to compel the District or any such member, director, officer or employee to perform or carry out its or his or her duties under law and the agreements and covenants required to be performed by it or him or her contained in the Trust Agreement;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee or the Owners; or

(c) by suit in equity upon the happening of any event of default under the Trust Agreement to require the District to account as the trustee of an express trust.

Non-Waiver. So long as the Insurer is not in default in its payment obligations under the Insurance Policy, the Trustee shall not waive any default or breach of duty or contract under the Trust Agreement without the prior written consent of the Insurer. A waiver of any default or breach of duty or contract by the Trustee shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Trustee by law or by the default and limitations of liability provisions of the Trust Agreement may be enforced and exercised from time to time and as often the Trustee shall deem expedient.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee, the Insurer or any Owner, then subject to any adverse determination, the Trustee, the Insurer, such Owner, the Corporation and the District shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive. Subject to the provisions of the Trust Agreement summarized under the heading "DEFAULT AND LIMITATIONS OF LIABILITY – Action on Default," no remedy therein conferred upon or reserved to the Trustee is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given thereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any law. The assertion or employment of any right or remedy under the Trust Agreement, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

No Liability by the Corporation to the Owners. The Corporation shall not have any obligation or liability to the Owners with respect to the payment when due of the Base Rental Payments by the District, or with respect to the performance by the District of the other agreements and covenants required to be performed by it contained in the Lease Agreement, the Ground Lease or in the Trust Agreement, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained therein.

No Liability by the District to the Owners. Except for the payment when due of the Base Rental Payments and the performance of the other agreements and covenants required to be performed by it contained in the Lease Agreement, the Ground Lease or the Trust Agreement, the District shall not have any obligation or liability to the Owners with respect to the Trust Agreement or the preparation, execution, delivery or transfer of the Certificates or the disbursement of the Base Rental Payments by the Trustee to the Owners, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained therein.

No Liability of the Trustee to the Owners. Except as expressly provided in the Trust Agreement, the Trustee shall not have any obligation or liability to the Owners with respect to the payment when due of the Base Rental Payments by the District, or with respect to the performance by the Corporation or the District of the other agreements and covenants required to be performed by them, respectively, contained in the Lease Agreement, the Ground Lease or the Trust Agreement.

Application of Amounts After Default. All payments received by the Trustee with respect to the rental of the Property after a default by the District pursuant to the Lease Agreement (including, without limitation, any proceeds received in connection with the sale, assignment or sublease of the Corporation's right, title and interest in the Ground Lease), and all damages or other payments received by the Trustee for the enforcement of any rights and powers of the Trustee under the Lease Agreement, shall be deposited into the Base Rental Payment Fund and as soon as practicable thereafter applied:

(a) to the payment of all amounts due the Trustee under the compensation and indemnification provisions of the Trust Agreement;

(b) to the payment of all amounts then due for interest evidenced by the Certificates, in respect of which, or for the benefit of which, money has been collected (other than Certificates which have become payable prior to such event of default and money for the payment of which is held by the Trustee), ratably without preference or priority of any kind, according to the amounts of interest evidenced by such Certificates due and payable;

(c) to the payment of all amounts then due for principal evidenced by the Certificates, in respect of which, or for the benefit of which, money has been collected (other than Certificates which have become payable prior to such event of default and money for the payment of which is held by the Trustee), ratably without preference or priority of any kind, according to the amounts of principal evidenced by such Certificates due and payable; and

(d) to the extent not included in paragraphs (b) or (c) above, to the payment of all amounts then due under the Trust Agreement to the Insurer.

Trustee May Enforce Claims Without Possession of Certificates. All rights of action and claims under the Trust Agreement or the Certificates may be prosecuted and enforced by the Trustee without the possession of any of the Certificates or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation,

expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Owners of the Certificates in respect of which such judgment has been recovered.

Limitation on Suits. No Owner of any Certificate shall have any right to institute any proceeding, judicial or otherwise, with respect to the Trust Agreement, or for the appointment of a receiver or trustee, or for any other remedy thereunder, unless (a) such Owner shall have previously given written notice to the Trustee of a continuing event of default, (b) so long as the Insurer is not in default in its payment obligations under the Insurance Policy, such Owner shall have obtained the Insurer's consent to such institution or appointment, (c) the Owners of not less than 25% of the aggregate amount of principal evidenced by Certificates then Outstanding shall have made written request to the Trustee to institute proceedings in respect of such event of default in its own name as Trustee under the Trust Agreement, (d) such Owner or Owners shall have afforded to the Trustee indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request, (e) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity shall have failed to institute any such proceedings, and (f) no direction inconsistent with such written request shall have been given to the Trustee during such 60 day period by the Owners of a majority of the aggregate amount of principal evidenced by Certificates then Outstanding; it being understood and intended that no one or more Owners of Certificates shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Trust Agreement to affect, disturb or prejudice the rights of any other Owner of Certificates, or to obtain or seek to obtain priority or preference over any other Owner or to enforce any right under the Trust Agreement, except in the manner therein provided and for the equal and ratable benefit of all the Owners of Certificates.

THE TRUSTEE

Duties and Liabilities of Trustee. The Trustee shall, prior to an event of default, and after the curing or waiver of all events of default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in the Trust Agreement. The Trustee shall, during the existence of any event of default which has not been cured or waived, exercise such of the rights and powers vested in it by the Trust Agreement, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

Qualifications; Removal and Resignation; Successors. (a) The Trustee initially a party to the Trust Agreement and any successor thereto shall at all times be a trust company, national banking association or bank having trust powers in good standing in or incorporated under the laws of the United States or any state thereof, having (or if such trust company, national banking association or bank is a member of a bank holding company system, its parent bank holding company shall have) a combined capital and surplus of at least $250,000,000, and subject to supervision or examination by a federal or state agency. If such trust company, national banking association or bank publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining agency above referred to, then for the purpose of the provisions summarized in this paragraph the combined capital and surplus of such trust company, national banking association or bank shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(b) The District may, by an instrument in writing, upon at least 30 days' notice to the Trustee, remove the Trustee initially a party to the Trust Agreement and any successor thereto unless an event of default shall have occurred and then be continuing, and shall remove the Trustee initially a party to the Trust Agreement and any successor thereto if at any time (i) requested to do so by the Insurer (as long as the Insurer is not in default in its payment obligations under the Insurance Policy) or by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority of the aggregate amount of principal evidenced by the Certificates at the time Outstanding (or their attorneys duly authorized in writing), or (ii) the Trustee shall cease to be eligible in accordance with paragraph (a) above, or shall become

incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee.

(c) The Trustee may at any time resign by giving written notice of such resignation by first class mail, postage prepaid, to the District and the Insurer, and to the Owners at the respective addresses shown on the Registration Books. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of paragraph (a) above, the Trustee shall resign immediately in the manner and with the effect specified in the Trust Agreement under the heading "THE TRUSTEE − Qualifications; Removal and Resignation; Successors."

(d) Upon removal or resignation of the Trustee, the District shall promptly appoint a successor Trustee by an instrument in writing, which appointment shall be subject to the prior written approval of the Insurer. Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee; provided, however, that any successor Trustee shall be qualified as provided in paragraph (a) above. If no qualified successor Trustee shall have been appointed and have accepted appointment within 45 days following notice of removal or notice of resignation as aforesaid, the removed or resigning Trustee or any Owner (on behalf of such Owner and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice, if any, as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Trust Agreement shall signify its acceptance of such appointment by executing and delivering to the District, the Corporation and its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee in the Trust Agreement; but, nevertheless at the written request of the District, the Corporation or the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Trust Agreement and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Trust Agreement. Upon acceptance of appointment by a successor Trustee as provided in this paragraph, the successor Trustee shall, within 15 days after such acceptance, mail, by first class mail postage prepaid, a notice of the succession of such Trustee to the trusts under the Trustee to the Owners at the addresses shown on the Registration Books.

(e) Any trust company, national banking association or bank into which the Trustee may be merged or converted or with which it may be consolidated or any trust company, national banking association or bank resulting from any merger, conversion or consolidation to which it shall be a party or any trust company, national banking association or bank to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such trust company, national banking association or bank shall be eligible under paragraph (a) above, shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything in the Trust Agreement to the contrary notwithstanding.

Liabilities of the Trustee. (a) The recitals of facts in the Trust Agreement shall be taken as statements of the District, and the Trustee shall not assume responsibility for the correctness of the same. The Trustee shall, however, be responsible for its representations contained in the Certificates.

(b) The Trustee makes no representations as to the validity or sufficiency of the Trust Agreement, the Lease Agreement, or of the assignment made to it by the Assignment Agreement, or in respect of the security afforded by the Trust Agreement, and the Trustee shall incur no responsibility in respect thereof. The Trustee shall be under no responsibility or duty with respect to (i) the delivery of the Certificates for value, (ii) the application of the proceeds thereof except to the extent that such proceeds are received by it in its capacity as Trustee, or (iii) the application of any moneys paid to the District or others in accordance with the Trust Agreement, except as to the application of any moneys paid to it in its capacity as Trustee.

(c) The Trustee shall not be liable in connection with the performance of its duties under the Trust Agreement, except for its own negligence or willful misconduct.

(d) No provision of the Trust Agreement or any other document related thereto shall require the Trustee to risk or advance its own funds.

(e) The Trustee may execute any of its powers or duties under the Trust Agreement through attorneys, agents or receivers and shall not be answerable for the actions of such attorneys, agents or receivers if selected by it with reasonable care.

(f) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(g) The immunities and protections extended to the Trustee also extend to its directors, officers, employees and agents.

(h) Before taking action under the provisions of the Trust Agreement described under the headings "DEFAULT AND LIMITATIONS OF LIABILITY" or "THE TRUSTEE" or upon the direction of the Owners, the Trustee may require indemnity satisfactory to the Trustee be furnished to it to protect it against all fees and expenses, including those of its attorneys and advisors, and protect it against all liability it may incur.

(i) The Trustee shall 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 amount of principal evidenced by 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 exercising any trust or power conferred upon the Trustee under the Trust Agreement.

(j) The Trustee may become the Owner of Certificates with the same rights it would have if it were not Trustee and, to the extent permitted by law, may act as 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 shall represent the Owners of a majority in aggregate amount of principal evidenced by the Certificates then Outstanding.

(k) The Trustee shall 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.

(l) The Trustee shall not be liable for the failure to take any action required to be taken by it under the Trust Agreement if and to the extent that the Trustee's taking such action is prevented by reason

of an act of God, terrorism, war, riot, strike, fire, flood, earthquake, epidemic or other, similar occurrence that is beyond the control of the Trustee and could not have been avoided by exercising due care.

(m) The Trustee shall not be deemed to have knowledge of an event of default under the Trust Agreement unless it has actual knowledge thereof.

(n) The permissive right of the Trustee to do things enumerated in the Trust Agreement shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct.

(o) The Trustee shall not be responsible for or accountable to anyone for the subsequent use or application of any moneys which shall be released or withdrawn in accordance with the provisions of the Trust Agreement.

Right to Rely on Documents and Opinions. (a) The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bonds or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) Whenever in the administration of the duties imposed upon it by the Trust Agreement, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Trust Agreement, such matter (unless other evidence in respect thereof be specifically prescribed in the Trust Agreement) may be deemed to be conclusively proved and established by a Written Certificate of the District, and such Written Certificate of the District shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of the Trust Agreement in reliance upon such Written Certificate of the District, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

(c) The Trustee may consult with counsel, who may be counsel to the District or the Corporation, with regard to legal questions, and the opinion of such counsel shall 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 therewith.

Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with prudent corporate trust industry standards, in which accurate entries shall be made of all transactions made by it relating to the proceeds of the Certificates, the Base Rental Payments received by it and all funds and accounts established by it pursuant to the Trust Agreement. Such books of record and account shall be available for inspection by the District, the Corporation and the Insurer during regular business hours and upon reasonable notice and under reasonable circumstances as agreed to by the Trustee. The Trustee shall deliver to the District a monthly accounting of the funds and accounts it holds under the Trust Agreement; provided, however, that the Trustee shall not be obligated to deliver an accounting for any fund or account that (a) has a balance of zero, and (b) has not had any activity since the last reporting date.

Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of the Trust Agreement shall be retained in its possession and shall be subject during business hours and upon reasonable notice to the inspection of the District, the Corporation, the Owners and their agents and representatives duly authorized in writing.

Compensation and Indemnification. The District shall pay to the Trustee from time to time all reasonable compensation pursuant to a pre-approved fee letter for all services rendered under the Trust Agreement, and also all reasonable expenses, charges, legal and consulting fees pursuant to a pre-approved fee letter and other disbursements pursuant to a pre-approved fee letter and those of its attorneys, agents

and employees, incurred in and about the performance of their powers and duties under the Trust Agreement. The District shall, to the extent permitted by law, indemnify and save the Trustee harmless against any costs, claims, expenses (including fees and expenses of its counsel), and liabilities which it may incur in the exercise and performance of its powers and duties under the Trust Agreement, including the enforcement of any remedies and the defense of any suit, and which are not due to its negligence or its willful misconduct. The duty of the District to indemnify the Trustee shall survive the resignation or removal of the Trustee and the termination and discharge of the Trust Agreement.

AMENDMENT OF OR SUPPLEMENT TO TRUST AGREEMENT

Amendment or Supplement. (a) The Trust Agreement and the rights and obligations of the District, the Corporation, if any, the Owners and the Trustee thereunder may be amended or supplemented at any time by an amendment thereof or supplement thereto which shall become binding when the prior written consents of the Insurer (so long as the Insurer is not in default in its payment obligations under the Insurance Policy) and the Owners of a majority of the aggregate amount of principal evidenced by the Certificates then Outstanding, exclusive of Certificates disqualified as provided in the Trust Agreement as summarized under the heading "AMENDMENT OF OR SUPPLEMENT TO TRUST AGREEMENT – Disqualified Certificates," are filed with the Trustee. No such amendment or supplement shall (i) extend the stated Principal Payment Date of any Certificate or reduce the rate of interest applicable to the interest evidenced thereby or extend the time of payment of such interest or reduce the amount of principal evidenced thereby or reduce the amount of any Mandatory Sinking Account Payment or change the prepayment terms and provisions or the provisions regarding delivery of notice of prepayment without the prior written consent of the Owner of each Certificate so affected and the Insurer (so long as the Insurer is not in default in its payment obligations under the Insurance Policy), (ii) permit any pledge of, or the creation of any lien on, security interest in or charge or other encumbrance upon the assets pledged under the Trust Agreement prior to or on a parity with the pledge contained in, and the lien and security interest created by, the Trust Agreement or deprive the Owners of the pledge contained in, and the lien and security interest created by, the Trust Agreement, except as expressly provided in the Trust Agreement, without the consent of the Owners of all of the Certificates then Outstanding and the Insurer (so long as the Insurer is not in default in its payment obligations under the Insurance Policy), (iii) modify any of the rights or obligations of the Trustee without the prior written consent of the Trustee, or (iv) amend the provisions of the Trust Agreement summarized under the heading "AMENDMENT OF OR SUPPLEMENT TO TRUST AGREEMENT – Amendment or Supplement," without the prior written consent of the Owners of all Certificates then Outstanding and the Insurer (so long as the Insurer is not in default in its payment obligations under the Insurance Policy).

(b) The Trust Agreement and the rights and obligations of the District, the Corporation, if any, the Owners and the Trustee thereunder may also be amended or supplemented at any time by an amendment thereof or supplement thereto which shall become binding upon execution, with the prior written consent of the Insurer (so long as the Insurer is not in default in its payment obligations under the Insurance Policy), but without the written consents of any Owners and only for any one or more of the following purposes:

(i) to add to the agreements, conditions, covenants and terms required by the District to be observed or performed in the Trust Agreement, other agreements, conditions, covenants and terms thereafter to be observed or performed by the District, or to surrender any right or power reserved therein to or conferred therein on the District;

(ii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Trust Agreement or in regard to questions arising thereunder which the District may deem desirable or necessary and not inconsistent therewith;

(iii) 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 interest evidenced by the Certificates; or

(iv) for any other reason, provided such amendment or supplement does not adversely affect the rights or interests of the Owners; provided, however, that the District and the Trustee may rely in entering into any such amendment or supplement upon an Opinion of Counsel stating that the requirements of this paragraph have been met with respect to such amendment or supplement.

The Trustee is not obligated to enter into any amendment or supplement that adversely affects the rights or obligations of the Trustee.

The Insurer shall be provided with a full original transcript of all proceedings relating to the amendment of or supplement to the Trust Agreement pursuant to the provisions of the Trust Agreement summarized under the heading "AMENDMENT OR SUPPLEMENT TO TRUST AGREEMENT − Amendment or Supplement."

Disqualified Certificates. Certificates owned or held by or for the account of the District (but excluding Certificates held in any pension or retirement fund of the District) shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Certificates provided in the provisions of the Trust Agreement summarized under the heading "AMENDMENT OF OR SUPPLEMENT TO TRUST AGREEMENT" and shall not be entitled to consent to or take any other action provided in such provisions, and the Trustee may adopt appropriate regulations to require each Owner, before its consent provided for in the Trust Agreement shall be deemed effective, to reveal if the Certificates as to which such consent is given are disqualified as provided therein.

Endorsement or Replacement of Certificates After Amendment or Supplement. After the effective date of any action taken as provided above, the Trustee may determine that the Certificates may bear a notation by endorsement in form approved by the Trustee as to such action, and in that case upon demand of the Owner of any Outstanding Certificate and presentation of such Certificate for such purpose at the Principal Office of the Trustee a suitable notation as to such action shall be made on such Certificate. If the Trustee shall receive an Opinion of Counsel advising that new Certificates modified to conform to such action are necessary, modified Certificates shall be prepared, and in that case upon demand of the Owner of any Outstanding Certificates such new Certificates shall be exchanged at the Principal Office of the Trustee without cost to each Owner for Certificates then Outstanding upon surrender of such Outstanding Certificates.

Amendment by Mutual Consent. Subject to the receipt of the prior written consent of the Insurer as provided in the Trust Agreement, the provisions of the Trust Agreement summarized under the heading "AMENDMENT OF OR SUPPLEMENT TO TRUST AGREEMENT" shall not prevent any Owner from accepting any amendment as to the particular Certificates owned by such Owner, provided that due notation thereof is made on such Certificates.

DEFEASANCE

Discharge of Trust Agreement. (a) If there shall be paid (i) to the Owners of all Outstanding Certificates the principal, interest and premium, if any, evidenced thereby at the times and in the manner stipulated therein and in the Trust Agreement, and (ii) all other amounts due under the Trust Agreement and under the Lease Agreement, then the Owners shall cease to be entitled to the pledge of the assets provided for in the Trust Agreement, and all agreements, covenants and other obligations of the Corporation

and the District under the Trust Agreement shall thereupon cease, terminate and become void and the Trust Agreement shall be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Corporation and the District all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the District all money or securities held by it pursuant to the Trust Agreement which are not required for the payment of the principal, interest and premium, if any, evidenced by the Certificates.

(b) Subject to the provisions of paragraph (a) above, when any Certificate shall have been paid and if, at the time of such payment, each of the Corporation and the District shall have kept, performed and observed all of the covenants and promises in the Trust Agreement and the Lease Agreement required or contemplated to be kept, performed and observed by it or on its part on or prior to that time, then the Trust Agreement shall be considered to have been discharged in respect of such Certificate and such Certificate shall cease to be entitled to the pledge of the assets provided in the Trust Agreement, and all agreements, covenants and other obligations of the Corporation and the District under the Trust Agreement shall cease, terminate, become void and be completely discharged and satisfied as to such Certificate.

(c) Notwithstanding the discharge and satisfaction of the Trust Agreement or the discharge and satisfaction of the Trust Agreement in respect of any Certificate, those provisions of the Trust Agreement relating to the payment of the principal, interest and premium, if any, evidenced by Certificates, exchange and transfer of Certificates, replacement of mutilated, destroyed, lost or stolen Certificates, the safekeeping and cancellation of Certificates, and the duties of the Trustee in connection with all of the foregoing, shall remain in effect and shall be binding upon the Trustee and the Owners of such Certificate, and the Trustee shall continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal, interest and premium, if any, evidenced by such Certificate, and to pay to the Owner of such Certificate the funds so held by the Trustee as and when such payment becomes due.

Certificates Deemed To Have Been Paid. (a) If moneys shall have been set aside and held by the Trustee for the payment or prepayment of the principal evidenced by any Certificate and the payment of the interest evidenced thereby to the stated Principal Payment Date or prepayment date thereof, such Certificate shall be deemed to have been paid within the meaning and with the effect provided in the Trust Agreement described under the heading "DEFEASANCE – Discharge of Trust Agreement." Any Outstanding Certificate shall prior to its stated Principal Payment Date or the prepayment date thereof be deemed to have been paid within the meaning of and with the effect expressed in the Trust Agreement described under the heading "DEFEASANCE – Discharge of Trust Agreement" if (i) in case any of such Certificates is to be prepaid on any date prior to its stated Principal Payment Date, the District shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail, on a date in accordance with the provisions of the Trust Agreement, notice of prepayment of such Certificate on said prepayment date, said notice to be given in accordance with the provisions of the Trust Agreement, (ii) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient, or (B) Defeasance Securities, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which shall be sufficient to pay when due the interest evidenced by such Certificate to become due on and prior to its stated Principal Payment Date or the prepayment date thereof, as the case may be, and the principal and premium, if any, evidenced by such Certificate, and (iii) in the event such Certificate is not by its terms subject to prepayment within the next succeeding 60 days, the District shall have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the Owner of such Certificate that the deposit required by clause (ii) above has been made with the Trustee and that such Certificate is deemed to have been paid in accordance with the provisions of the Trust Agreement described under the heading "DEFEASANCE – Certificates Deemed to Have Been Paid," and stating stated Principal Payment Date or prepayment date upon which money is to be available for the payment of the principal and premium, if any, evidenced by such Certificate.

(b) No Certificate shall be deemed to have been paid pursuant to clause (ii) of paragraph (a) above unless (i) all amounts currently due to the Insurer under the Insurance Policy and to the Reserve Insurer under the Reserve Policy shall have been paid in full, and (ii) the District shall have caused to be delivered to the District and the Trustee (A) an executed copy of a Verification Report with respect to such deemed payment, addressed to the District, the Insurer and the Trustee, in form and in substance acceptable to the District and the Insurer, (B) a copy of the escrow agreement entered into in connection with the deposit pursuant to clause (ii)(B) of paragraph (a) above resulting in such deemed payment, which escrow agreement shall provide that no substitution of Defeasance Securities shall be permitted except with other Defeasance Securities and upon delivery of a new Verification Report and no reinvestment of Defeasance Securities shall be permitted except as contemplated by the original Verification Report or upon delivery of a new Verification Report, in form and substance acceptable to the Insurer, and (C) a copy of an Opinion of Counsel, dated the date of such deemed payment and addressed to the District, the Insurer and the Trustee, in form and in substance acceptable to the District and the Insurer, to the effect that such Certificate has been paid within the meaning and with the effect expressed in the Trust Agreement, the Trust Agreement has been discharged in respect of such Certificate and all agreements, covenants and other obligations of the District and the Corporation under the Trust Agreement as to such Certificate have ceased, terminated, become void and been completely discharged and satisfied. In the event a forward purchase agreement is to be employed in connection with the Defeasance Securities purchased to defease Certificates, such agreement shall be subject to the approval of the Insurer and shall be accompanied by such opinions of counsel as may be required by the Insurer. The Insurer shall be provided with final drafts of the above-referenced documentation not less than three Business Days prior to the funding of the escrow.

Unclaimed Moneys. Subject to the escheat laws of the State, any moneys held by the Trustee in trust for the payment and discharge of the interest or principal evidenced by any of the Certificates which remain unclaimed for two years after the date when such interest or principal evidenced by such Certificates have become payable, if such moneys were held by the Trustee at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee after the date when the interest and principal evidenced by such Certificates have become payable, shall, at the Written Request of the District be repaid by the Trustee to the District as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the District for the payment of the interest and principal evidenced by such Certificates.

INSURANCE POLICY AND RESERVE POLICY PROVISIONS

Insurer To Be Deemed Owner; Rights of the Insurer; Payments by the Insurer; Notices. The provisions of the Trust Agreement described under the heading "INSURANCE POLICY AND RESERVE POLICY PROVISIONS" shall apply notwithstanding any other provision of the Trust Agreement to the contrary so long as the Insurer is not in default in its payment obligations under the Insurance Policy.

(a) The Insurer shall at all times be deemed the sole and exclusive Owner of the Outstanding Certificates for the purposes of all approvals, consents, waivers, institution of any action, and the direction of all remedies, including but not limited to approval of or consent to any amendment of or supplement to the Trust Agreement which requires the consent or approval of the Owners of a majority of the aggregate principal evidenced by the Certificates then Outstanding pursuant to the Trust Agreement; provided, however, that the Insurer shall not be deemed to be the sole and exclusive Owner of the Outstanding Certificates with respect to any amendment or supplement to the Trust Agreement which seeks to amend or supplement the Trust Agreement for the purposes set forth in clauses (i), (ii) or (iv) of paragraph (a) of the provisions of the Trust Agreement summarized under the heading "AMENDMENT OF OR SUPPLEMENT TO TRUST AGREEMENT − Amendment or Supplement," and provided further that the Insurer shall not be deemed the sole and exclusive Owner of the Outstanding Certificates with respect to

any amendment or supplement to the Trust Agreement, and shall not have the right to direct or consent to District, Corporation, Trustee or Owner action as provided in the Trust Agreement, if:

(i) the Insurer shall be in payment default under the Insurance Policy and such failure shall continue for three Business Days;

(ii) any material provision of the Insurance Policy shall be held to be invalid by a final, non-appealable order of a court of competent jurisdiction, or the validity or enforceability thereof shall be contested in writing by the Insurer; or

(iii) a proceeding shall have been instituted in a court having jurisdiction in the premises seeking an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution in respect of the Insurer under Article 16 of the Insurance Law of the State of New York or any successor provision thereto and such proceeding is not terminated for a period of 90 consecutive days or such court enters an order granting the relief sought in such proceeding.

(b) To the extent that the Insurer makes payment of any interest or principal evidenced by a Certificate, it shall become the Owner of such portion of such Certificate and the right to receive payment of such interest or principal and shall be fully subrogated to all of the Owner's rights thereunder in accordance with the terms of the Insurance Policy to the extent of such payment, including the Owner's rights to payment thereof (which subrogation rights shall include the rights of any such Owner in connection with any Insolvency Proceeding). To evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee shall note the Insurer's rights as subrogee on the Registration Books upon receipt of proof from the Insurer as to payment of such interest to the Owner of the Certificate evidencing such interest, and (ii) in the case of subrogation as to claims for past due principal, the Trustee shall note the Insurer's rights as subrogee on the Registration Books upon surrender of the Certificate evidencing such principal by the Owner thereof to the Trustee.

(c) In the event that the interest or principal evidenced by a Certificate shall be paid by the Insurer pursuant to the terms of the Insurance Policy, (i) such Certificate shall continue to be Outstanding under the Trust Agreement, (ii) the pledge of the amounts on deposit in the funds and accounts established under the Trust Agreement and all covenants, agreements and other obligations of the District thereunder and under the Lease Agreement shall continue to exist, (iii) the Insurer shall be fully subrogated to all of the rights of such Owner in accordance with the terms and conditions of paragraph (b) above and the Insurance Policy, and (iv) neither the Trust Agreement nor the Lease Agreement shall be discharged unless and until all amounts due to the Insurer have been paid in full.

(d) If an event of default (within the meaning of the Lease Agreement) shall have occurred and be continuing, the Insurer may, regardless of whether a claim has been made under the Insurance Policy, at any time and at its sole option, pay to the Owners all or any portion of the interest or principal evidenced by the Certificates (at a price equal to 100% of the principal evidenced by the Certificates so purchased) prior to the stated Principal Payment Dates thereof; provided, however, that such payment by the Insurer shall not accelerate the District's obligation to make Rental Payments under the Lease Agreement. The Trustee shall accept such payments on behalf of the Owners and the Insurer's obligations under the Insurance Policy shall be discharged to the extent of such payments.

(e) The Insurer shall be notified (i) by the District at least 30 days (or such lesser time as agreed by the Insurer) in advance of the execution of any amendment of or supplement to the Trust Agreement and of any amendment to the Lease Agreement or the Ground Lease in the event consent of the Owners is not required for such amendment or supplement, (ii) by the Trustee within two Insurance Business Days of the Trustee's having knowledge of the occurrence of any event of default (within the meaning of the Lease

Agreement), and (iii) by the Trustee of any prepayment of Certificates (including the principal evidenced by, and the CUSIP numbers of, such Certificates to be prepaid) at the same time that the Owners of the Certificates to be prepaid are notified. In addition, all notices, reports, certificates and opinions (i) to be delivered to or by the Trustee or to the Owners or available at the request of the Owners pursuant to the Trust Agreement, or (ii) to be delivered by the District pursuant to the Lease Agreement or the Assignment Agreement shall also be delivered to the Insurer.

(f) The Trustee shall also notify the Insurer (i) immediately, upon the withdrawal of amounts on deposit in the Reserve Fund, other than amounts comprising investment earnings thereon which may be withdrawn in accordance with the terms of the Trust Agreement, upon a claim being made under any Reserve Facility or upon the determination that a deficiency in the Reserve Fund exists as a result of fluctuations in the market value of investments held therein, and (ii) immediately upon the resignation or removal of the Trustee or the appointment of a successor Trustee.

(g) No contract shall be entered into or any action taken by which the rights of the Insurer or security for or sources of payment of the Certificates may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Insurer.

(h) Subject to and conditioned upon payment of any interest or principal evidenced by the Certificates by or on behalf of the Insurer, each Owner, by its purchase of Certificates, assigns to the Insurer, but only to the extent of all payments made by the Insurer, all rights to the payment of interest or principal evidenced by the Certificates, including, without limitation, any amounts due to the Owners in respect of securities law violations arising from the offer and sale of the Certificates, which are then due for payment. The Insurer may exercise any option, vote, right, power or the like with respect to Certificates to the extent it has made a payment of principal evidenced by Certificates pursuant to the Insurance Policy. The foregoing assignment is in addition to, and not in limitation of, rights of subrogation otherwise available to the Insurer in respect of such payments. The Trustee shall take such action and deliver such instruments as may be reasonably requested or required by the Insurer to effectuate the purpose or provisions of this paragraph.

(i) The Insurer shall have the right to advance any payment required to be made by the District in order to prevent an event of default under the Trust Agreement and the Trustee shall be required to accept such advance. The District shall, upon demand, reimburse the Insurer for any such advance.

(j) The rights granted under the Trust Agreement, the Lease Agreement or the Ground Lease to the Insurer to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Insurance Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit of or on behalf of the Owners, nor does such action evidence any position of the Insurer, positive or negative, as to whether Owner consent is required in addition to consent of the Insurer.

(k) Pursuant to the Trust Agreement, the District agrees, to the extent permitted by law, to pay or reimburse the Insurer any and all charges, fees, costs and expenses which the Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in the Trust Agreement, the Lease Agreement, the Ground Lease or the Assignment Agreement, (ii) the pursuit of any remedies under the Trust Agreement, the Lease Agreement, the Ground Lease or the Assignment Agreement, or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Trust Agreement, the Lease Agreement, the Ground Lease or the Assignment Agreement whether or not executed or completed, or (iv) any litigation or other dispute in connection with the Trust Agreement, the Lease Agreement, the Ground Lease or the Assignment Agreement, 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, the Lease Agreement, the Ground Lease or the Assignment Agreement.

(l) The Insurer shall be entitled to pay principal or interest evidenced by the Certificates that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the District (as such terms are defined in the Insurance Policy) thereof in accordance with the Trust Agreement, whether or not the Insurer has received a Notice (as defined in the Insurance Policy) of Nonpayment or a claim upon the Insurance Policy.

(m) The Trustee shall promptly notify the Insurer of either of the following as to which it has actual knowledge: (i) the commencement of any proceeding by or against the District or the Corporation commenced under the United States Bankruptcy Code or any successor statute or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding"), and (ii) the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer (a "Preference Claim") of any payment of interest or principal evidenced by the Certificates. Each Owner, by its purchase of Certificates, and the Trustee agrees that the Insurer may at any time during the continuation of an Insolvency Proceeding direct all matters relating to such Insolvency Proceeding, including, without limitation, (i) all matters relating to any Insolvency Proceeding or Preference Claim, (ii) the direction of any appeal of any order relating to any Insolvency Proceeding or Preference Claim, (iii) the posting of any surety, supersedes or performance bond pending any such appeal, and (iv) to accept or reject any plan of adjustment. In addition, the Trustee (solely with respect to the Certificates) and each Owner delegate and assign to the Insurer, to the fullest extent permitted by law, the rights of the Trustee and each Owner in the conduct of any Insolvency Proceeding, including, without limitation, any rights of any party to an adversary proceeding action with respect to any court order issued in connection with any such Insolvency Proceedings.

(n) In determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, under the Trust Agreement would adversely affect the security for the Certificates or the rights of the Owners, the Trustee shall consider the effect of any such amendment, consent, waiver, action or inaction as if there were no Insurance Policy.

(o) Any reorganization or liquidation plan with respect to the District must be acceptable to the Insurer. In the event of any such reorganization or liquidation, the Insurer shall have the right to vote on behalf of all Owners (so long as the Insurer is not in default in its payment obligations under the Insurance Policy).

(p) 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.

(q) The obligations set forth in paragraphs (k) and (m) above shall survive discharge or termination of the Trust Agreement and the Lease Agreement.

Deposits to Policy Payments Account; Payments Under the Insurance Policy. (a) So long as the Insurance Policy shall be in full force and effect, the District and the Trustee agree to comply with the provisions of the provisions of the Trust Agreement described under the heading "INSURANCE POLICY AND RESERVE POLICY PROVISIONS – Deposits to Policy Payments Account; Payments Under the Insurance Policy."

(b) If, on the third Insurance Business Day prior to a Principal Payment Date, Mandatory Sinking Account Payment Date or Interest 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 interest or principal evidenced by the Certificates due on such Principal Payment Date, Mandatory Sinking Account Payment Date or Interest Payment Date, the Trustee shall give notice to the Insurer and to the Insurer's Fiscal Agent (if any) by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Insurance Business Day. If, on the second Insurance Business Day prior to such Principal Payment Date, Mandatory Sinking Account Payment Date or Interest Payment Date, there continues to be a deficiency in the amount available to pay the interest or principal evidenced by the Certificates due on such Principal Payment Date, Mandatory Sinking Account Payment Date or Interest Payment Date, the Trustee shall 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 the interest evidenced by the Certificates and the amount required to pay principal evidenced by the Certificates, confirmed in writing to the Insurer and the Insurer's Fiscal Agent (if any) by 12:00 noon, New York City time, on such second Insurance Business Day by filling in the form of Notice of Claim and Certificate delivered with the Insurance Policy.

(c) The Trustee shall designate any portion of principal evidenced by Certificates paid by the Insurer, whether by virtue of the stated Principal Payment Date, Mandatory Sinking Account Payment Date or the Insurer's election to pay said amounts prior to the stated Principal Payment Date pursuant to paragraph (e) of the provisions of the Trust Agreement summarized under the heading "INSURANCE POLICY AND RESERVE POLICY PROVISIONS – Insurer To Be Deemed Owner; Rights of the Insurer; Payments by the Insurer; Notices," on its books as a reduction in the principal evidenced by Certificates registered to the then current Owners, whether DTC or its nominee or otherwise, and shall issue a replacement Certificate to the Insurer, registered in the name of Build America Mutual Assurance Company, evidencing principal in an amount equal to the principal so paid (without regard to Authorized Denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Certificate shall have no effect on the amount of principal or interest evidenced by any Certificate payable by the District or the subrogation rights of the Insurer.

(d) The Trustee shall keep a complete and accurate record of all funds deposited by the Insurer into the Policy Payments Account (defined below) and the allocation of such funds to payment of the interest and principal evidenced by any Certificate. The Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

Upon payment of a claim under the Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of Owners known as the "Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Insurance Policy in trust on behalf of 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 shall be disbursed by the Trustee to Owners in the same manner as payments of interest and principal evidenced by the Certificates are to be made with respect to the Certificates under the provisions of the Trust Agreement. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to make payments of interest and principal with other funds available to make such payments.

If, as a result of the District's non-payment, when due, of all or a portion of a Base Rental Payment (other than a non-payment caused by an abatement of Rental Payments pursuant to the Lease Agreement), the Insurer has paid interest or principal evidenced by the Certificates pursuant to the Insurance Policy, (i) the first of Base Rental Payments thereafter received from the District under the Lease Agreement that are not required to be paid to the Reserve Insurer pursuant to paragraph (f) of the provisions of the Trust

Agreement summarized under the heading "FUNDS AND ACCOUNTS; RENTAL PAYMENTS – Reserve Fund," and (ii) the interest payable with respect to such delinquent Base Rental Payments, calculated at the Insurer Rate as provided in the Lease Agreement, shall be paid to the Insurer, as the Owner of the Certificates (or portions thereof) evidencing such delinquent Base Rental Payment in repayment of such payment by the Insurer until such payment is paid in full. If, as a result of the District's non-payment of all or a portion of a Base Rental Payment (which non-payment is caused by an abatement of Rental Payments pursuant to the Lease Agreement), the Insurer has paid interest or principal evidenced by the Certificates pursuant to the Insurance Policy, the Insurer, as the Owner of the Certificates (or portions thereof) representing such abated Base Rental Payment, shall be entitled to receive, during the extension of the term of the Lease Agreement provided for in the Lease Agreement, any amounts paid in respect of such abated and unpaid Base Rental Payment pursuant to the Lease Agreement that are not required to be paid to the Reserve Insurer pursuant to paragraph (f) of the provisions of the Trust Agreement summarized under the heading "FUNDS AND ACCOUNTS; RENTAL PAYMENTS – Reserve Fund." Any such payment by the District pursuant to the provisions of the Trust Agreement summarized under the heading "INSURANCE POLICY AND RESERVE POLICY PROVISIONS – Deposits to Policy Payments Account; Payments Under the Insurance Policy" shall be applied first to the interest component of such delinquent Base Rental Payment due the Insurer and second to the principal components of such delinquent Base Rental Payment due the Insurer.

(e) Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following a Principal Payment Date, Mandatory Sinking Account Payment Date or Interest Payment Date shall promptly be remitted to the Insurer.

Reporting Requirements. (a) The District shall provide to the Insurer (i) within 180 days after the end of each fiscal year of the District, a Written Certificate of the District certifying that the District is not aware of any event of default or of any default under the Trust Agreement or under the Lease Agreement, (ii) within 180 days after the end of each fiscal year of the District, audited financial statements for such fiscal year, (iii) within 30 days after the approval thereof, each annual budget of the District, and, (iv) from time to time, such other information, data or reports as the Insurer may reasonably request.

(b) The Trustee shall provide the Insurer with notice of any default under the Trust Agreement or under the Lease Agreement within five Business Days of obtaining knowledge thereof. The District shall provide the Insurer with notice of any default under the Trust Agreement or under the Lease Agreement within five Business Days of obtaining knowledge thereof.

(c) The District shall provide the Insurer with prior notice of the advance refunding or prepayment of any of the Certificates, including the principal amount, maturities and CUSIP numbers thereof.

(d) The District shall provide the Insurer with notice of the resignation or removal of the Trustee or the Depository, and the appointment of, and acceptance of duties by, any successor thereto.

(e) Each of the District and the Trustee agrees that it will, if it has actual knowledge thereof, promptly notify the Insurer of (i) the commencement of any Insolvency Proceeding by or against the District, and (ii) 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 evidenced by the Certificate.

(f) The Trustee shall, at the time any report, notice or correspondence is delivered to Owners of the Certificates pursuant to the provisions of the Trust Agreement, deliver a copy of such report, notice or correspondence to the Insurer.

(g) The District shall provide the Insurer with all information furnished pursuant to the Continuing Disclosure Agreement simultaneously with the furnishing of such information.

(h) The Trustee shall notify the Insurer of any failure of the District to provide notices, certificates and other information under the Trust Agreement or the Lease Agreement.

Reserve Policy Provisions. As long as the Reserve Policy shall be in full force and effect, the Trustee agrees to comply with the following provisions:

(a) If, on the fifth Insurance Business Day prior to a Principal Payment Date, Mandatory Sinking Account Payment Date or Interest Payment Date moneys on deposit in the Base Rental Payment Fund, the Interest Fund and/or the Principal Fund, as applicable, plus all amounts on deposit in and credited to the Reserve Fund in excess of the amount of the Reserve Policy, are insufficient to pay the amount of principal and interest coming due, the Trustee shall give notice to the Reserve Insurer by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day.

(b) The District agrees, to the extent permitted by law, to pay or reimburse the Reserve Insurer any and all charges, fees, costs and expenses which the Reserve Insurer may reasonably pay or incur, including, but not limited to, fees and expenses of attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with any actions taken to facilitate payments under the Reserve Policy or the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of the Trust Agreement or the Lease Agreement. For purposes of the foregoing, costs and expenses shall include a reasonable allocation of compensation with the actions described in the preceding sentence. The District agrees that failure to pay such costs and expenses on a timely basis will result in the accrual of interest on the unpaid amount at the Insurer Rate, compounded semi-annually, from the date that payment is first due to the Reserve Insurer until the date the Reserve Insurer is paid in full. The obligations set forth in this paragraph shall survive discharge or termination of the Trust Agreement and the Lease Agreement.

MISCELLANEOUS

Benefits of Trust Agreement. Nothing contained in the Trust Agreement, expressed or implied, is intended to give to any person other than the Trustee, the Corporation, the District, the Insurer, the Reserve Insurer and the Owners any claim, remedy or right under or pursuant to the Trust Agreement, and any agreement, condition, covenant or term required in the Trust Agreement to be observed or performed by or on behalf of the District or the Corporation shall be for the sole and exclusive benefit of the Trustee, the Corporation, the District, the Insurer, the Reserve Insurer and the Owners.

Successor Deemed Included in all References to Predecessor. Whenever the Trustee, the Corporation or the District, or any officer thereof, is named or referred to in the Trust Agreement, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Trustee, the Corporation or the District, or such officer, and all agreements, conditions, covenants and terms required by the Trust Agreement to be observed or performed by or on behalf of the Trustee, the Corporation or the District, or any officer thereof, shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Execution of Documents by Owners. Any declaration, request or other instrument which is permitted or required in the Trust Agreement to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or his attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other

officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer, or by such other proof as the Trustee may accept which it may deem sufficient.

The ownership of any Certificates and the amount, payment date, number and date of owning the same may be proved by the Registration Books.

Any declaration, request or other instrument in writing of the Owner of any Certificate shall bind all future Owners of such Certificate with respect to anything done or suffered to be done by the District or the Trustee in good faith and in accordance therewith.

Waiver of Personal Liability. Notwithstanding anything contained in the Trust Agreement to the contrary, no member, officer or employee of the District shall be individually or personally liable for the payment of any moneys, including without limitation, the interest or principal evidenced by the Certificates, but nothing contained in the Trust Agreement shall relieve any member, officer or employee of the District from the performance of any official duty provided by any applicable provisions of law, by the Lease Agreement or by the Trust Agreement.

Acquisition of Certificates by District. All Certificates acquired by the District, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation.

Content of Certificates. Every Written Certificate of the District and every Written Certificate of the Corporation with respect to compliance with any agreement, condition, covenant or term contained in the Trust Agreement shall include (a) a statement that the person making or giving such certificate has read such agreement, condition, covenant or term and the definitions in the Trust Agreement relating thereto, (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements contained in such certificate are based, (c) a statement that, in the opinion of the signer, the signer has made or caused to be made such examination or investigation as is necessary to enable the signer to express an informed opinion as to whether or not such agreement, condition, covenant or term has been complied with, and (d) a statement as to whether, in the opinion of the signer, such agreement, condition, covenant or term has been complied with.

Any Written Certificate of the District and any Written Certificate of the Corporation may be based, insofar as it relates to legal matters, upon an Opinion of Counsel, unless the person making or giving such certificate knows that the Opinion of Counsel with respect to the matters upon which each person's certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any Opinion of Counsel may be based, insofar as it relates to factual matters, upon information which is in the possession of the District or the Corporation upon a representation by an officer or officers of the District or the Corporation, as the case may be, unless the counsel executing such Opinion of Counsel knows that the representation with respect to the matters upon which such counsel's opinion may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

Funds and Accounts. Any fund or account required to be established and maintained under the Trust Agreement by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund, but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Certificates and the rights

of the Owners. The Trustee may commingle any of the moneys held by it under the Trust Agreement for investment purposes only; provided, however, that the Trustee shall account separately for the moneys in each fund or account established pursuant to the Trust Agreement.

Third-Party Beneficiary. The Insurer is a third-party beneficiary of the Trust Agreement.

Governing Law. The Trust Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of California.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX B

FINANCIAL STATEMENTS OF THE DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

[THIS PAGE INTENTIONALLY LEFT BLANK]

Financial Statements
June 30, 2019

San Jacinto Unified School District

SAN JACINTO UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS
JUNE 30, 2019

FINANCIAL SECTION

Independent Auditor's Report 2
Management's Discussion and Analysis 5
Basic Financial Statements
Government-Wide Financial Statements
Statement of Net Position 14
Statement of Activities 15
Fund Financial Statements
Governmental Funds - Balance Sheet 16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position 17
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances 19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities 20
Fiduciary Funds - Statement of Net Position 22
Notes to Financial Statements 23

REQUIRED SUPPLEMENTARY INFORMATION

General Fund - Budgetary Comparison Schedule 69
Cafeteria Fund - Budgetary Comparison Schedule 70
Schedule of Changes in the District's Total OPEB Liability and Related Ratios 71
Schedule of the District's Proportionate Share of the Net Pension Liability 72
Schedule of District Contributions 73
Note to Required Supplementary Information 74

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards 76
Local Education Agency Organization Structure 77
Schedule of Average Daily Attendance 78
Schedule of Instructional Time 79
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements 80
Schedule of Financial Trends and Analysis 81
Schedule of Charter Schools 82
Combining Statements - Non-Major Governmental Funds
Combining Balance Sheet 83
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances 84
Note to Supplementary Information 85

INDEPENDENT AUDITOR'S REPORTS

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* 88
Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by the Uniform Guidance 90
Report on State Compliance 92

SAN JACINTO UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS
JUNE 30, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results	96
Financial Statement Findings	97
Federal Awards Findings and Questioned Costs	98
State Awards Findings and Questioned Costs	99
Summary Schedule of Prior Audit Findings	100
Management Letter	101

FINANCIAL SECTION

EideBailly

CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

Governing Board
San Jacinto Unified School District
San Jacinto, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Jacinto Unified School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

What inspires you, inspires us. | eidebailly.com

10681 Foothill Blvd., Ste. 300 | Rancho Cucamonga, CA 91730-3831 | T 909.466.4410 | F 909.466.4431 | EOE

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, budgetary comparison schedules on pages 69 through 70, schedule of changes in the District's total OPEB liability and related ratios on page 71, schedule of the District's proportionate share of the net pension liability on page 72, and the schedule of District contributions page 73, 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 accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
December 5, 2019

SAN JACINTO UNIFIED SCHOOL DISTRICT
The San Jacinto Difference!

District Superintendent
Diane Perez

District Administrative Office
2045 South San Jacinto Avenue
San Jacinto, California 92583
(951) 929-7700
www.sanjacinto.k12.ca.us

Board of Trustees
John I. Norman, President
Willie Hamilton, Clerk
Trica Ojeda, Board Member
Deborah Rex, Board Member
Jasmin Rubio, Board Member

Assistant Superintendent
Business Services
Seth Heeren

Assistant Superintendent
Personnel Services
Sherry Smith

Assistant Superintendent
Educational Services
John Roach

Head Start/State Preschool

Megan Cope Elementary

De Anza Elementary

Jose Antonio Estudillo Elementary

Edward Hyatt Elementary

Park Hill Elementary

Clayton A. Record Jr. Elementary

San Jacinto Elementary

North Mountain Middle School

Monte Vista Middle School

San Jacinto Leadership Academy

Mountain View High School/
Mountain Heights Academy

San Jacinto High School

This section of San Jacinto Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2019, with comparative information for the year ended June 30, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District, as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

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

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

The *Fiduciary Funds* are agency funds, which only report a balance sheet and do not have a measurement focus.

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

The Primary unit of the government is the District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include *all* assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

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

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

Governmental Activities - Most of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The Fund Financial Statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental Funds - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

THE DISTRICT AS A TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary,* for funds held on behalf of others, like our funds for associated student body activities. The District's fiduciary activities are reported in the *Fiduciary Funds - Statement of Net Position.* We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $55.5 million for the fiscal year ended June 30, 2019. Of this amount, $(72.8) million was unrestricted. Restricted net position are reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use those net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

(Amounts in millions)	Governmental Activities	
	2019	2018
Assets		
Current and other assets	$ 62.2	$ 71.6
Capital assets	207.2	197.4
Total Assets	**269.4**	**269.0**
Deferred Outflows of Resources	**39.7**	**38.9**
Liabilities		
Current liabilities	6.3	9.5
Long-term obligations	122.2	125.2
Aggregate net pension liability	120.1	111.8
Total Liabilities	**248.6**	**246.5**
Deferred Inflows of Resources	**5.0**	**4.2**
Net Position		
Net investment in capital assets	107.8	101.8
Restricted	20.5	22.8
Unrestricted	(72.8)	(67.4)
Total Net Position	**$ 55.5**	**$ 57.2**

The $(72.8) million in unrestricted net position of governmental activities represents the *accumulated* results of all past years' operations.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 15. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

(Amounts in millions)	Governmental Activities	
	2019	2018
Revenues		
Program revenues:		
Charges for services	$ 0.9	$ 1.0
Operating grants and contributions	29.0	26.8
General revenues:		
Federal and State aid not restricted	98.8	87.8
Property taxes	18.0	16.7
Other general revenues	44.7	31.3
Total Revenues	**191.4**	**163.6**
Expenses		
Instruction-related	109.0	107.3
Student support services	16.7	14.8
Administration	12.0	9.0
Plant services	13.4	11.4
All other services	42.0	20.4
Total Expenses	**193.1**	**162.9**
Change in Net Position	**$ (1.7)**	**$ 0.7**

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was $193.1 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $18.0 million because the cost was paid by those who benefited from the programs ($0.9 million) or by other governments and organizations who subsidized certain programs with grants and contributions ($29.0 million). We paid for the remaining "public benefit" portion of our governmental activities with $143.5 million in Federal and State aid, and with other revenues, like interest and general entitlements.

In Table 3, we have presented the cost of each of the District's largest functions: instruction, instruction-related activities, home-to-school transportation, other pupil services, administration, plant services, and all other services, as well as each program's *net* cost (total cost less revenues generated by the activities). As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

(Amounts in millions)	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
Instruction	$ 90.4	$ 89.2	$ 72.6	$ 72.6
Instruction-related activities	18.6	18.1	16.7	16.7
Home-to-school transportation	3.1	2.9	3.1	3.1
Other pupil services	13.6	11.9	5.7	5.7
Administration	12.0	9.0	10.8	10.9
Plant services	13.4	11.4	13.1	13.1
All other services	42.0	20.4	41.2	41.2
Total	**$ 193.1**	**$ 162.9**	**$ 163.2**	**$ 163.3**

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $57.5 million, which is a decrease of $6.3 million from last year (Table 4).

Table 4

(Amounts in millions)	Fund Balance			
	July 1, 2018	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2019
General Fund	$ 25.4	$ 137.8	$ 134.4	$ 28.8
Cafeteria Fund	1.7	7.0	6.8	1.9
Building Fund	16.5	0.7	3.7	13.5
Capital Facilities Fund	4.4	5.7	6.7	3.4
Adult Education Fund	0.2	0.4	0.4	0.2
Child Development Fund	-	0.7	0.7	-
Deferred Maintenance Fund	0.9	1.1	1.6	0.4
County School Facilities Fund	1.4	-	-	1.4
COP Capital Project Fund	4.5	-	4.5	-
CFD Capital Project Fund	1.4	36.4	37.1	0.7
Bond Interest and Redemption Fund	4.5	5.0	5.2	4.3
COP Debt Service Fund	2.9	3.2	3.2	2.9
Total	**$ 63.8**	**$ 198.0**	**$ 204.3**	**$ 57.5**

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted in June 2019 (a schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 69).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, the District had $207.2 million in a broad range of capital assets (net of depreciation), including land, construction in progress, buildings, and furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of $9.8 million from last year (Table 5).

Table 5

(Amounts in millions)	Governmental Activities	
	2019	2018
Land and construction in progress	$ 48.6	$ 36.0
Buildings and improvements	155.4	159.0
Equipment	3.2	2.4
Total	**$ 207.2**	**$ 197.4**

This year's land and construction expenditures were primarily related to the acquisition and installation costs associated with six new portable classrooms at Estudillo Elementary, the completion of the Culinary Arts Center and Soboba Aquatic Center at San Jacinto High School, close out of modernization projects at DeAnza Elementary and Park Hill Elementary, and the purchase of land at the corner of Young Street and Ramona Street for future use. We present more detailed information regarding our capital assets in Note 5 of the financial statements.

Long-Term Obligations

At the end of this year, the District had $122.2 million in long-term obligations outstanding versus $125.2 million last year, a decrease of 2.4 percent. Long-term obligations consisted of:

Table 6

(Amounts in millions)	Governmental Activities	
	2019	2018
General obligation bonds	$ 70.4	$ 72.7
Certificates of participation	41.3	42.4
Other	10.5	10.1
Total	**$ 122.2**	**$ 125.2**

Other obligations include capital leases, compensated absences, and the total other postemployment benefits (OPEB) liability. We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

Aggregate Net Pension Liability

At year-end, the District has an aggregate net pension liability of $120.1 million versus $111.8 million last year, an increase of $8.3 million.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2018-2019 ARE NOTED BELOW:

Facility Highlights

- Completion of the Soboba Aquatic Center at San Jacinto High School.
- Completion of the Culinary Arts Center at San Jacinto High School.
- Construction and installation of six new portable classrooms at Estudillo Elementary School.
- Concrete and asphalt repairs at Park Hill Elementary School and DeAnza Elementary School.
- Roof repairs at San Jacinto High School.
- Improved fencing across the District including privacy slats at elementary sites.
- Parking lot expansion at Hyatt Elementary School in anticipation of the opening of the new Edward Hyatt World Language Academy.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2019-2020 year, the Governing Board and management used the following criteria:

The key assumptions in our revenue forecast are:

1) Funded COLA of 3.26 percent.

2) Unduplicated pupil count of 81.09 percent.

3) Zero growth projection due to uncertain economic conditions in our region.

Expenditures are based on the following enrollment forecasts:

	Staffing Ratio	Enrollment
Transitional K through third	28:1	3,140
Grades fourth through fifth	31:1	1,578
Grades six through eight	29:1	2,354
Grades nine through twelve	31:1	3,060
TOTAL		**10,132**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Luke Smith, Executive Director of Business Services, at San Jacinto Unified School District, 2045 South San Jacinto Avenue, San Jacinto, California, 92583, or e-mail at lsmith@sanjacinto.k12.ca.us.

SAN JACINTO UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
ASSETS	
Deposits and investments	$ 54,993,515
Receivables	7,084,901
Stores inventories	175,905
Total Current Assets	62,254,321
Capital Assets	
Land and construction in process	48,631,919
Other capital assets	233,462,988
Less: accumulated depreciation	(74,905,154)
Total Capital Assets	207,189,753
Total Assets	269,444,074
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to other postemployment benefits (OPEB) liability	124,353
Deferred outflows of resources related to pensions	39,577,509
Total Deferred Outflows of Resources	39,701,862
LIABILITIES	
Accounts payable	4,506,849
Accrued interest payable	1,599,684
Unearned revenue	201,056
Long-term obligations	
Current portion of long-term obligations other than pensions	2,664,699
Noncurrent portion of long-term obligations other than pensions	119,560,979
Total Long-Term Obligations	122,225,678
Aggregate net pension liability	120,124,756
Total Liabilities	248,658,023
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to other postemployment benefits (OPEB) liability	239,638
Deferred inflows of resources related to pensions	4,725,623
Total Deferred Inflows of Resources	4,965,261
NET POSITION	
Net investment in capital assets	107,760,728
Restricted for:	
Debt service	5,607,101
Capital projects	5,524,485
Educational programs	7,498,115
Other activities	1,928,332
Unrestricted	(72,796,109)
Total Net Position	$ 55,522,652

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

[THIS PAGE INTENTIONALLY LEFT BLANK]

SAN JACINTO UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities:					
Instruction	$ 90,385,827	$ 325,096	$ 17,459,134	$ 33,058	$ (72,568,539)
Instruction-related activities:					
Supervision of instruction	5,407,150	-	1,104,903	-	(4,302,247)
Instructional library, media, and technology	1,184,930	-	362	-	(1,184,568)
School site administration	12,086,436	89,427	790,145	-	(11,206,864)
Pupil services:					
Home-to-school transportation	3,136,482	-	-	-	(3,136,482)
Food services	6,682,227	11,245	6,595,457	-	(75,525)
All other pupil services	6,881,614	17,010	1,243,753	-	(5,620,851)
Administration:					
Data processing	3,905,835	45,273	39,070	-	(3,821,492)
All other administration	8,101,244	26,168	1,120,840	-	(6,954,236)
Plant services	13,367,300	22,026	237,085	-	(13,108,189)
Interest on long-term obligations	5,063,493	-	-	-	(5,063,493)
Other outgo	36,898,412	377,489	364,401	-	(36,156,522)
Total Governmental Activities	$ 193,100,950	$ 913,734	$ 28,955,150	$ 33,058	(163,199,008)
General revenues and subventions:					
Property taxes, levied for general purposes					10,422,825
Property taxes, levied for debt service					4,957,361
Taxes levied for other specific purposes					2,652,447
Federal and State aid not restricted to specific purposes					98,799,654
Interest and investment earnings					879,707
Proceeds from issuance of CFD's					36,047,677
Transfers in from CFD debt funds					313,098
Miscellaneous					7,462,551
Subtotal, General Revenues and Subventions					161,535,320
Change in Net Position					(1,663,688)
Net Position - Beginning					57,186,340
Net Position - Ending					$ 55,522,652

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

SAN JACINTO UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019

	General Fund	Cafeteria Fund	Building Fund
ASSETS			
Deposits and investments	$ 25,265,568	$ 1,847,582	$ 13,422,418
Receivables	5,773,311	959,369	85,473
Due from other funds	1,019,863	3,690	-
Stores inventories	-	175,905	-
Total Assets	$ 32,058,742	$ 2,986,546	$ 13,507,891
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 3,066,739	$ 227,299	$ 33,177
Due to other funds	59,514	808,278	-
Unearned revenue	169,332	19,742	-
Total Liabilities	3,295,585	1,055,319	33,177
Fund Balances:			
Nonspendable	10,000	176,105	-
Restricted	7,498,115	1,755,122	13,474,714
Committed	-	-	-
Assigned	13,454,553	-	-
Unassigned	7,800,489	-	-
Total Fund Balances	28,763,157	1,931,227	13,474,714
Total Liabilities and Fund Balances	$ 32,058,742	$ 2,986,546	$ 13,507,891

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

Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
$ 4,048,252	$ 10,409,695	$ 54,993,515
77,522	189,226	7,084,901
-	55,892	1,079,445
-	-	175,905
$ 4,125,774	$ 10,654,813	$ 63,333,766
$ 748,411	$ 431,223	$ 4,506,849
-	211,653	1,079,445
-	11,982	201,056
748,411	654,858	5,787,350
-	-	186,105
3,377,363	9,527,787	35,633,101
-	472,168	472,168
-	-	13,454,553
-	-	7,800,489
3,377,363	9,999,955	57,546,416
$ 4,125,774	$ 10,654,813	$ 63,333,766

SAN JACINTO UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total Fund Balance - Governmental Funds		**$ 57,546,416**
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 282,094,907	
Accumulated depreciation is	(74,905,154)	
Net Capital Assets		207,189,753
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(1,599,684)
Deferred outflows of resources related to OPEB represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to OPEB at year-end consist of amounts paid by the District for OPEB as the benefits come due subsequent to measurement the date.		124,353
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:		
Pension contributions subsequent to measurement date	11,924,242	
Net change in proportionate share of net pension liability	8,079,014	
Differences between projected and actual earnings on pension plan investments	292,372	
Differences between expected and actual experience in the measurement of the total pension liability	2,598,743	
Changes of assumptions	16,683,138	
Total Deferred Outflows of Resources Related to Pensions		39,577,509
Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:		
Net change in proportionate share of net pensions liability	(245,518)	
Differences between projected and actual earnings on pension plan investments	(3,252,994)	
Differences between expected and actual experience in the measurement of the total pension liability	(1,227,111)	
Total Deferred Inflows of Resources Related to Pensions		(4,725,623)

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

SAN JACINTO UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION, CONTINUED
JUNE 30, 2019

Deferred inflows of resources related to OPEB represent a consumption of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to OPEB at year-end consist of changes of assumptions.		$ (239,638)
Aggregate net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(120,124,756)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
General obligation bonds (including premium)	$ 70,425,761	
Certificates of participation (including premium, net of discount)	41,326,898	
Capital leases	1,151,750	
Compensated absences (vacations)	203,995	
Total other postemployment benefits (OPEB) liability	9,117,274	
Total Long-Term Obligations		(122,225,678)
Total Net Position - Governmental Activities		**$ 55,522,652**

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

SAN JACINTO UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Cafeteria Fund	Building Fund
REVENUES			
Local Control Funding Formula	$ 104,331,197	$ -	$ -
Federal sources	8,315,163	6,365,444	-
Other State sources	16,026,440	591,239	-
Other local sources	9,148,164	50,341	691,474
Total Revenues	137,820,964	7,007,024	691,474
EXPENDITURES			
Current			
Instruction	83,456,080	-	-
Instruction-related activities:			
Supervision of instruction	4,968,934	-	-
Instructional library, media, and technology	899,845	-	-
School site administration	10,566,484	-	-
Pupil services:			
Home-to-school transportation	2,236,021	-	-
Food services	353,319	6,289,719	-
All other pupil services	7,034,823	-	-
General administration:			
Data processing	3,581,193	-	-
All other general administration	6,502,562	307,079	-
Plant services	9,624,559	134,029	-
Other outgo	257,574	-	-
Facility acquisition and construction	4,084,840	-	3,667,706
Debt service:			
Principal	206,445	-	-
Interest and other	49,904	-	-
Total Expenditures	133,822,583	6,730,827	3,667,706
Excess (Deficiency) of Revenues Over Expenditures	3,998,381	276,197	(2,976,232)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Other sources - proceeds from issuance of Community Facilities District bonds	-	-	-
Other uses -Transfer of proceeds for debt payment of Community Facilities District bonds	-	-	-
Transfers out	(641,324)	-	-
Net Financing Sources (Uses)	(641,324)	-	-
NET CHANGE IN FUND BALANCES	3,357,057	276,197	(2,976,232)
Fund Balances - Beginning	25,406,100	1,655,030	16,450,946
Fund Balances - Ending	$ 28,763,157	$ 1,931,227	$ 13,474,714

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

Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
$ -	$ 1,100,000	$ 105,431,197
-	-	14,680,607
-	688,980	17,306,659
1,657,981	8,139,193	19,687,153
1,657,981	9,928,173	157,105,616
-	723,241	84,179,321
	-	
-	-	4,968,934
-	-	899,845
-	189,742	10,756,226
	-	
-	-	2,236,021
-	3,159	6,646,197
-	94,274	7,129,097
	-	
-	-	3,581,193
62,300	57,434	6,929,375
-	2,085,367	11,843,955
-	-	257,574
6,631,222	526,009	14,909,777
-	2,972,335	3,178,780
-	5,465,529	5,515,433
6,693,522	12,117,090	163,031,728
(5,035,541)	(2,188,917)	(5,926,112)
4,005,225	641,324	4,646,549
-	36,360,775	36,360,775
-	(36,640,838)	(36,640,838)
-	(4,005,225)	(4,646,549)
4,005,225	(3,643,964)	(280,063)
(1,030,316)	(5,832,881)	(6,206,175)
4,407,679	15,832,836	63,752,591
$ 3,377,363	$ 9,999,955	$ 57,546,416

SAN JACINTO UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

Total Net Change in Fund Balances - Governmental Funds		**$ (6,206,175)**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which capital outlay exceeds depreciation expense for the period.		
Capital outlay	$ 15,321,611	
Depreciation expense	(5,482,559)	
Net Expense Adjustment		9,839,052
Loss on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds.		(17,489)
In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) 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). Compensated absences earned were more than the amounts used by:		(106,722)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows, and net pension liability during the year.		(7,671,863)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expenses is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.		(1,131,211)
Repayment of principal is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.		
General obligation bonds		1,882,335
Certificates of participation		1,090,000
Capital leases		206,445

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

SAN JACINTO UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2019

Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when the financial resources are available. This adjustment combines the net changes of the following balances:		
Amortization of debt premium	$ 450,980	
Amortization of discount on bond issuance	(25,468)	
Combined Adjustment		$ 425,512
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		26,428
Change in Net Position of Governmental Activities		**$ (1,663,688)**

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

SAN JACINTO UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019

	Agency Funds
ASSETS	
Deposits and investments	$ 44,358,960
LIABILITIES	
Due to student groups	$ 405,592
Due to bondholders	43,953,368
Total Liabilities	$ 44,358,960

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The San Jacinto Unified School District (the District) was unified on March 29, 1944, under the laws of the State of California. The District operates under a locally elected five member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates seven elementary schools, three middle schools, one comprehensive high school, one alternative high school, one adult education school, two Head Start preschools, one delegate State preschool, and one direct State preschool.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component units have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus are included in the financial statements of the District. The component units, although legally separate entities, are reported in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component units are essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the direct benefit of the District.

On August 20, 1990, members of the District's board of education and district employees formed a nonprofit benefit corporation, known as the San Jacinto Unified School District School Facilities Corporation (the Corporation), which is organized under Nonprofit Benefit Corporation Law of the State of California. The purpose of the Facilities Corporation is to provide financing assistance to the District for construction and acquisition of major capital facilities. The Corporation issued Certificates of Participation (COPs), a form of long-term obligations, which the District used to finance construction and acquisition of some of its facilities.

The Facilities Corporation's financial activity is presented in the financial statements as the COP Capital Projects Fund and COP Debt Service Fund. Certificates of participation issued by the Corporation are included as long-term obligations in the government-wide financial statements. Individually prepared financial statements of the Facilities Corporation may be obtained through the business office of the District.

On June 1, 2017, members of the District's board of education and district employees formed a Joint Powers Act under *Section 6500 of the California Government Code*, known as the San Jacinto Unified School District Financing Authority. The purpose of the Financing Authority is to provide financing assistance to the District for construction and acquisition of major capital facilities under Community Facilities District's.

The Community Facilities District (CFD's) financial activity is presented in the financial statements as the CFD Capital Projects Fund. Individually prepared financial statements of the San Jacinto Unified School District's Financing Authority may be obtained through the business office of the District.

Pursuant to the Mello-Roos Community Facilities Act of 1982, the District established the Community Facilities Districts Nos. 2003-1, 2003-2, 2003-3, 2004-3, 2004-5, 2005-1, 2005-2, 2005-4, 2006-1, and 2006-2, legally constituted government entities, for the purpose of financing special capital projects. The Community Facilities District were authorized, at special elections, to incur indebtedness and subsequently sold bonds for the purpose of providing educational facilities within the District boundaries. The repayment of the bonds are not a general or special obligation of the Community Facilities District and the District, but rather are limited obligations payable solely from the proceeds of special taxes levied on property within the Community Facilities District.

The Community Facilities Districts' financial activity is presented in the financial statements in the CFD Capital Project Fund, and in an agency fund.

The following are those aspects of the relationship between the District and the Community Facilities Districts, which satisfy Statement Three criteria.

1. **Manifestations of Oversight**

   a. The Community Facilities Districts and the District have common boards.

   b. The Community Facilities Districts have no employees. The District's Superintendent functions as an agent of the Community Facilities District.

   c. The District exercises significant influence over operations of the Community Facilities Districts as all projects of the Community Facilities Districts involve the San Jacinto Unified School District.

2. **Accountability for Fiscal Matters**

   The District is responsible for preparation of the annual budgets for the Community Facilities Districts.

3. **Scope of Public Service**

   The Community Facilities Districts were created specifically to finance capital improvements for the San Jacinto Unified School District.

Other Related Entities

Charter School The District has approved a charter for San Jacinto Valley Academy pursuant to *Education Code* Section 47605. The San Jacinto Valley Academy was granted and approved on June 9, 1997, for a term of three years commencing July 1, 1997. The charter was renewed an additional five year extension on June 10, 2014; extending the term through August 30, 2019.

The San Jacinto Valley Academy Charter School (the Charter School) is not operated by the District. The Charter School operates and provides school services as in independent entity and is not considered a component unit of the District. The District's General Fund includes property taxes received for the charter school and a corresponding expense in other outgo.

The Charter School is required in its individual charter agreement to have an annual financial audit performed. Additionally, the Charter School is to provide the District with an annual performance report.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into two broad fund categories: governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed for adult education programs and is to be expended for adult education purposes only.

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

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

Capital Project Funds The Capital Project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition lA), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of *1998* (*Education Code* Section 17070 et seq.).

Certificates of Participation (COP) Capital Projects Fund The COP Capital Projects Fund is used to account for capital projects financed by Certificates of Participation.

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

Debt Service Funds The Debt Service funds are used to account for the accumulation of resources for, and the payment of, principal and interest on general long-term obligations.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a District (*Education Code* Sections 15125-15262).

Certificates of Participation (COP) Debt Service Fund The COP Debt Service Fund is used to account for the accumulation of resources for the payment of principal and interest on certificates of participation and are considered blended component units of the District under generally accepted accounting principles (GAAP).

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency funds include:

- Debt Service Special Tax Bonds - this is an Agency fund used to account for the resources accumulated for the repayment of special assessment debt of the component unit described under financial reporting entity.
- Student Funds - are Agency funds used to account for student fund activities.

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the District and for each governmental function, and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Governmental Funds All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 90 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

Unearned Revenue Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds, but are recognized in the entity-wide statements.

Investments

Investments held at June 30, 2019, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in County investment pools are determined by the program sponsor.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental type funds.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide Statement of Net Position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 or 50 years; improvements, 20 years; equipment, 5 to 20 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due to other funds/due from other funds". These amounts are eliminated in the governmental activities columns of the Statement of Net Position.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide Statement of Net Position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certified employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

Debt Issuance Costs, Premiums, and Discounts

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

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt services expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for pension related items and for OPEB related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items and for OPEB related items.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position and additions to/deductions from the District Plan 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.

Fund Balances - Governmental Funds

As of June 30, 2019, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board, Superintendent, or designee may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than five percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The District has related debt outstanding as of June 30, 2019. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $20,558,033 of restricted net position.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the Statement of Activities.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Riverside bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Change in Accounting Principles

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The District has implemented the provisions of this Statement as of June 30, 2019.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The District has implemented the provisions of this Statement as of June 30, 2019.

New Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In June 2017, the GASB issued Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period.* The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

In August 2018, the GASB issued Statement 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2020. Early implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2019, are classified in the accompanying financial statements as follows:

Governmental activities	$ 54,993,515
Fiduciary funds	44,358,960
Total Deposits and Investments	$ 99,352,475

Deposits and investments as of June 30, 2019, consisted of the following:

Cash on hand and in banks	$ 1,008,103
Cash in revolving	10,200
Investments	98,334,172
Total Deposits and Investments	$ 99,352,475

Policies and Practices

The District is authorized under *California Government Code* to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

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

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the *California Government Code* or the County's investment policy. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the Riverside County Investment Pool to provide the cash flow and liquidity needed for operations, and by purchasing a combination of shorter term and longer term investments and timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow necessary for debt service requirements.

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

Investment Type	Fair Value	Maturity Date
Money Market Funds - Invesco Short-Term Investments Trust Treasury	$ 44,624,864	18*
Money Market Funds - US Bank Money Market Account	2,886,437	N/A
Money Market Funds - First American Government Market Account	808	N/A
Riverside County Investment Pool	51,014,795	387*
Certificate of Deposit - Bank of Hemet	12,316	N/A
Total	$ 98,539,220	

* Weighted average days to maturity

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the *California Government Code*, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type. Invesco Short-Term Investments Trust Treasury was rated by Standard & Poor's and First American Government Funds, US Bank Funds, and the Riverside County Investment Pool were rated by Fitch Ratings.

Investment Type	Minimum Legal Rating	Rating at June 30, 2019	Fair Value
Money Market Funds - Invesco Short-Term Investments Trust Treasury	Not required	AAAm	$ 44,624,864
Money Market Funds - US Bank Money Market Account	Not required	AA-/F1+	2,886,437
Money Market Funds - First American Government Market Account	Not required	AAAmmf	808
Riverside County Investment Pool	Not required	AAAf/S1	51,014,795
Certificate of Deposit - Bank of Hemet	Not required	N/A	12,316
			$ 98,539,220

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2019, the District had $821,222 that was uninsured.

NOTE 3 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs, other than Level 1 prices, such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Riverside County Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2019:

Investment Type	Fair Value	Level 1 Inputs	Uncategorized
Money Market Funds - Invesco Short-Term Investments Trust Treasury	$ 44,624,864	$ 44,624,864	$ -
Money Market Funds - US Bank Money Market Account	2,886,437	2,886,437	-
Money Market Funds - First American Government Market Account	808	808	-
Riverside County Investment Pool	51,014,795	-	51,014,795
Certificate of Deposit - Bank of Hemet	12,316	12,316	-
Total	$ 98,539,220	$ 47,524,425	$ 51,014,795

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

NOTE 4 - RECEIVABLES

Receivables at June 30, 2019, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government						
Categorical Aid	$ 3,276,255	$ 867,904	$ -	$ -	$ -	$ 4,144,159
State Government						
Categorical Aid	1,255,155	73,968	-	-	76,423	1,405,546
Lottery	475,175	-	-	-	-	475,175
Local Government						
Interest	297,624	7,929	85,473	24,598	13,158	428,782
Other Local Sources	469,102	9,568	-	52,924	99,645	631,239
Total	$ 5,773,311	$ 959,369	$ 85,473	$ 77,522	$ 189,226	$ 7,084,901

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 14,482,604	$ 402,458	$ -	$ 14,885,062
Construction in progress	21,472,971	12,273,886	-	33,746,857
Total Capital Assets Not Being Depreciated	35,955,575	12,676,344	-	48,631,919
Capital Assets Being Depreciated:				
Site improvements	22,917,678	1,507,996	24,733	24,400,941
Buildings and improvements	198,522,442	-	-	198,522,442
Furniture and equipment	9,416,511	1,137,271	14,177	10,539,605
Total Capital Assets Being Depreciated	230,856,631	2,645,267	38,910	233,462,988
Total Capital Assets	266,812,206	15,321,611	38,910	282,094,907
Less Accumulated Depreciation:				
Site improvements	9,058,634	986,539	9,893	10,035,280
Buildings and improvements	53,369,743	4,118,344	-	57,488,087
Furniture and equipment	7,015,639	377,676	11,528	7,381,787
Total Accumulated Depreciation	69,444,016	5,482,559	21,421	74,905,154
Governmental Activities Capital Assets, Net	$ 197,368,190	$ 9,839,052	$ 17,489	$ 207,189,753

Depreciation expense was charged as a direct expense to governmental functions as follows:

Governmental Activities	
Instruction	$ 3,420,716
Supervision of instruction	204,771
Instructional library, media, and technology	35,568
School site administration	432,918
Pupil transportation	91,879
Food services	10,595
All other pupil services	291,194
All other general administration	269,959
Data processing services	150,240
Plant services	574,719
Total Depreciation Expenses Governmental Activities	$ 5,482,559

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2019, between major and non-major governmental funds are as follows:

	Due From			
Due To	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 808,278	$ 211,585	$ 1,019,863
Cafeteria Fund	3,622	-	68	3,690
Non-Major Governmental Funds	55,892	-	-	55,892
	$ 59,514	$ 808,278	$ 211,653	$ 1,079,445

A balance of $22,091 is due to the General Fund from the Adult Education Non-Major Governmental Fund for reimbursements of operating expenditures and indirect costs.	$ 22,091
A balance of $189,494 is due to the General Fund from the Child Development Non-Major Government Fund for reimbursements of program expenditures and a temporary loan.	189,494
A balance of $808,278 is due to the General Fund from the Cafeteria Fund for a temporary loan and reimbursement of indirect costs and operating expenditures.	808,278
A balance of $3,622 is due to the Cafeteria Fund from the General Fund for reimbursement of operating expenditures.	3,622
A balance of $68 is due to the Cafeteria Fund from the Child Development Non-Major Governmental Fund for reimbursement of operating expenditures.	68
A balance of $8,311 is due to the Child Development Non-Major Governmental Fund from the General Fund for reimbursement of operating expenditures.	8,311
A balance of $47,581 is due to the County School Facilities Non-Major Governmental Fund from the General Fund for emergency repairs.	47,581
	$ 1,079,445

Operating Transfers

Interfund transfers for the year ended June 30, 2019, consisted of the following:

	Transfer From		
Transfer To	General Fund	Non-Major Governmental Funds	Total
Capital Facilities	$ -	$ 4,005,225	$ 4,005,225
Non-Major Governmental Funds	641,324	-	641,324
Total	$ 641,324	$ 4,005,225	$ 4,646,549

The General Fund transferred to the COP Debt Service Non-Major Governmental Fund for debt service payments on the outstanding certificates of participation.	$ 641,324
The COP Capital Projects Non-Major Governmental Fund transferred to the Capital Facilities Fund for various reimbursement requests.	4,005,225
	$ 4,646,549

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2019, consisted of the following:

	General Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total Governmental Activities
LCFF apportionment	$ 298,942	$ -	$ -	$ -	$ -	$ 298,942
Salaries and benefits	647,603	32,975	-	-	878	681,456
Construction	304,734	-	33,177	748,301	365,141	1,451,353
Contracted and professional services	1,724,337	166,743	-	-	-	1,891,080
Other vendor payables	91,123	27,581	-	110	65,204	184,018
Total	$ 3,066,739	$ 227,299	$ 33,177	$ 748,411	$ 431,223	$ 4,506,849

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2019, consisted of the following:

	General Fund	Cafeteria Fund	Non-Major Governmental Funds	Total
Federal financial assistance	$ 129,332	$ -	$ -	$ 129,332
State categorical aid	40,000	-	11,982	51,982
Other local	-	19,742	-	19,742
Total	$ 169,332	$ 19,742	$ 11,982	$ 201,056

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due in One Year
General Obligation Bonds - Series A	$ 344,423	$ -	$ 91,637	$ 252,786	$ 87,647
General Obligation Bonds - Series B	500,260	-	85,698	414,562	83,021
General Obligation Refunding Bonds - Series 2014	39,100,000	-	825,000	38,275,000	1,145,000
Premium on bond	5,240,165	-	372,083	4,868,082	-
General Obligation Bonds - Series 2017	26,150,000	-	880,000	25,270,000	-
Premium on bond	1,404,684	-	59,353	1,345,331	-
2010 Refunding Certificates of Participation	37,685,000	-	930,000	36,755,000	965,000
Discount on bond issuance	(539,074)	-	25,468	(513,606)	-
2017 Financing Certificates of Participation	4,910,000	-	160,000	4,750,000	170,000
Premium on Certificates of Participation	355,048	-	19,544	335,504	-
Capital Leases	1,358,195	-	206,445	1,151,750	214,031
Compensated Absences	97,273	106,722	-	203,995	-
Total other postemployment benefits (OPEB) liability	8,642,552	887,412	412,690	9,117,274	-
	$ 125,248,526	$ 994,134	$ 4,067,918	$ 122,225,678	$ 2,664,699

Payments on the General Obligations Bonds are made by the Bond Interest and Redemption Fund with local revenue. The COP Debt Service Fund makes the payments for the Certificates of Participation. The Capital Lease is paid by the General Fund. The total OPEB liability and the compensated absences will be paid by the fund for which the employee worked.

1997 General Obligation Bonds, Series A

In March 1997, the District issued the $3,500,000 1997 General Obligation Bonds, Series A. The bonds have a final maturity of June 1, 2022, with interest rate yields of 3.90 to 6.00 percent. Proceeds from the sale of the bonds were used to finance new construction of a new middle school for the District. At June 30, 2019, the principal balance outstanding of the 1997 General Obligation Bonds, Series A was $252,786.

1998 General Obligation Bonds, Series B

In January 1998, the District issued the $3,000,000 1998 General Obligation Bonds, Series B. The bonds have a final maturity of June 1, 2023, with interest rate yields of 3.80 to 5.20 percent. Proceeds from the sale of the bonds were used to finance new construction of a new middle school for the District. At June 30, 2019, the principal balance outstanding of the 1998 General Obligation Bonds, Series B was $414,562.

2014 General Obligation Refunding Bonds, Series 2014

In December 2014, the District issued the $40,235,000 2014 General Obligation Refunding Bonds, Series 2014. The 2014 General Obligation Refunding bonds were issued as current interest bonds. The bonds have a final maturity of August 1, 2032, with interest rate yields of 3.00 to 5.00 percent. Proceeds from the sale of the bonds were used to provide refunding of $40,940,000 in current interest bonds associated with the District's 2007 General Obligation Bonds, Series 2007. The refunding resulted in a cumulative cash flow savings of $4,803,294 over the life of the new debt and an economic gain of $3,690,993 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 2.75 percent. At June 30, 2019, the principal balance outstanding of the 2014 General Obligation Refunding Bonds, Series 2014 was $38,275,000, and unamortized premium on issuance of $4,868,082.

2016 General Obligation Bonds, Series 2017

In February 2017, the District issued the $26,150,000 Election of 2016, Series 2017. The Series 2017 bonds were issued as current interest bonds. The bonds have a final maturity of August 2042, with interest rate yields of 2.00 to 5.00 percent. Proceeds from the sale of the bonds were used to finance the acquisition, construction and modernization of District facilities. At June 30, 2019, the principal balance outstanding of the 2017 series was $25,270,000 and unamortized premium on issuance of $1,345,331.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Interest Rate	Maturity Date	Original Issue	Bonds Outstanding July 1, 2018	Issued	Redeemed	Bonds Outstanding June 30, 2019
1997	3.90 - 6.00%	2022	$ 3,500,000	$ 344,423	$ -	$ 91,637	$ 252,786
1998	3.80 - 5.20%	2023	3,000,000	500,260	-	85,698	414,562
2014	3.00 - 5.00%	2033	40,235,000	39,100,000	-	825,000	38,275,000
2017	2.00 - 5.00%	2042	26,150,000	26,150,000	-	880,000	25,270,000
				$ 66,094,683	$ -	$ 1,882,335	$ 64,212,348

Debt Service Requirements to Maturity

The 1997 General Obligation Bonds, Series A mature through 2022 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2020	$ 87,647	$ 257,353	$ 345,000
2021	85,008	269,992	355,000
2022	80,131	274,869	355,000
Total	$ 252,786	$ 802,214	$ 1,055,000

The 1998 General Obligation Bonds, Series B mature through 2023 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2020	$ 83,021	$ 176,979	$ 260,000
2021	80,035	184,965	265,000
2022	77,462	192,538	270,000
2023	174,044	464,531	638,575
Total	$ 414,562	$ 1,019,013	$ 1,433,575

The 2014 General Obligation Refunding Bonds, Series 2014 mature through 2033 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2020	$ 1,145,000	$ 1,834,975	$ 2,979,975
2021	1,445,000	1,770,225	3,215,225
2022	1,790,000	1,689,350	3,479,350
2023	2,125,000	1,591,475	3,716,475
2024	2,380,000	1,478,850	3,858,850
2025-2029	16,230,000	5,226,250	21,456,250
2030-2033	13,160,000	951,475	14,111,475
Total	$ 38,275,000	$ 14,542,600	$ 52,817,600

The 2016 General Obligation Bonds, Series 2017 mature through 2042 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2020	$ -	$ 1,055,450	$ 1,055,450
2021	105,000	1,054,400	1,159,400
2022	160,000	1,051,750	1,211,750
2023	215,000	1,048,000	1,263,000
2024	280,000	1,043,050	1,323,050
2025-2029	2,560,000	4,955,725	7,515,725
2030-2034	5,260,000	4,086,881	9,346,881
2035-2039	9,045,000	2,441,188	11,486,188
2040-2042	7,645,000	445,781	8,090,781
Total	$ 25,270,000	$ 17,182,225	$ 42,452,225

2010 Refunding Certificates of Participation

In January 2010, the District, pursuant to a sublease agreement with the San Jacinto Unified School District Facilities Corporation, issued the 2010 Refunding Certificates of Participation in the amount of $43,380,000. The Certificates were issued at an aggregate price of $41,415,458 (representing the principal amount of $43,380,000, less discount on issuance of $764,038 and less issuance costs of $1,200,504). The Certificates have a final maturity date of September 1, 2040, with interest rates ranging from 2.00 to 5.45 percent. Proceeds from the Certificates, together with other available funds, were used to refund all of the District's outstanding Certificates of Participation (1997 Facility Bridge Funding, 1998 School Facility Bridge Funding Program, and 2006 School Facility Bridge Funding Program). As of June 30, 2019, the principal balance outstanding was $36,755,000. Unamortized discount as of June 30, 2019, was $513,606.

The certificates mature through 2041 as follows:

Year Ending June 30,	Principal	Interest	Total
2020	$ 965,000	$ 1,879,722	$ 2,844,722
2021	1,000,000	1,839,194	2,839,194
2022	1,045,000	1,792,444	2,837,444
2023	1,100,000	1,741,569	2,841,569
2024	1,150,000	1,690,369	2,840,369
2025-2029	6,630,000	7,523,944	14,153,944
2030-2034	8,515,000	5,577,341	14,092,341
2035-2039	11,055,000	2,970,628	14,025,628
2040-2041	5,295,000	288,502	5,583,502
Total	$ 36,755,000	$ 25,303,713	$ 62,058,713

2017 Financing Certificates of Participation

In August 2017, the District, pursuant to a sublease agreement with the San Jacinto Unified School District Facilities Corporation, issued the 2017 Financing Certificates of Participation in the amount of $4,910,000. The Certificates were issued at an aggregate price of $5,086,091 (representing the principal amount of $4,910,000, plus premium on issuance of $371,335 and less issuance cost of $195,244). The Certificates have a final maturity date of September 1, 2037, with interest rates ranging from 2.00 to 3.25 percent. Proceeds from the Certificate, together with other available funds, will be used to finance the acquisition, construction and installation of aquatic facilities at San Jacinto High School. As of June 30, 2019, the principal balance outstanding was $4,750,000 and unamortized premium on issuance of $335,504.

The certificates mature through 2038 as follows:

Year Ending June 30,	Principal	Interest	Total
2020	$ 170,000	$ 181,138	$ 351,138
2021	175,000	175,088	350,088
2022	180,000	167,988	347,988
2023	185,000	159,763	344,763
2024	195,000	150,263	345,263
2025-2029	1,135,000	590,813	1,725,813
2030-2034	1,415,000	315,763	1,730,763
2035-2038	1,295,000	83,728	1,378,728
Total	$ 4,750,000	$ 1,824,544	$ 6,574,544

Capital Leases

The District has entered into agreements to lease various facilities and equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on lease agreements with options to purchase is summarized below:

	Portable Classrooms
Balance, July 1, 2018	$ 1,538,108
Payments	256,349
Balance, June 30, 2019	$ 1,281,759

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2020	$ 256,350
2021	256,360
2022	256,349
2023	256,349
2024	256,351
Total	1,281,759
Less: Amount Representing Interest	130,009
Present Value of Minimum Lease Payments	$ 1,151,750

Compensated Absences

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2019, amounted to $203,995.

Total Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2019, the District reported a total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense of $9,117,274, $124,353, $239,638, and $1,131,211, respectively.

Plan Administration

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

Plan Membership

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

Inactive employees or beneficiaries currently receiving benefits payments	41
Active employees	925
	966

Benefits Provided

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

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Teacher Education Association (TEA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, TEA, CSEA, and the unrepresented groups. For fiscal year 2017-2018, the District paid $158,787 in benefits.

Total OPEB Liability of the District

The District's total OPEB liability of $9,117,274 was measured as of June 30, 2018, and determined by an actuarial valuation as of June 30, 2017.

Actuarial Assumptions

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

Inflation	2.75 percent
Salary increases	2.75 percent
Discount rate	3.80 percent
Healthcare cost trend rates	4.00 percent

T

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

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actual experience study as of January 2018.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	$ 8,642,552
Service cost	551,533
Interest	335,879
Changes of assumptions or other inputs	(253,903)
Benefit payments	(158,787)
Net change in total OPEB liability	474,722
Balance at June 30, 2018	$ 9,117,274

Changes of assumptions and other inputs reflect a change in the discount rate from 3.50 percent to 3.80 percent since the previous valuation. There were no changes in benefit terms since the previous valuation.

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

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

Discount Rate	Total OPEB Liability
1% decrease (2.8%)	$ 9,910,711
Current discount rate (3.8%)	9,117,274
1% increase (4.8%)	8,390,287

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

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

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (3.0%)	$ 8,792,265
Current healthcare cost trend rate (4.0%)	9,117,274
1% increase (5.0%)	9,474,987

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the District reported deferred outflows of resources for the amount paid by the District for OPEB as the benefits come due subsequent to measurement date of $124,353. At June 30, 2018, the District reported deferred inflows of resources for changes of assumption of $239,638.

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

Year Ended June 30,	Deferred Inflows of Resources
2020	$ 14,265
2021	14,265
2022	14,265
2023	14,265
2024	14,265
Thereafter	168,313
	$ 239,638

NOTE 10 - NON-OBLIGATORY DEBT

Non-obligatory debt relates to debt issued by the Community Facility District as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and are payable from special taxes levied on property within the Community Facilities District according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders. The Community Facilities District Special Tax Bonds currently active include Community Facilities District Nos. 2003-2, 2003-3, 2004-3, 2004-4, 2004-5, 2005-1, 2005-2, 2005-4, 2006-1, and 2006-2, with a remaining balance as of June 30, 2019, of $47,885,000.

NOTE 11 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	Non-Major Governmental Funds	Total
Nonspendable						
Revolving cash	$ 10,000	$ 200	$ -	$ -	$ -	$ 10,200
Stores inventories	-	175,905	-	-	-	175,905
Total Nonspendable	10,000	176,105	-	-	-	186,105
Restricted						
Legally restricted programs	7,498,115	1,755,122	-	-	173,210	9,426,447
Capital projects	-	-	13,474,714	3,377,363	2,147,792	18,999,869
Debt services	-	-	-	-	7,206,785	7,206,785
Total Restricted	7,498,115	1,755,122	13,474,714	3,377,363	9,527,787	35,633,101
Committed						
Deferred maintenance program	-	-	-	-	472,168	472,168
Assigned						
Gap funding contingencies and supplemental/concentration grant set aside	13,454,553	-	-	-	-	13,454,553
Unassigned						
Reserve for economic uncertainties	7,800,489	-	-	-	-	7,800,489
Total	$ 28,763,157	$ 1,931,227	$ 13,474,714	$ 3,377,363	$ 9,999,955	$ 57,546,416

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters. The District purchases commercial insurance for property damage with coverage up to a maximum of $300 million; subject to various policy sublimits generally ranging from $1 million to $50 million and deductibles ranging from $25,000 to $300,000 per occurrence. The District also purchases commercial insurance for general liability claims with coverage up to $1 million per occurrence and $2 million aggregate, with excess liability coverage over $25 million, all subject to various deductibles up to $20,000 per occurrence and per employee policy limit, subject to a deductible of $100,000 per occurrence per claim, up to a maximum of $1.5 million for 2019. Employee health benefits are covered by a commercial insurance policy purchased by the District. The District provides health insurance benefits to District employees electing to participate in the plan by paying a monthly premium based on the number of District employees participating in the plan.

The District's risk management activities are recorded in the General Fund. The fund administers employee life, health, property, and liability, workers' compensation, and unemployment programs of the District as premiums are paid to insurance carriers and JPAs to which the District is a member.

Significant losses are covered by commercial insurance via the carriers and JPAs. 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.

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2019, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 84,479,476	$ 28,557,252	$ 4,725,623	$ 11,638,730
CalPERS	35,645,280	11,020,257	-	7,957,375
Total	$ 120,124,756	$ 39,577,509	$ 4,725,623	$ 19,596,105

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the State is the sponsor of the STRP and obligor of the trust. In addition, the State is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2019, 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%	10.205%
Required employer contribution rate	16.28%	16.28%
Required State contribution rate	9.828%	9.828%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the District's total contributions were $8,410,832.

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

At June 30, 2019, 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	$	84,479,476
State's proportionate share of net pension liability associated with the District		48,368,451
Total	$	132,847,927

The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2018 and June 30, 2017, was 0.0919 percent and 0.0876 percent, respectively, resulting in a net increase in the proportionate share of 0.0043 percent.

For the year ended June 30, 2019, the District recognized pension expense of $11,638,730. In addition, the District recognized pension expense and revenue of $5,682,202 for support provided by the State. At June 30, 2019, 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	$ 8,410,832	$ -
Net change in proportionate share of net pension liability	6,760,338	245,518
Differences between projected and actual earnings on the pension plan investments	-	3,252,994
Differences between expected and actual experience in the measurement of the total pension liability	261,968	1,227,111
Changes of assumptions	13,124,114	-
Total	$ 28,557,252	$ 4,725,623

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 706,316
2021	(512,522)
2022	(2,729,134)
2023	(717,654)
Total	$ (3,252,994)

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 3,925,958
2021	3,925,958
2022	3,925,957
2023	3,101,278
2024	3,321,214
Thereafter	473,426
Total	$ 18,673,791

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2018, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 123,752,546
Current discount rate (7.10%)	84,479,476
1% increase (8.10%)	51,918,289

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, 2017 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2019, 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%	7.00%
Required employer contribution rate	18.062%	18.062%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the total District contributions were $3,513,410.

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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $35,645,280. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement periods of June 30, 2018 and June 30, 2017, was 0.1337 percent and 0.1287 percent, respectively, resulting in a net increase in the proportionate share of 0.0050 percent.

For the year ended June 30, 2019, the District recognized pension expense of $7,957,375. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Pension contributions subsequent to measurement date	$ 3,513,410
Net change in proportionate share of net pension liability	1,318,676
Differences between projected and actual earnings on the pension plan investments	292,372
Differences between expected and actual experience in the measurement of the total pension liability	2,336,775
Changes of assumptions	3,559,024
Total	$ 11,020,257

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 1,063,419
2021	254,307
2022	(814,961)
2023	(210,393)
Total	$ 292,372

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 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 3,327,587
2021	2,882,290
2022	1,004,598
Total	$ 7,214,475

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of scale MP-2016.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 51,897,823
Current discount rate (7.15%)	35,645,280
1% increase (8.15%)	22,161,469

Employee Flexible Benefit Plan

The District adopted a Section 125 Flexible Benefit Plan, effective April 1, 2001. Eligible participants must be at least 17 years old and work a minimum of 15 hours per week. The participant is eligible on the first day of the month following 30 days of employment. The maximum salary reduction allowed per plan year is $15,000. Available benefits of the plan are: Group Hospital and Surgery Insurance, Disability Income Insurance, Cancer Coverage, Dental/Vision Insurance, Group Life Insurance, Dependent Care Assistance Plan, and Medical Expense Reimbursement Plan. The District may, at its sole discretion, provide a non-elective contribution to provide benefits for each participant under the plan. This amount will be set by the District each plan year in a uniform and nondiscriminatory manner. The District did not make any non-elective contributions during the year ended June 30, 2019.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $4,464,109 (9.828 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves, and have been included in the original budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018–2019 contribution on behalf of school employers of $2.246 billion for CalSTRS and $904 million for CalPERS. A proportionate share of these contributions has been recorded in these financial statements. On behalf payments related to these additional contributions have been excluded from the calculation of available reserves and have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule,* the *Cafeteria Fund - Budgetary Comparison Schedule,* and the *Schedule of Financial Trends and Analysis.*

NOTE 14 - COMMITMENTS AND CONTINGENCIES

The District entered into a five-year contract with Hemet Unified School District (HUSD) for home-to-school pupil transportation services and maintenance and repair services for buses and related support vehicles for the San Jacinto Unified School District. The contract was effective July 1, 2015.

Future minimum payments under these arrangements are as follows:

Year Ending June 30,	
2020	$ 351,772

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2019.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2019.

Operating Leases

The District has entered into various operating leases for buildings and equipment. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors. It is expected that, in the normal course of business, most of these leases will be replaced by similar leases. Expenditures for rent under leases for the year ended June 30, 2019, amounted to $349,844.

Construction Commitments

CAPITAL PROJECTS	Remaining Construction Commitment	Expected Date of Completion
New Middle School #4	$ 46,000,000	December 2020

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AUTHORITIES

The District is a member of the Riverside Schools Insurance Authority (RSIA), Riverside County Employer/Employee Partnership for Benefits (REEP), Joint Education Transit (JET), and Riverside Schools Risk Management Authority (RSRMA) joint powers authorities (JPAs). The District pays an annual premium to the applicable entity for its health, workers' compensation, and property liability coverage. Payments for these services received are paid to the above mentioned JPAs. The relationships between the District, the pools, and the JPAs are such that they are not component units of the District for financial reporting purposes.

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

The District has appointed no board members to the governing board of the JPAs mentioned above. During the year ended June 30, 2019, the District made payments of $721,786, $11,954,400, $6,049, and $1,622,592, to RSIA, REEP, JET, and RSRMA, respectively, for services received.

NOTE 16 - SUBSEQUENT EVENTS

On July 25, 2019, the San Jacinto Unified School District issued Certificates of Participation (2020 Refunding), in the amount of $29,270,000 with an interest rate of 5.00 percent. The Certificates of Deposit have a final maturity to occur on September 1, 2040. The proceeds of the Certificates, together with other available funds, will be used to refund all of the District's outstanding San Jacinto Unified School District Certificates of Participation (2010 Refunding), purchase a debt service reserve policy to satisfy the reserve requirement for the Certificates. Interest of the Certificates will be payable semiannually on March 1 and September 1 of each year, commencing on September 1, 2020.

REQUIRED SUPPLEMENTARY INFORMATION

SAN JACINTO UNIFIED SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variances - Positive (Negative) Final
	Original	Final	(GAAP Basis)	to Actual
REVENUES				
Local Control Funding Formula	$ 102,415,613	$ 103,808,749	$ 104,331,197	$ 522,448
Federal sources	7,887,005	9,204,200	8,315,163	(889,037)
Other State sources	11,324,060	11,086,079	16,026,440	4,940,361
Other local sources	6,424,997	6,919,196	9,148,164	2,228,968
Total Revenues[1]	128,051,675	131,018,224	137,820,964	6,802,740
EXPENDITURES				
Current				
Certificated salaries	55,482,616	53,804,092	53,483,837	320,255
Classified salaries	19,537,317	19,021,044	18,550,037	471,007
Employee benefits	30,475,139	29,211,562	32,921,624	(3,710,062)
Books and supplies	6,486,990	9,984,724	8,541,992	1,442,732
Services and operating expenditures	16,959,401	18,934,372	16,322,187	2,612,185
Capital outlay	1,636,987	4,603,955	3,853,496	750,459
Other outgo	1,220,155	1,216,192	257,574	958,618
Direct/Indirect Costs	(236,422)	(253,474)	(364,513)	111,039
Debt service:				
Principal	-	-	206,445	(206,445)
Interest	-	-	49,904	(49,904)
Total Expenditures[1]	131,562,183	136,522,467	133,822,583	2,699,884
Excess (Deficiency) of Revenues Over Expenditures	(3,510,508)	(5,504,243)	3,998,381	9,502,624
OTHER FINANCING USES				
Transfers out	-	-	(641,324)	(641,324)
NET CHANGE IN FUND BALANCES	(3,510,508)	(5,504,243)	3,357,057	8,861,300
Fund Balances - Beginning	25,406,100	25,406,100	25,406,100	-
Fund Balances - Ending	$ 21,895,592	$ 19,901,857	$ 28,763,157	$ 8,861,300

[1] On behalf payments of $4,455,755 relating to Senate Bill 90 are included in the actual revenues and expenditures but have not been included in the budgeted amounts.

See accompanying note to required supplementary information.

SAN JACINTO UNIFIED SCHOOL DISTRICT

CAFETERIA FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts (GAAP Basis)		Actual (GAAP Basis)	Variances - Positive (Negative) Final to Actual
	Original	Final		
REVENUES				
Federal sources	$ 5,631,466	$ 6,375,877	$ 6,365,444	$ (10,433)
Other state sources	432,775	595,735	591,239	(4,496)
Other local sources	18,333	51,158	50,341	(817)
Total Revenues	6,082,574	7,022,770	7,007,024	(15,746)
EXPENDITURES				
Current				
Classified salaries	2,038,308	2,077,811	2,065,396	12,415
Employee benefits	872,584	893,069	869,683	23,386
Books and supplies	2,726,320	3,381,701	2,974,560	407,141
Services and operating expenditures	127,688	169,432	127,852	41,580
Capital outlay	132,000	767,497	386,257	381,240
Direct/Indirect Costs	181,941	194,054	307,079	(113,025)
Total Expenditures	6,078,841	7,483,564	6,730,827	752,737
Excess (Deficiency) of Revenues Over Expenditures	3,733	(460,794)	276,197	736,991
Fund Balance - Beginning	1,655,030	1,655,030	1,655,030	-
Fund Balance - Ending	$ 1,658,763	$ 1,194,236	$ 1,931,227	$ 736,991

See accompanying note to required supplementary information.

SAN JACINTO UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
Total OPEB Liability		
Service cost	$ 551,533	$ 571,767
Interest	335,879	285,400
Changes of assumptions	(253,903)	-
Benefit payments	(158,787)	(185,592)
Net change in total OPEB liability	474,722	671,575
Total OPEB liability - beginning	8,642,552	7,970,977
Total OPEB liability - ending	$ 9,117,274	$ 8,642,552
Covered payroll	N/A[1]	N/A[1]
District's total OPEB liability as a percentage of covered payroll	N/A[1]	N/A[1]

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

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

See accompanying note to required supplementary information.

SAN JACINTO UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
CalSTRS		
District's proportion of the net pension liability	0.0919%	0.0876%
District's proportionate share of the net pension liability	$ 84,479,476	$ 81,029,083
State's proportionate share of the net pension liability associated with the District	48,368,451	47,936,121
Total	$ 132,847,927	$ 128,965,204
District's covered-employee payroll	$ 49,637,782	$ 46,826,113
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	170.19%	173.04%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%
CalPERS		
District's proportion of the net pension liability	0.1337%	0.1287%
District's proportionate share of the net pension liability	$ 35,645,280	$ 30,733,238
District's covered-employee payroll	$ 17,826,083	$ 16,513,206
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	199.96%	186.11%
Plan fiduciary net position as a percentage of the total pension liability	71%	72%

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

See accompanying note to required supplementary information.

2017	2016	2015
0.0861%	0.0866%	0.0770%
$ 69,602,728	$ 58,327,379	$ 45,025,240
39,623,592	30,848,754	27,188,184
$ 109,226,320	$ 89,176,133	$ 72,213,424
$ 44,695,228	$ 38,379,865	$ 35,981,934
155.73%	151.97%	125.13%
70%	74%	77%
0.1252%	0.1160%	0.1092%
$ 24,717,568	$ 17,104,524	$ 12,398,446
$ 15,206,474	$ 18,542,239	$ 11,631,574
162.55%	92.25%	106.59%
74%	79%	83%

SAN JACINTO UNIFIED SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
CalSTRS		
Contractually required contribution	$ 8,410,832	$ 7,162,732
Contributions in relation to the contractually required contribution	8,410,832	7,162,732
Contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 51,663,587	$ 49,637,782
Contributions as a percentage of covered-employee payroll	16.28%	14.43%
CalPERS		
Contractually required contribution	$ 3,513,410	$ 2,768,569
Contributions in relation to the contractually required contribution	3,513,410	2,768,569
Contribution deficiency (excess)	$ -	$ -
District's covered-employee payroll	$ 19,451,943	$ 17,826,083
Contributions as a percentage of covered-employee payroll	18.062%	15.531%

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

See accompanying note to required supplementary information.

2017	2016	2015
$ 5,890,725	$ 4,795,798	$ 3,408,132
5,890,725	4,795,798	3,408,132
$ -	$ -	$ -
$ 46,826,113	$ 44,695,228	$ 38,379,865
12.58%	10.73%	8.88%
$ 2,293,354	$ 1,801,511	$ 2,182,607
2,293,354	1,801,511	2,182,607
$ -	$ -	$ -
$ 16,513,206	$ 15,206,474	$ 18,542,239
13.888%	11.847%	11.771%

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedules

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

These schedules present information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

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

Changes in Benefit Terms **-** There were no changes in benefit terms since the previous valuations for OPEB.

Changes of Assumptions **-** The discount rate assumption was changed from 3.50 percent to 3.80 percent since the previous valuation.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the Plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms **-** There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes of Assumptions **-** There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

SAN JACINTO UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed through California Department of Education (CDE):			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	$ 3,489,447
Title II, Part A, Supporting Effective Instruction	84.367	14341	562,492
Title III, English Learner Student Program	84.365	14346	407,596
Special Education Cluster (IDEA):			
Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Section 611, Private School ISPs	84.027	10115	10,931
Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	2,045,485
Special Ed: IDEA Mental Health Allocation Plan, Part B, Section 611	84.027A	15197	109,472
Special Ed: IDEA Preschool Staff Development, Part B, Section 619	84.173A	13431	714
Special Ed: IDEA Preschool Grants, Part B, Section 619	84.173	13430	41,964
Total Special Education Cluster (IDEA):			2,208,566
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	99,443
Passed through California Department of Rehabilitation:			
State Vocational Rehabilitation Services Program	84.126A	30646	17,626
Total U.S. Department of Education			6,785,170
U.S. Department of Health and Human Services			
Passed through the Riverside County Superintendent of Schools:			
Head Start	93.600	C1006709	1,526,625
Total U.S. Department of Health and Human Services			1,526,625
U.S. Department of Agriculture			
Passed through the California Department of Education (CDE):			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13396	3,912,323
Commodities	10.555	13396	334,181
Meal Supplements	10.555	13396	96,293
Especially Needy Breakfast	10.553	13526	1,763,719
Seamless Summer Food Option	10.555	[1]	68,216
Total Child Nutrition Cluster			6,174,732
National School Lunch Program Equipment Assistance	10.579	14906	190,712
Total U.S. Department of Agriculture			6,365,444
Total Expenditures of Federal Awards			$ 14,677,239

[1] Pass-Through Entity Identifying Number not available.

See accompanying note to supplementary information.

SAN JACINTO UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2019

ORGANIZATION

The San Jacinto Unified School District (the District) was unified on March 29, 1944, and consists of an area comprising approximately 100 square miles. The District operates seven elementary schools, three middle schools, one comprehensive high school, one alternative high school, one adult education school, two Head Start preschools (San Jacinto Elem/Hyatt), one delegate State preschool (De Anza), and one direct State preschool (Hyatt World Language Academy). There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Mr. John I. Norman	Board President	2020
Mr. Willie Hamilton	Board Clerk	2020
Mrs. Trica Ojeda	Board Member	2020
Mrs. Deborah J. Rex	Board Member	2022
Ms. Jasmin Rubio	Board Member	2022

ADMINISTRATION

Mrs. Diane Perez	District Superintendent
Mr. Seth Heeren	Assistant Superintendent of Business Services
Mrs. Sherry Smith	Deputy Superintendent, Personnel
Mr. John Roach	Assistant Superintendent of Educational Services

See accompanying note to supplementary information.

SAN JACINTO UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2019

	Final Report	
	Revised Second Period Report*	Annual Report
Regular ADA		
Transitional kindergarten through third	3,025.53	3,030.09
Fourth through sixth	2,250.13	2,250.43
Seventh and eighth	1,509.28	1,508.97
Ninth through twelfth	2,831.17	2,785.21
Total Regular ADA	9,616.11	9,574.70
Extended Year Special Education		
Transitional kindergarten through third	2.05	2.05
Fourth through sixth	1.02	1.02
Seventh and eighth	1.16	1.16
Ninth through twelfth	4.76	4.76
Total Extended Year Special Education	8.99	8.99
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	1.55	1.33
Fourth through sixth	3.59	3.43
Seventh and eighth	8.38	8.20
Ninth through twelfth	7.49	7.47
Total Special Education, Nonpublic, Nonsectarian Schools	21.01	20.43
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.16	0.16
Fourth through sixth	0.45	0.45
Seventh and eighth	0.41	0.41
Ninth through twelfth	0.55	0.55
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	1.57	1.57
Total ADA	9,647.68	9,605.69

* The Second Period Attendance Report was revised on June 19, 2019.

See accompanying note to supplementary information.

SAN JACINTO UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2019

Grade Level	1986-87 Minutes Requirement	2018-19 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	36,000	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		54,900	180	N/A	Complied
Grade 2		54,900	180	N/A	Complied
Grade 3		54,900	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		54,900	180	N/A	Complied
Grade 5		54,900	180	N/A	Complied
Grade 6		57,488	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		57,488	180	N/A	Complied
Grade 8		57,488	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		64,944	180	N/A	Complied
Grade 10		64,944	180	N/A	Complied
Grade 11		64,944	180	N/A	Complied
Grade 12		64,944	180	N/A	Complied

See accompanying note to supplementary information.

SAN JACINTO UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2019.

See accompanying note to supplementary information.

SAN JACINTO UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

	(Budget) 2020 [1]	2019	2018	2017
GENERAL FUND				
Revenues	$ 133,111,864	$ 137,820,964	$ 122,983,113	$ 115,045,187
Other sources	-	-	1,557,324	-
Total Revenues and Other Sources	133,111,864	137,820,964	124,540,437	115,045,187
Expenditures	133,436,947	133,822,583	121,700,650	112,248,664
Other uses	-	641,324	3,116,872	311,209
Total Expenditures and Other Uses	133,436,947	134,463,907	124,817,522	112,559,873
INCREASE (DECREASE) IN FUND BALANCE	$ (325,083)	$ 3,357,057	$ (277,085)	$ 2,485,314
ENDING FUND BALANCE	$ 28,438,074	$ 28,763,157	$ 25,406,100	$ 25,683,185
AVAILABLE RESERVES [2]	$ 8,006,217	$ 7,800,489	$ 7,395,611	$ 6,752,920
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO [3]	6.00%	6.00%	5.93%	6.00%
LONG-TERM OBLIGATIONS	N/A	$ 122,225,678	$ 125,248,526	$ 120,172,347
AVERAGE DAILY ATTENDANCE AT P-2	9,641	9,648	9,512	9,382

The General Fund balance has increased by $3,079,972 over the past two years. The fiscal year 2019-2020 budget projects a decrease of $325,083 (one percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years and anticipates incurring an operating deficit during the 2019-2020 fiscal year. Total long-term obligations have increased by $2,053,331 over the past two years.

Average daily attendance has increased by 266 over the past two years. A decrease of seven ADA is anticipated during fiscal year 2019-2020.

[1] Budget 2020 is included for analytical purposes only and has not been subjected to audit.
[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund.
[3] On behalf payments of $4,455,755 relating to Senate Bill 90 have been excluded from the calculation of available reserves for the fiscal year ending June 30, 2019.

See accompanying note to supplementary information.

SAN JACINTO UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2019

Name of Charter School	Included in Audit Report
San Jacinto Valley Academy (0129)	No

See accompanying note to supplementary information.

[THIS PAGE INTENTIONALLY LEFT BLANK]

SAN JACINTO UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund	County School Facilities Fund
ASSETS				
Deposits and investments	$ 184,213	$ 44,502	$ 835,674	$ 1,466,355
Receivables	1,453	176,866	1,636	9,271
Due from other funds	-	8,311	-	47,581
Total Assets	$ 185,666	$ 229,679	$ 837,310	$ 1,523,207
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 2,882	$ 15,618	$ 365,142	$ 47,581
Due to other funds	22,091	189,562	-	-
Unearned revenue	-	11,982	-	-
Total Liabilities	24,973	217,162	365,142	47,581
Fund Balances:				
Restricted	160,693	12,517	-	1,475,626
Committed	-	-	472,168	-
Total Fund Balances	160,693	12,517	472,168	1,475,626
Total Liabilities and Fund Balances	$ 185,666	$ 229,679	$ 837,310	$ 1,523,207

See accompanying note to supplementary information.

COP Capital Projects Fund	CFD Capital Projects Fund	Bond Interest and Redemption Fund	COP Debt Service Fund	Total Non-Major Governmental Funds
$ 670	$ 671,496	$ 4,320,210	$ 2,886,575	$ 10,409,695
-	-	-	-	189,226
-	-	-	-	55,892
$ 670	$ 671,496	$ 4,320,210	$ 2,886,575	$ 10,654,813
$ -	$ -	$ -	$ -	$ 431,223
-	-	-	-	211,653
-	-	-	-	11,982
-	-	-	-	654,858
670	671,496	4,320,210	2,886,575	9,527,787
-	-	-	-	472,168
670	671,496	4,320,210	2,886,575	9,999,955
$ 670	$ 671,496	$ 4,320,210	$ 2,886,575	$ 10,654,813

SAN JACINTO UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund	County School Facilities Fund
REVENUES				
Local Control Funding Formula	$ -	$ -	$ 1,100,000	$ -
Other State sources	399,504	233,289	-	-
Other local sources	4,623	481,506	10,325	34,051
Total Revenues	404,127	714,795	1,110,325	34,051
EXPENDITURES				
Current				
Instruction	236,677	486,564	-	-
Instruction related activities:				
School site administration	61,826	127,916	-	-
Pupil services:				
Food services	-	3,159	-	-
All other pupil services	69,872	24,402	-	-
General administration:				
All other general administration	20,742	36,692	-	-
Plant services	35,166	27,803	1,519,507	-
Facility acquisition and construction	11,289	5,400	-	(3,551)
Debt service:				
Principal	-	-	-	-
Interest and other	-	-	-	-
Total Expenditures	435,572	711,936	1,519,507	(3,551)
Excess (Deficiency) of Revenues Over Expenditures	(31,445)	2,859	(409,182)	37,602
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Other sources - proceeds from issuance of Community Facilities District bonds	-	-	-	-
Other uses -Transfer of proceeds for debt payment of Community Facilities District bonds	-	-	-	-
Transfers out	-	-	-	-
Net Financing Sources (Uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	(31,445)	2,859	(409,182)	37,602
Fund Balances - Beginning	192,138	9,658	881,350	1,438,024
Fund Balances - Ending	$ 160,693	$ 12,517	$ 472,168	$ 1,475,626

See accompanying note to supplementary information.

COP Capital Projects Fund	CFD Capital Projects Fund	Bond Interest and Redemption Fund	COP Debt Service Fund	Total Non-Major Governmental Funds
$ -	$ -	$ -	$ -	$ 1,100,000
-	-	56,187	-	688,980
48,210	46,592	4,956,591	2,557,295	8,139,193
48,210	46,592	5,012,778	2,557,295	9,928,173
-	-	-	-	723,241
-	-	-	-	189,742
-	-	-	-	3,159
-	-	-	-	94,274
-	-	-	-	57,434
-	502,891	-	-	2,085,367
512,871	-	-	-	526,009
-	-	1,882,335	1,090,000	2,972,335
-	-	3,362,015	2,103,514	5,465,529
512,871	502,891	5,244,350	3,193,514	12,117,090
(464,661)	(456,299)	(231,572)	(636,219)	(2,188,917)
-	-	-	641,324	641,324
-	36,360,775	-	-	36,360,775
-	(36,640,838)	-	-	(36,640,838)
(4,005,225)	-	-	-	(4,005,225)
(4,005,225)	(280,063)	-	641,324	(3,643,964)
(4,469,886)	(736,362)	(231,572)	5,105	(5,832,881)
4,470,556	1,407,858	4,551,782	2,881,470	15,832,836
$ 670	$ 671,496	$ 4,320,210	$ 2,886,575	$ 9,999,955

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of Medi-Cal Administrative Activities funds that have been recorded in the current period as revenues that have not been expended as of June 30, 2019. These unspent balances are reported as legally restricted ending balances within the General Fund.

Description	CFDA Number	Amount
Total Federal Revenues From the Statement of Revenues, Expenditures, and Changes in Fund Balances:		$ 14,680,607
Medi-Cal Administrative Activities	93.778	(3,368)
Total Schedule of Expenditures of Federal Awards		$ 14,677,239

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

SAN JACINTO UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2019

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District has 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.

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

Schedule of Charter Schools

This schedule lists all Charter Schools chartered by the District, and displays information for each Charter School on whether or not the Charter School is included in the District's audit.

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances are included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

INDEPENDENT AUDITOR'S REPORTS

EideBailly

CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Governing Board
San Jacinto Unified School District
San Jacinto, 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 San Jacinto Unified School District (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 5, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

What inspires you, inspires us. | eidebailly.com

10681 Foothill Blvd., Ste. 300 | Rancho Cucamonga, CA 91730-3831 | T 909.466.4410 | F 909.466.4431 | EOE

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated December 5, 2019.

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.

Eide Bailly LLP

Rancho Cucamonga, California
December 5, 2019

EideBailly

CPAs & BUSINESS ADVISORS

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

Governing Board
San Jacinto Unified School District
San Jacinto, California

Report on Compliance for Each Major Federal Program

We have audited San Jacinto Unified School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2019. The District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the 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 the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2019.

What inspires you, inspires us. | eidebailly.com

10681 Foothill Blvd., Ste. 300 | Rancho Cucamonga, CA 91730-3831 | T 909.466.4410 | F 909.466.4431 | EOE

Report on Internal Control over Compliance

Management of the 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 the 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.

Eide Bailly LLP

Rancho Cucamonga, California
December 5, 2019

EideBailly

CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
San Jacinto Unified School District
San Jacinto, California

Report on State Compliance

We have audited San Jacinto Unified School District's (the District) compliance with the types of compliance requirements as identified in the *2018-2019 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 District's State government programs as noted below for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of the District's compliance with those requirements.

Unmodified Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2019.

What inspires you, inspires us. | eidebailly.com

10681 Foothill Blvd., Ste. 300 | Rancho Cucamonga, CA 91730-3831 | T 909.466.4410 | F 909.466.4431 | EOE

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:

	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, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

The District does not offer a Work Experience Program; therefore, we did not perform procedures related to the Work Experience Program within the Continuation Education Attendance Program.

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not offer a Middle or Early College High Schools Program; therefore, we did not perform any procedures for the Middle or Early College High Schools Program.

The District does not offer an Apprenticeship Program; therefore, we did not perform any procedures for the Apprenticeship Program.

The District does not offer a District of Choice Program; therefore, we did not perform any procedures for the District of Choice Program.

The District does not offer a Before School Education and Safety Program; therefore, we did not perform any procedures related to the Before School Education and Safety Program.

The District does not offer an Independent Study Course Based Program; therefore, we did not perform any procedures for the Independent Study Course Based Program.

The Charter School is independent of the District; therefore, we did not perform any procedures related to charter schools.

Eide Bailly LLP

Rancho Cucamonga, California
December 5, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SAN JACINTO UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2019

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	No

Identification of major Federal programs:

CFDA Number	Name of Federal Program or Cluster
84.027; 84.027A; 84.173; 84.173A	Special Education Cluster (IDEA)
93.600	Head Start

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	Unmodified

SAN JACINTO UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

SAN JACINTO UNIFIED SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

SAN JACINTO UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

SAN JACINTO UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Financial Statement Findings

None reported.

Federal Awards Findings

None reported.

State Awards Findings

None reported.

Management
San Jacinto Unified School District
San Jacinto, California

In planning and performing our audit of the financial statements of San Jacinto Unified School District (the District) for the year ended June 30, 2019, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 5, 2019, on the financial statements of San Jacinto Unified School District.

Associated Students Closing Process

Observation

At year-end, there were several issues noted within the year-end financial statements and bank reconciliations of the various associated students' groups. Several bank reconciliations had no sign of a review being performed. There were also a number of year-end financial statements incorrectly stated and presented. Three of them that had an incorrect beginning balance.

Recommendation

The District should offer training on book keeping procedures as well as the closing process for the various Associated Student groups in order to train the staff on proper presentation of financials statements as well as the importance of segregation of duties in the closing process.

Associated Students

Record Elementary School

Observation

Cash collections were not supported by proper receipting documentation. Triplicate receipt book, logs, or comparable supporting documentation should be maintained.

Recommendation

Pre-numbered triplicate receipt books or logs should be utilized when collecting money for all Associated Student Body (ASB) events and transactions. If utilizing a log, the students name, and amount being turned in should be documented. If using a receipt book, the receipts should be issued in sequential order to all individuals turning in monies for ASB events. Teachers and Administrators who collect monies should be equipped with a triplicate receipts book or log sheet. The white copy of the receipt should be issued to the person turning in the monies, the yellow receipt or log sheet should be utilized for deposit back-up, and the pink copy should be retained in the receipt book for audit purposes. When teachers are turning in monies for deposit, a cash count sheet should be turned in with the yellow copy of the receipts and monies to clearly identify the total amount being turned in.

Observation

Based on review of the sites fundraising procedures, the revenue potential forms require three signatures for approval of the events. One form tested did not have the three required signatures (ASB Bookkeeper, Principle, and Business Office is required).

Recommendation

Review and approving the fundraising events are an important control activity to prevent any potential unacceptable ASB activity. All fundraising events should be approved by either the ASB student council or site administrators prior to the event taking place to ensure that the activities related to fundraisers are appropriate in a school setting.

Observation

A master ticket log is not being used by the site to account for all tickets on hand and used during the year.

Recommendation

A master ticket log should be maintained which notes the type of ticket, the event, the color, and current beginning ticket number in the role. The tickets should be safeguarded as if they were cash because stolen tickets would equate to lost revenue for the site because these tickets could be presented for admission rather than an individual paying for admission. When the ticket sales recap form is returned, the form should be reconciled to the log.

Hyatt Elementary School

Observation

Testing of the inventory over the t-shirt sales revealed that the site was not maintaining a perpetual inventory listing of t-shirts sold which made it impossible to trace the revenue collected to t-shirts sold.

Recommendation

At minimum, physical counts of inventory should be taken annually. It is encouraged that sites quarterly perform physical counts. In addition, to prevent the loss or the misappropriation of assets, the site should reconcile the physical inventory count to a perpetual inventory of items available for sale. A perpetual inventory tracks beginning inventory, purchases and other additions to inventory, and total number of items sold based on daily sales and receipts. The site should also establish a procedure to investigate any significant differences noted between the actual physical inventory counts and the perpetual inventory count. This information is necessary to analyze sales activity and applicable profit or loss and to determine if merchandise has been lost or stolen.

Mountain View Continuation High School

Observation

Cash collections were not deposited in a timely manner. Testing revealed three out of eleven receipts were untimely from the collection site to the ASB Clerk for deposit. The delay ranged from 11 to 20 days between earliest receipt date and deposit to the bank.

Recommendation

The ASB's should, at a minimum, make their deposits once a week to minimize the amount of cash held at the site. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.

North Mountain Middle School

Observation

All revenue potentials tested were incomplete. The total revenues and expenses were not documented on the worksheet after the event was completed.

Recommendation

As the revenue potential form is a vital internal control tool, it should be used to document revenues, expenditures, potential revenue, and actual revenue. This allows an analysis of the fundraiser to be conducted, indicating to the staff the success or failure of the completed project. The revenue potential form also indicates weak control areas in the fundraising procedures at the site, including lost or stolen merchandise, problems with collecting all moneys due, and so forth.

Observation

A master ticket log is not being used by the site to account for ticket rolls checked out for events.

Recommendation

A master ticket log should be maintained which notes the event, who checked them out, the type of ticket, color, and current beginning ticket number in the role. The tickets should be safeguarded as if they were cash because stolen tickets would equate to lost revenue for the site because these tickets could be presented for admission rather than an individual paying for admission. When the ticket sales recap form is returned, the form should be reconciled to the log.

Observation

Based on the review of the disbursement procedures, it was noted that one disbursement tested was not approved prior to the transaction taking place. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.

Recommendation

In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by authorized administrative personnel and the student council. This would allow the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if enough funding is available to finance the activities or the purchases.

Observation

It was noted that three of nine deposits tested were not deposited in a timely manner. Delay in deposit ranged from approximately 11 to 21 days from the date of receipt. This could result in large cash balances being maintained at the sites which can hinder the safeguarding of ASB assets.

Recommendation

The ASB's should, at a minimum, make their deposits once a week to minimize the amount of cash held at the site. During weeks of high cash activity, there may be a need to make more than one deposit. The District should communicate specific guidelines for this procedure including the maximum cash on hand that should be maintained at the site.

San Jacinto High School

Observation

The ASB activities are decentralized activities from the District's financial activities. Oversite for the ASB is typically performed by an administrator such as an ASB advisor or Principals of the site. During the audit of the financials, due to new staffing within the ASB, it was apparent that further training is necessary. It was difficult to complete the audit due to lack of record keeping organization. There were several issues noted within the ASB as noted below:

- **Bank Reconciliation:** For October 2018 bank reconciliation (Bank of Hemet), we noted three out of twenty-five checks were stale dated and did not clear subsequently. In addition, there were two deposits in transit dated in June 2018 that did not clear. The reconciliations for the Bank of Hemet and the CD Savings account were not prepared in a timely manner and lacked evidence of review. Lastly, the ending bank balance per bank reconciliation did not agree to the ending balance per bank statement for the CD Savings account.

- **Ticket Sales/Inventory:** We noted that the site does not utilize a ticket inventory log, therefore we could not trace to beginning and ending ticket numbers from the ticket sales report to the ticket control log. In addition, the ticket sales form was not completed properly to show how many tickets were sold and the sales that was generated. We also noted that tickets are not kept in a secure locked cabinet.

- **Disbursements:** We noted one disbursement check tested did not have an invoice and two of the disbursement tested lacked a Purchase Order expenditure form. Lastly, there were two instances where items were shipped to individual's home and not directly to the site.

- **Student Store:** It was noted nine out of twenty-five daily sales report were submitted for deposits untimely. The untimeliness ranged from 12 to 18 days.

- **Receipt Testing:** It was noted four deposit batches were deposited untimely. The date ranged from 12 to 20 days late. We also noted nine of the deposit batches did not have adequate receipt or supporting documentation to substantiate the total funds collected for deposit.

Recommendation

Overall ASB training needs to be done at the high school. The overall record keeping responsibilities need to be reviewed and addressed. It is vital that the ASB establish compensating controls to oversee the organization.

We will review the status of the current year comments during our next audit engagement.

Eide Bailly LLP

Rancho Cucamonga, California
December 5, 2019

APPENDIX C

FORM OF SPECIAL COUNSEL OPINION

Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Special Counsel to the District, expects to be able to render on the Settlement Date its final approving opinion with respect to the Certificates in substantially the following form:

[Date of Delivery]

San Jacinto Unified School District
San Jacinto, California

San Jacinto Unified School District
Certificates of Participation (2020 Financing)
(Final Opinion)

Ladies and Gentlemen:

We have acted as special counsel to the San Jacinto Unified School District (the "District") in connection with the execution and delivery of the San Jacinto Unified School District Certificates of Participation (2020 Financing) (the "Certificates"), evidencing principal in the aggregate amount of $9,495,000, pursuant to the Trust Agreement, dated as of April 1, 2020 (the "Trust Agreement"), by and among U.S. Bank National Association, as trustee (the "Trustee"), the San Jacinto Unified School District School Facilities Corporation (the "Corporation") and the District. Capitalized undefined terms used herein have the meanings ascribed thereto in the Trust Agreement.

In such connection, we have reviewed the Trust Agreement, the Lease Agreement, the Ground Lease, the Assignment Agreement, the Tax Certificate, opinions of counsel to the District, the Corporation and the Trustee, certificates of the District, the Corporation, the Trustee and others and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the original execution and delivery of the Certificates on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the original execution and delivery of the Certificates on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Certificates has concluded with their execution and delivery, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters

represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Trust Agreement, the Lease Agreement, the Ground Lease, the Assignment Agreement and the Tax Certificate, including, without limitation, covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause the portion of Base Rental Payments designated as and constituting interest evidenced by the Certificates to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Certificates, the Trust Agreement, the Lease Agreement, the Ground Lease and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against school districts in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute or having the effect of a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in the Trust Agreement, the Lease Agreement, the Ground Lease or the Assignment Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Certificates and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Trust Agreement, the Lease Agreement and the Ground Lease have been duly executed and delivered by, and constitute valid and binding obligations of, the District.

2. Assuming due authorization, execution and delivery of the Trust Agreement and the Certificates by the Trustee, the Certificates are entitled to the benefits of the Trust Agreement.

3. The portion of Base Rental Payments designated as and constituting interest paid by the District under the Lease Agreement and received by the registered owners of the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Such interest evidenced by the Certificates is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of the Certificates, or the amount, accrual or receipt of the portion of each Base Rental Payment constituting interest.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (this "Disclosure Agreement"), dated as of April 1, 2020, is by and between the SAN JACINTO UNIFIED SCHOOL DISTRICT, a school district organized and existing under the laws of the State of California (the "District"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as Trustee (the "Trustee").

W I T N E S S E T H :

WHEREAS, the District has caused to be executed and delivered the San Jacinto Unified School District Certificates of Participation (2020 Financing) (the "Certificates"), evidencing principal in the aggregate amount of $9,495,000, pursuant to the Trust Agreement, dated as of the date hereof (the "Trust Agreement"), by and among the Trustee, the San Jacinto Unified School District School Facilities Corporation and the District; and

WHEREAS, this Disclosure Agreement is being executed and delivered by the District and the Trustee for the benefit of the Owners and Beneficial Owners of the Certificates and in order to assist the underwriters of the Certificates in complying with Securities and Exchange Commission Rule 15c2-12(b)(5);

NOW, THEREFORE, for and in consideration of the mutual promises and covenants herein contained, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

Section 1. Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes of this Disclosure Agreement have the meanings herein specified. Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Trust Agreement.

"Annual Report" means any Annual Report provided by the District pursuant to, and as described in, Sections 2 and 3 hereof.

"Annual Report Date" means the date in each year that is the first day of the month following the ninth month after the end of the District's fiscal year, which date, as of the date of this Disclosure Agreement, is April 1.

"Certificates" means the San Jacinto Unified School District Certificates of Participation (2020 Financing), executed and delivered pursuant to the Trust Agreement.

"Disclosure Representative" means the Assistant Superintendent, Business Services of the District or his or her designee, or such other officer or employee as the District shall designate in writing to the Trustee from time to time.

"Dissemination Agent" means Fieldman, Rolapp & Associates, Inc., doing business as Applied Best Practices, or any successor Dissemination Agent designated in writing by the District and which has filed with the Trustee a written acceptance of such designation.

"District" means the San Jacinto Unified School District, a school district organized and existing under the laws of the State of California, and its successors.

"Financial Obligation" means (a) a debt obligation of the District, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation of the District, or (c) a guarantee of (i) a debt obligation of the District, or (ii) a derivative instrument described in clause (b), above; provided, however, that the term "Financial Obligation" shall not include "municipal securities" (as such term is defined in the Securities Exchange Act of 1934, as amended) as to which a "final official statement" (as such term is defined in the Rule) has been provided to the MSRB consistent with the Rule.

"Listed Events" means any of the events listed in subsection (a) or subsection (b) of Section 4 hereof.

"MSRB" means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"Official Statement" means the Official Statement, dated March 25, 2020, relating to the Certificates.

"Participating Underwriter" means any of the original underwriters of the Certificates required to comply with the Rule in connection with the offering of the Certificates.

"Rule" means 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.

"Trust Agreement" means the Trust Agreement, dated as of April 1, 2020, by and among U.S. Bank National Association, as trustee, the Corporation and the District, as originally executed and as it may from time to time be amended, supplemented or otherwise modified in accordance with the provisions thereof.

"Trustee" means U.S. Bank National Association, as Trustee under the Trust Agreement, or any successor thereto as Trustee thereunder, substituted in its place as provided therein.

Section 2. Provision of Annual Reports. (a) The District shall, or shall cause the Dissemination Agent to, provide to the MSRB an Annual Report that is consistent with the requirements of Section 3 hereof, not later than the Annual Report Date, commencing with the report for the 2019-20 Fiscal Year (which is due no later than April 1, 2021). The Annual Report may include by reference other information as provided in Section 3 hereof; provided, however, that the audited financial statements of the District, if any, 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, or it shall instruct the Dissemination Agent to, give notice of such change in a filing with the MSRB.

(b) Not later than 15 business days prior to the date specified in subsection (a) of this Section for the providing of the Annual Report to the MSRB, the District shall provide the Annual Report to the Dissemination Agent. If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the first sentence of this subsection (b).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a) of this Section, the Dissemination Agent shall, in a timely manner, send a notice to the MSRB in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall (i) provide each Annual Report received by it to the MSRB, as provided herein, and (ii) file a report with the District and the Trustee certifying that such Annual Report has been provided pursuant to this Disclosure Agreement, and stating the date it was provided to the MSRB.

Section 3. Content of Annual Reports. The District's Annual Report shall contain or incorporate by reference the following:

(a) The District's audited financial statements, if any, 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, if any, are not available by the time the Annual Report is required to be filed pursuant to subsection (a) of Section 2 hereof, the Annual Report shall contain unaudited financial statements in a format similar to that used for the District's audited financial statements, and the audited financial statements, if any, shall be filed in the same manner as the Annual Report when they become available.

(b) The following information:

(i) The District's Average Daily Attendance and Base Revenue Limit for the last completed fiscal year.

(ii) The number of District employees for the last completed fiscal year, broken down into the following categories: non-management certificated; certificated management; classified non-management; classified management; and total number of all employees.

(iii) The District's contributions to the State Public Employees' Retirement System and the State Teachers' Retirement System for the last completed fiscal year.

(iv) The District's audited Statement of Revenues, Expenditures and Changes in Fund Balance for the General Fund, for the last completed fiscal year.

(v) The District's adopted budget for the current fiscal year, together with any amendments thereto.

(vi) Information regarding the investment policies and practices with respect to District funds and the status of the investment of District funds, similar to the information included in the Official Statement, including the annual report for the last completed fiscal year relating to the Pooled Surplus Investments Fund maintained by the county in which the District is located pursuant to California Government Code Sections 53600 *et seq.*, together with the most recent monthly report for such investment pool, so long as the District has money on deposit therein.

(vii) Information regarding total assessed valuation of taxable properties within the District for the current fiscal year, if and to the extent provided to the District by the County of Riverside (the "County").

(viii) Information regarding the top twenty local secured taxpayers within the District for the current fiscal year, if and to the extent provided to the District by the County.

(ix) Outstanding borrowings and long-term obligations, including:

(1) general obligation bonds, certificates of participation, capital leases and operating leases;

(2) a description of any obligations of the type referred to in (1) above that have been issued, entered into or incurred since the beginning of the District's current fiscal year; and

(3) a description of any obligations of the type referred to in (1) above that the District reasonably expects to issue, enter into or incur within the 60 day period following the date of filing of the Annual Report.

(x) The balance in the Reserve Fund and a statement of the Reserve Requirement, as of the December 31 next preceding the Annual Report Date.

(c) In addition to any of the information expressly required to be provided pursuant to this Section, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Any or all of the items described above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, that have been made available to the public on the MSRB's website. The District shall clearly identify each such other document so included by reference.

Section 4. Reporting of Significant Events. (a) Pursuant to the provisions of this Section, 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 later than ten business days after the occurrence of the event:

(i) Principal and interest payment delinquencies.

(ii) Unscheduled draws on debt service reserves reflecting financial difficulties.

(iii) Unscheduled draws on credit enhancements reflecting financial difficulties.

(iv) Substitution of credit or liquidity providers, or their failure to perform.

(v) Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB).

(vi) Tender offers.

(vii) Defeasances.

(viii) Rating changes.

(ix) Bankruptcy, insolvency, receivership or similar event of the District.

(x) Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation, any of which reflect financial difficulties.

For purposes of the event identified in paragraph (ix) of this subsection, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the 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, 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, in a timely manner not later than ten business days after the occurrence of the event:

(i) Unless described in paragraph (v) of subsection (a) of this Section, material notices or determinations by the Internal Revenue Service with respect to the tax status of the Certificates or other material events affecting the tax status of the Certificates.

(ii) Modifications to rights of holders of the Certificates.

(iii) Optional, unscheduled or contingent Certificate calls.

(iv) Release, substitution, or sale of property securing repayment of the Certificates.

(v) Non-payment related defaults.

(vi) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

(vii) Appointment of a successor or additional trustee or the change of name of a trustee.

(viii) Incurrence of a Financial Obligation, or agreement to covenants, events of default, remedies, priority rights or other similar terms of a Financial Obligation, any of which affect holders of the Certificates.

(c) The Trustee shall, within one business day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative and inform such person of the event. The Trustee shall have no obligation or duty to determine the materiality of any such event or whether any such event reflects financial difficulties.

(d) If a Listed Event described in subsection (b) of this Section occurs, the District shall determine if such event would be material under applicable Federal securities law.

(e) If a Listed Event described in subsection (a) of this Section occurs, or if the District determines that knowledge of a Listed Event described in subsection (b) of this Section would be material under applicable Federal securities law, the District shall, or shall cause the Dissemination Agent to, file a notice of the occurrence of such Listed Event with the MSRB, in a timely manner not later than ten business days after the date of such occurrence.

(f) Notwithstanding the foregoing, notice of Listed Events described in paragraph (iii) of subsection (b) of this Section need not be given any earlier than the notice (if any) of the underlying event is given to holders of affected Certificates pursuant to the Trust Agreement.

Section 5. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Agreement must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

Section 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Agreement 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 principal payment date of the Certificates, the District shall give, or cause to be given, notice of such termination in a filing with the MSRB.

Section 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing 30 days' written notice to the District and the Trustee. 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 and in a form suitable for filing. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the District and the Trustee may amend this Disclosure Agreement (and the Trustee shall agree to any amendment so requested by the District; provided, however, that the Trustee shall not be obligated to enter into any amendment increasing or affecting its duties or obligations), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of subsection (a) of Section 2 hereof, Section 3 hereof or subsections (a) or (b) of Section 4 hereof, 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 undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver (i) is approved by Owners of the Certificates in the manner provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of Owners or Beneficial Owners of the Certificates.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the District shall describe such amendment or waiver 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 a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Agreement, in addition to that which is required by this Disclosure Agreement. If the District chooses to include any information in any Annual Report or notice in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

Section 10. Default. In the event of a failure of the District, the Trustee or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the written direction of any Participating Underwriter or the Owners of at least 25% of the aggregate principal amount evidenced by the Outstanding Certificates, shall, upon receipt of indemnification reasonably satisfactory to the Trustee), or any Owner 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, the Trustee or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the District, the Trustee or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Article VIII of the Trust Agreement is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Trust Agreement. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee under the Trust Agreement. Neither the Trustee nor the Dissemination Agent shall be responsible for the form or content of any Annual Report or notice of Listed Event. The Dissemination Agent shall receive reasonable compensation for its services provided under this Disclosure Agreement. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement. To the extent permitted by law, the District agrees to indemnify and save the Dissemination Agent, and its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, and which are not due to its negligence or its willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and the termination of this Disclosure Agreement.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Trustee, the Dissemination Agent, the Participating Underwriter and the Owners and

Beneficial Owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Section 13. Governing Laws. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

SAN JACINTO UNIFIED SCHOOL DISTRICT

By:_____

U.S. BANK NATIONAL ASSOCIATION, as trustee

By:_____
Authorized Officer

ACCEPTED AND AGREED TO:

FIELDMAN, ROLAPP & ASSOCIATES, INC., doing business as Applied Best Practices, as Dissemination Agent

By:_____
Authorized Officer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: San Jacinto Unified School District

Name of Issue: San Jacinto Unified School District Certificates of Participation (2020 Financing)

Date of Issuance: April 15, 2020

NOTICE IS HEREBY GIVEN that the San Jacinto Unified School District (the "District") has not provided an Annual Report with respect to the above-named Certificates as required by the Continuing Disclosure Agreement, dated as of April 1, 2020, by and between the District and U.S. Bank National Association, as Trustee. [The District anticipates that such Annual Report will be filed by _____.]

Dated: _____

_____
Fieldman, Rolapp & Associates, Inc., doing business as Applied Best Practices, as Dissemination Agent, on behalf of the San Jacinto Unified School District

cc: San Jacinto Unified School District

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E

COUNTY OF RIVERSIDE POOLED INVESTMENT FUND

The following information and the investment policy of the County have been provided by the Treasurer-Tax Collector (the "County Treasurer"), and has not been confirmed or verified by the District or the Underwriter. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date. Further information may be obtained from the County Treasurer.

The County Treasurer maintains one Pooled Investment Fund (the "PIF") for all local jurisdictions having funds on deposit in the County Treasury. As of January 31, 2020, the portfolio assets comprising the PIF had a market value of $7,653,741,469.47.

State law requires that all operating moneys of the County, school districts, and certain special districts be held by the County Treasurer. On June 30, 2019, the Auditor-Controller performed an analysis on the County Treasury which resulted in the identification and classification of "mandatory" vs. "discretionary" depositors. The County Auditor-Controller reports that collectively, these mandatory deposits constituted approximately 81.91% of the funds on deposit in the County Treasury, while approximately 18.09% of the total funds on deposit in the County Treasury represented discretionary deposits.

While State law permits other governmental jurisdictions to participate in the County's PIF, the desire of the County Treasurer is to maintain a stable depositor base for those entities participating in the PIF.

All purchases of securities for the PIF are to be made in accordance with the County Treasurer's 2020 Statement of Investment Policy, which is more restrictive than the investments authorized pursuant to Sections 53601 and 53635 of the California Government Code. The Policy Statement requires that all investment transactions be governed by first giving consideration to the safety and preservation of principal and liquidity sufficient to meet daily cash flow needs prior to achieving a reasonable rate of return on the investment. Investments are not authorized in reverse-repurchase agreements except for an unanticipated and immediate cash flow need that would otherwise cause the Treasurer to sell portfolio securities prior to maturity at a principal loss.

The investments in the Treasurer's Pooled Investment Fund as of January 31, 2020 were as follows:

U.S. Treasury Securities	$815,383,291.02	7.79%
Federal Agency Securities	3,461,704,297.59	47.39
Cash Equivalent & Money Market Funds	1,221,023,976.03	15.99
Commercial Paper	1,283,600,147.20	16.81
NCD	563,000,000.00	7.37
Medium Term Notes	135,753,564.57	1.78
Municipal Notes	153,456,234.55	2.01
Certificates of Deposit	-	-
Repurchase Agreements	-	-
Local Agency Obligations[(1)]	40,000.00	0.001
Total Book Value	$7,633,961,510.96	100.000%
Book Yield	1.82%	
Weighted Average Maturity (years)	1.058	

(1) Represents County Obligations issued by the Riverside District Court Financing Corporation.

As of January 31, 2020, the market value of the PIF was 100.26% of book value. The Treasurer estimates that sufficient liquidity exists within the portfolio to meet daily expenditure needs without requiring any sale of securities at a principal loss prior to their maturity.

In keeping with Sections 53684 and 53844 of the California Government Code, all interest, income, gains and losses on the portfolio are distributed quarterly to participants based upon their average daily balance except for specific investments made on behalf of a particular fund. In these instances, Sections 53844 requires that the investment income be credited to the specific fund in which the investment was made.

The Board has established an "Investment Oversight Committee" in compliance with California Government Code Section 27131. Currently, the Committee is composed of the County Finance Director, the County Treasurer-Tax Collector, the County Superintendent of Schools, a school district representative and a public member at large. The purpose of the committee is to review the prudence of the County's investment policy, portfolio holdings and investment procedures, and to make any findings and recommendations known to the Board. As of September 29, 2004, the State no longer required the County to have a local oversight committee; however, the County has elected to maintain the committee. The committee is utilized by the County to safeguard public funds and to perform other internal control measures.

The County has obtained a rating on the PIF of "Aaa-bf" from Moody's Investors Service and "AAAf/S1" rating from Fitch Ratings. There is no assurance that such ratings will continue for any given period of time or that any such rating may not be lowered, suspended or withdrawn entirely by the respective rating agency if, in the judgment of such rating agency, circumstances so warrant.

Neither the District nor the Underwriter has made an independent investigation of the investments in the PIF and neither has made an assessment of the current County investment policy, a copy of which is attached hereto. The value of the various investments in the PIF 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 County Treasurer, with the approval of the IOC and 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 PIF will not vary significantly from the values described herein.

APPENDIX F

RIVERSIDE COUNTY INVESTMENT POLICY

[THIS PAGE INTENTIONALLY LEFT BLANK]

COUNTY OF RIVERSIDE
OFFICE OF THE TREASURER-TAX-COLLECTOR
STATEMENT OF INVESTMENT POLICY

INTRODUCTION

The Treasurer's Statement of Investment Policy is presented annually to the County Investment Oversight Committee for review and to the Board of Supervisors for approval, pursuant to the requirements of Sections 53646(a) and 27133 of the California Government Code (Code Section). This policy will become effective immediately upon approval by the Board of Supervisors.

SCOPE

The Treasurer's Statement of Investment Policy is limited in scope to only those county, school, special districts and other fund assets actually deposited and residing in the County Treasury. It does not apply to bond funds or other assets belonging to the County of Riverside, or any affiliated public agency the assets of which reside outside of the County Treasury.

FIDUCIARY RESPONSIBILITY

Code Section 27000.3 declares each treasurer, or governing body authorized to make investment decisions on behalf of local agencies, to be a trustee and therefore a fiduciary subject to the prudent investor standard. This standard, as stated in Code Section 27000.3 requires that "When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, the county treasurer or the board of supervisors, as applicable, shall act with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the county and other depositors, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the county and the other depositors."

PORTFOLIO OBJECTIVES

The first and primary objective of the Treasurer's investment of public funds is to **safeguard investment principal**; second, to maintain sufficient **liquidity** within the portfolio to meet daily cash flow requirements; and third, to achieve a reasonable rate of return or **yield** on the portfolio consistent with these objectives. The portfolio shall be actively managed in a manner that is responsive to the public trust and consistent with State law.

AUTHORITY

Statutory authority for the Treasurer's investment and safekeeping functions are found in Code Sections 53601 and 53635 et. seq. The Treasurer's authority to make investments is to be renewed annually, pursuant to state law. It was last renewed by the Board of Supervisors on October 22, 2019 by County Ordinance No.767.23. Code Section 53607 effectively requires the legislative body to delegate investment authority of the County on an annual basis.

AUTHORIZED INVESTMENTS

Investments shall be restricted to those authorized in Code Sections 53601 and 53635 as amended

and as further restricted by this policy statement. All investments shall be governed by the restrictions shown in Schedule I which defines the type of investments authorized, maturity limitations, portfolio diversification, credit quality standards (two of the three nationally recognized ratings shall be used for corporate and municipal securities), and purchase restrictions that apply.

STAFF AUTHORIZED TO MAKE INVESTMENTS

Only the Treasurer-Tax Collector, Jon Christensen, Chief Investment Manager, Giovane Pizano, Deputy Investment Manager, Steve Faeth, and Assistant Investment Manager, Isela Licea, are authorized to make investments and to order the receipt and delivery of investment securities among custodial security clearance accounts.

AUTHORIZED BROKER/DEALERS

Securities transactions are limited solely to those noted on Schedule II of this policy.

DAILY ACCOUNTABILITY AND CONTROL

Except for emergencies or previous authorization by the Treasurer-Tax Collector, all investment transactions are to be conducted at the Treasurer-Tax Collector's office (if open and available to conduct business), documented, and reviewed by the Treasurer-Tax Collector, and/or Assistant Treasurer-Tax Collector. All investment transactions will be entered daily into the Treasurer's internal financial accounting system with copies to be filed on a timely basis. Portfolio income shall be reconciled daily against cash receipts and quarterly, prior to the distribution of earnings among those entities sharing in pooled fund investment income.

SECURITY CUSTODY & DELIVERIES

All securities, except for money market funds registered in the County's name and securities issued by the County or other local agencies shall be deposited for safekeeping with banks contracted to provide the County Treasurer with custodial security clearance services. These third party trust department arrangements provide the County with a perfected interest in, and ownership and control over, the securities held by the custodian on the County's behalf and are intended to protect the County from the bank's own creditors in the event of a bank default and filing for bankruptcy. Securities are **NOT** to be held in investment firm/broker dealer accounts. All security transactions are to be conducted on a "delivery versus payment basis." Confirmation receipts on all investments are to be reviewed immediately for conformity with County transaction documentation. Securities issued by local agencies purchased directly shall be held in the Treasurer's vault. The security holdings shall be reconciled with the custodian holding records daily. The Treasurer's Fiscal Compliance unit will audit purchases daily for compliance, and audit holding records monthly.

COMPETITIVE PRICING

Investment transactions are to be made at current market value and competitively priced whenever possible. Competitive pricing does not necessarily require submission of bids, but does require adequate comparative analysis. The current technology utilized by the Treasury provides this information.

MATURITY LIMITATIONS
No investment shall exceed a final maturity date of five years from the date of purchase unless it is authorized by the Board of Supervisors pursuant to Code Section 53601. The settlement date will be used as the date of purchase for measuring maturity limitations.

LIQUIDITY
The portfolio shall maintain a weighted average days to maturity (WAM) of less than 541 days or 1.5 years. To provide sufficient liquidity to meet daily expenditure requirements, the portfolio shall maintain at least 40% of its total value in securities having maturities 1 year or less.

SECURITIES LENDING
The Treasurer may engage in securities lending activity limited to 20% of the portfolio's book value on the date of transaction. Instruments involved in a securities lending program are restricted to those securities pursuant to Code Section 53601 and by the Treasurer's Statement of Investment Policy.

REVERSE REPURCHASE AGREEMENTS
The Treasury shall not engage in any form of leverage for the purpose of enhancing portfolio yield. There shall be no entry into reverse repurchase agreements except for temporary and unanticipated cash flow requirements that would cause the Treasurer to sell securities at a principal loss. Any reverse repurchase agreements are restricted pursuant to Code Section 53601 and by the Treasurer's Statement of Investment Policy.

MITIGATING MARKET & CREDIT RISKS
Safety of principal is the primary objective of the portfolio. Each investment transaction shall seek to minimize the County's exposure to market and credit risks by giving careful and ongoing attention to the: (1) credit quality standards issued by the nationally recognized rating agencies on the credit worthiness of each issuer of the security, (2) limiting the concentration of investment in any single firm as noted in Schedule I, (3) by limiting the duration of investment to the time frames noted in Schedule I, and (4) by maintaining the diversification and liquidity standards expressed within this policy.

TRADING & EARLY SALE OF SECURITIES
All securities are to be purchased with the intent of holding them until maturity. However, in an effort to minimize market and credit risks, securities may be sold prior to maturity either at a profit or loss when economic circumstances, trend in short-term interest rates, or a deterioration in credit-worthiness of the issuer warrants a sale of the securities to either enhance overall portfolio yield or to minimize further erosion and loss of investment principal. Such sales should take into account the short and long term impacts on the portfolio. However, the sale of a security at a loss can only be made after first securing the approval of the Treasurer-Tax Collector.

PURCHASE OF WHEN ISSUED SECURITIES
When issued (W.I.) purchases of securities and their subsequent sale prior to cash settlement are authorized as long as sufficient cash is available to consummate their acceptance into the Treasurer's portfolio on the settlement date.

PORTFOLIO REPORTS/AUDITING

Portfolio reports required by Code Sections 53607 and 27133(e) shall be filed monthly with the Board of Supervisors, Investment Oversight Committee, Superintendent of Schools, Executive Officer, County Auditor Controller and interested parties. Consistent with Board Policy B-21 (County Investment Policy Statement), § III A, an outside compliance audit will be conducted annually. Outside audits will be conducted at least biennially by an independent auditing firm selected by the Board of Supervisors, per Board Minute Order No. 3.48. Reports are posted monthly on the Treasurer's website:
http://www.countytreasurer.org/Treasurer/TreasurersPooledInvestmentFund/MonthlyReports.aspx

SPECIFIC INVESTMENTS

Specific investments for individual funds may be made in accordance with the Treasurer's Statement of Investment Policy, upon written request and approval of the responsible agency's governing board, and, approval of the Treasurer-Tax Collector. Investments outside of the policy may be made on behalf of such funds with approval of the governing Board and approval of the Treasurer-Tax Collector. All specific investments shall be memorialized by a Memorandum of Understanding. With the purchase of specific investments, the fund will be allocated the earnings and/or loss associated with those investments. The Treasurer-Tax Collector reserves the right to allocate a pro-rata charge for administrative costs to such funds.

PERFORMANCE EVALUATION

Portfolio performance is monitored daily and evaluated monthly in comparison to the movement of the Treasurer's Institutional Money Market Index (TIMMI), or other suitable index. Over time, the portfolio rate of return should perform in relationship to such an index. Regular meetings are to be conducted with the investment staff to review the portfolio's performance, in keeping with this policy, and, current market conditions.

INVESTMENT OVERSIGHT COMMITTEE

In accordance with Code Section 27130 et seq. of the Code, the Board of Supervisors has established an Investment Oversight Committee. The role of the Committee is advisory in nature. It has no input on day to day operations of the Treasury.

QUARTERLY DISTRIBUTION OF INVESTMENT EARNINGS

Portfolio income, including gains and losses (if any), will be distributed quarterly in compliance with Sections 53684 and 53844 of the Code which give the Treasurer broad authority to apportion earnings and losses among those participants sharing in pooled investment income, and, except for specific investments in which the interest income is to be credited directly to the fund from which the investment was made, all investment income is to be distributed pro-rata based upon each participant's average daily cash balance for the fiscal quarter. Any subsequent adjustments of reported earnings by the Auditor-Controller will be first reviewed and approved by the Treasurer to assure compliance with Code Sections 53684 and 53844.

QUARTERLY APPORTIONMENT OF ADMINISTRATIVE COSTS

Prior to the quarterly apportionment of pooled fund investment income, the County Treasurer is permitted, pursuant to Code Section 27013, to deduct from investment income before the distribution thereof, the actual cost of the investment, audit, deposit, handling and distribution of such income. Accordingly, in keeping with Code Sections 27013, 27133(f), and 27135, the Treasury shall deduct from pooled fund investment earnings the actual cost incurred for: banking services, custodial safekeeping charges, the pro-rata annual cost of the salaries including fringe

benefits for the personnel in the Treasurer-Tax Collector's office engaged in the administration, investment, auditing, cashiering, accounting, reporting, remittance processing and depositing of public funds for investment, together with the related computer and office expenses associated with the performance of these functions. Costs are apportioned based upon average daily ending balances. Prior to gaining reimbursement for these costs, the Treasurer-Tax Collector shall annually prepare a proposed budget revenue estimate per Code Section 27013.

TREASURY OPERATIONS

Treasury operations are to be conducted in the most efficient manner to reduce costs and assure the full investment of funds. The Treasurer will maintain a policy regarding outgoing wires and other electronic transfers. Requests for outgoing transfers which do not arrive on a timely basis may be delayed. The County Treasurer may institute a fee schedule to more equitably allocate costs that would otherwise be spread to all depositors.

POLICY CRITERIA FOR AGENCIES SEEKING VOLUNTARY ENTRY

Should any agency solicit entry, the agency shall comply with the requirements of Section 53684 of the Code and adopt a resolution by the legislative or governing body of the local agency authorizing the deposit of excess funds into the County treasury for the purpose of investment by the County Treasurer. The resolution shall specify the amount of monies to be invested, the person authorized by the agency to coordinate the transaction, the anticipated time frame for deposits, the agency's willingness to be bound to the statutory 30-day written notice requirement for withdrawals, and acknowledging the Treasurer's ability to deduct pro-rata administrative charges permitted by Code Section 27013. Any solicitation for entry into the TPIF must have the County Treasurer's consent before the receipt of funds is authorized. The depositing entity will enter into a depository agreement with the Treasurer.

POLICY CRITERIA FOR VOLUNTARY PARTICIPANT WITHDRAWALS

With the Treasury being required to maintain a 40% liquidity position at all times during the calendar year, it is anticipated that sufficient funds will be on hand to immediately meet on demand all participant withdrawals for the full dollar amounts requested without having to make any allowance or pro-rata adjustment based on the current market value of the portfolio. In addition, any withdrawal by a local agency for the purpose of investing or depositing those funds outside the Pool shall have the prior written approval of the County Treasurer.

The Treasurer's approval of the withdrawal request shall be based on the availability of funds; the circumstances prompting the request; the dollar volume of similar requests; the prevailing condition of the financial markets, and, an assessment of the effect of the proposed withdrawal on the stability and predictability of the investments in the county treasury.

POLICY ON RECEIPT OF HONORARIA, GIFTS AND GRATUITIES

Neither the Treasurer-Tax Collector nor any member of his staff, shall accept any gift, gratuity or honoraria from financial advisors, brokers, dealers, bankers or other persons or firms conducting business with the County Treasurer which exceeds the limits established by the Fair Political Practices Commission (FPPC) and relevant portions of Code Section 27133. IOC members shall be subject to the limits included in the Board of Supervisors Policy B-21.

ETHICS & CONFLICTS OF INTEREST

Officers and staff members involved in the investment process shall refrain from any personal

business activity that compromises the security and integrity of the County's investment program or impairs their ability to make impartial and prudent investment decisions. In addition, the County Treasurer-Tax Collector, Assistant Treasurer-Tax Collector, Investment Manager, and Assistant Investment Manager are required to file annually the applicable financial disclosure statements as mandated by the FPPC and County policy.

INVESTMENTS MADE FROM DEBT ISSUANCE PROCEEDS

The proceeds of a borrowing may be specifically invested per Schedule I of this policy (with the exception of Collateralized Time Deposits and Local Agency Obligations) as well as competitively bid investments (see County of Riverside Office Of The Treasurer-Tax Collector Policy Governing Competitively Bid Investments, dated March 3, 2011).

No pooled fund investments made from the proceeds of a borrowing, the monies of which are deposited in the County Treasury, shall be invested for a period of time exceeding the maturity date of the borrowing. Nor shall any monies deposited with a bank trustee or fiscal agent for the ultimate purpose of retiring the borrowing be invested beyond the maturity date of the borrowing.

POLICY ADOPTION & AMENDMENTS

This policy statement will become effective following adoption by the Board of Supervisors, and, will remain in force until subsequently amended in writing by the Treasurer-Tax Collector and approved by the Board.

2/11/2020

Jon Christensen
County of Riverside
Treasurer-Tax Collector

SCHEDULE I

AUTHORIZED INVESTMENTS	DIVERSIFICATION (1)	PURCHASE RESTRICTIONS	MATURITY	CREDIT QUALITY (S&P/MOODY'S/FITCH)
U.S. Treasury notes, bills, bonds or other certificates of indebtedness	100%	N/A	Maximum 5 years	N/A
Notes, participations, or obligations issued by the agencies of the federal government	100%	N/A	Maximum 5 years	N/A
Bonds, notes, warrants or certificates of indebtedness issued by the state of CA, or local agencies, or, the County of Riverside. Registered treasury notes or bonds of any of the other 49 United States per Government Code Section 53601 (d)	15% maximum	See Schedule VI	Maximum 4 years	Long term "AA-, Aa3, AA-" or better
Notes, participations or obligations issued or fully guaranteed as to principal and interest by the International Bank for Reconstruction and Development, and the International Finance Corporation	20%	Max 10% per issuer	Maximum 4 years	Long term "AA, Aa, AA" or better
Local Agency Investment Fund (LAIF)	$50 million	Maximum $50 million per LAIF	Daily Liquidity	N/A
Commercial Paper (CP)	40% maximum	See Schedule VI	Maximum 270 days	Short term "A-1,P-1,F-1" or better
Local Agency Obligations (LAO)	2.5% maximum	Board of Supervisors approval required. Issued by pool depositors only	Maximum 3 years	Non-rated, if in the opinion of the Treasurer, considered to be of investment grade or better
CalTRUST Short Term Fund (CLTR)	1% maximum	Board of Supervisors approval required	Daily liquidity	NR / Portfolio managed pursuant to California Government Code § 53601 & 53635
Negotiable CD's (NCD'S) issued by national or state chartered banks or a licensed branch of a foreign bank	25% maximum	See Schedule VI	Maximum 1 year	Short term "A-1,P-1,F-1" or better
Collateralized Time Deposits (TCD)	2% maximum	See Schedule IV	Maximum 1 year	N/A
Repurchase Agreements (REPO) with 102% collateral restricted to U. S. Treasuries, agencies, agency mortgages, CP, BA's	40% max, 25% in term repo over 7 days. No more than 20% w/one dealer in term repo	Repurchase agreements to be on file	Maximum 45 days	Short Term "A-1, P-1, F-1" or better If "A-2, P-2, F2" then overnight only
Reverse Repurchase Agreements on U. S. Treasury & federal agency securities in portfolio	10% maximum	For temporary cash Flow needs only.	Max 60 days with prior approval of Board of Supervisors	N/A
Medium Term Notes (MTNO) or Corporate Notes	20% maximum	See Schedule VI	Maximum 3 years	"AA, Aa2, AA" minimum if under 1 year
Interest bearing Checking Account	20%	N/A	Daily Liquidity	Fully collateralized
Money Market Mutual Funds (MMF) that invest in eligible securities meeting requirements of California Government Code	20% maximum	See Schedule V	Daily liquidity	Long Term "AAA" (2 of 3 nationally recognized rating services)

(1) Whichever is greater.

AUTHORIZED BROKER/DEALERS
SCHEDULE II

The Treasurer is authorized to conduct investment security transactions with the broker/dealers which are designated by the Federal Reserve Bank as primary government dealers. Security transactions with firms, other than those appearing on this list, are prohibited.

1. Other authorized firms:

   Union Bank
   Piper Sandler & Co.
   SunTrust Bank
   FTN Financial
   InCapital
   Raymond James & Associates, Inc.
   Siebert Williams Shank & Co.
   Academy Securities Inc.
   Bank of New York

2. Direct purchases from major commercial paper issuers, money market mutual funds, banker's acceptance issuers, negotiable CD issuers, or savings and loan are authorized.

3. Incidental purchases of less than $10 million may be made with other firms if in the opinion of the Treasurer, such transactions are deemed advantageous.

To ensure compliance with the County Treasurer's investment guidelines, each newly authorized primary government dealer and other authorized firms (as listed above in section 1, 2 and 3) will be supplied a complete copy of this Investment Policy document approved by the Board of Supervisors.

POLICY CRITERIA FOR SELECTION OF BROKER/DEALERS
SCHEDULE III

1. The County Treasurer has elected to limit security transactions as mentioned in Schedule II. Accordingly, the financial institution must confirm that they are a member of the Financial Industry Regulatory Authority (FINRA), registered with the Securities & Exchange Commission (SEC), and possess all other required licenses. The Treasurer is prohibited from the selection of any broker, brokerage, dealer, or securities firm that has, within any consecutive 48-month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to the local treasurer, any member of the governing board of the local agency, or any candidate for those offices.

2. The County Treasurer's intent is to enter into long-term relationships. Therefore, the integrity of the firm and the personnel assigned to our account is of primary importance.

3. The firm must specify the types of securities it specializes in and will be made available for our account.

4. It is important that the firm provide related services that will enhance the account relationship which could include:
   (a) An active secondary market for its securities.
   (b) Internal credit research analysis on commercial paper, banker's acceptances and other securities it offers for sale.
   (c) Be willing to trade securities for our portfolio.
   (d) Be capable of providing market analysis, economic projections, and newsletters.
   (e) Provide market education on new investment products, security spread relationships, graphs, etc.

5. The firm must be willing to provide us monthly financial statements, and transactional confirms.

6. The County Treasurer is prohibited from the establishment of a broker/dealer account for the purpose of holding the County's securities. All securities must be subject to delivery at the County's custodial bank.

7. Without exception, all transactions are to be conducted on a delivery versus payment (DVP) basis.

8. The broker/dealer must have been in operation for more than 5 years, and, if requested, the firm must be willing to provide us a list of local government clients or other reference, particularly those client relationships established within the State of California.

POLICY CRITERIA FOR COLLATERALIZED TIME DEPOSITS
SCHEDULE IV

Before the Treasury can place a time deposit with a local bank or savings and loan, the following criteria must be met:

1. The bank must provide us with an executed copy of the "Contract for Deposit of Moneys."

2. The interest rate on the Time Certificate of Deposit must be competitive with rates offered by other banks and savings and loans residing in Riverside County, as well as exceed that of U.S. Treasury Securities.

3. Investments less than the FDIC insurance limit will be sufficient without requiring any collateral to be pledged with the Federal Reserve to secure the public fund deposit.

4. Investments exceeding the FDIC insurance limit shall be fully collateralized by U.S. Treasury and Federal Agency securities having maturities five years or less. The County Treasury must receive written confirmation that these securities have been pledged in repayment of the time deposit. The securities pledged as collateral must have a current market value greater than the dollar amount of the deposit in keeping with the ratio requirements specified in Code Section 53652. Additionally, a statement of the collateral shall be provided on a monthly basis. A collateral waiver for the portion insured by the FDIC will be granted.

5. The County Treasurer must be given a current audited financial statement for the financial year just ended as well as the most recent quarterly statement of financial condition. The financial reports must both include a statement of financial condition as well as an income statement depicting current and prior year operations.

6. The County Treasurer will not place a public fund deposit for more than 10% of the present paid-in capital and surplus of the bank.

7. The County Treasurer must receive a certificate of deposit which specifically expresses the terms governing the transaction, deposit amount, issue date, maturity date, name of depositor, interest rate, interest payment terms (monthly, quarterly, etc).

8. All time certificates must have a maturity date not exceeding one year from the date of the deposit, with interest payments based upon the stated interest rate.

9. The County Treasurer must receive a letter from an officer of the bank at the time the initial deposit is made, that there is no known pending financial disclosure or public announcement of an adverse financial event involving the bank or savings and loan, nor is there any knowledge that a conflict of interest situation exists between any County official and an officer or employee of the bank.

10. Time deposits will only be made with banks and savings and loans having branch office locations within Riverside County.

POLICY CRITERIA FOR ENTERING INTO A MONEY MARKET FUND
SCHEDULE V

Shares of beneficial interest issued by diversified management companies, also known as money market mutual funds, invest in the securities and obligations authorized by Code Sections 53601.7(10). Approved mutual funds will be registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et. seq.) and shall meet the following criteria:

1. The fund must have a "AAA" ratings from two of the nationally recognized rating services: Moody's, Fitch, Standard & Poor's.

2. The fund's prospectus cannot allow hedging strategies, options or futures.

3. The fund must provide a current prospectus before participation in the fund and provide copies of their portfolio reports and shall provide at least at month-end, a complete listing of securities within the fund's portfolio.

POLICY CRITERIA
CORPORATE AND MUNICIPAL SECURITIES
SCHEDULE VI

Corporate Criteria. Money market securities will be first restricted by short-term ratings and then further restricted by long term credit ratings. The long term credit ratings, including the outlook of the parent company will be used. Money market securities consist of negotiable certificates of deposit (NCDs), bankers acceptances, and commercial paper. Medium term securities will be restricted by the long term ratings of the legal issuer. Concentration limit restrictions will make no distinction between medium term notes and money market securities.

No short term negative credit watch or long-term negative outlook by 2 of 3 nationally recognized rating services except for entities participating in government guaranteed programs. Credit Category 1 and Category 2 with negative credit watch or long-term negative outlook, by more than one nationally recognized rating service is permitted as Category 3 and Category 4 respectively.

Municipal Criteria. Minimum of A or A2 or A, underlying credit rating for selecting insured municipal securities and a maximum of 5% exposure to any one insurer (direct purchases and indirect commitments).

Liquidity Provider Restrictions. Maximum of 5% exposure to any one institution (direct purchases and indirect commitments).

Category	Short-Term Ratings	Long-Term Ratings	Restrictions
1	A-1+/P-1/F-1+ (SP-1+/MIG1/F-1+)	AAA/Aaa/AAA	**Corp.** Maximum of 5% per issuer with no more than 2% greater than 1 year final maturity and no more than 1% greater than 2 year final maturity. **Muni.** Maximum of 5% per issuer with no more than 2% greater than 13 month final maturity.
2	A-1+/P-1/F-1+ (SP-1+/MIG1/F-1)	AA+/Aa1/AA+, AA/Aa2/AA	**Corp.** Maximum of 4% per issuer with no more than 1% greater than 1 year final maturity. No more than 13 month final maturity. **Muni.** Maximum of 5% per issuer with no more than 1% greater than 13 month final maturity. For the State of California debt only maximum of 2% greater than 13 month final maturity.
3	A-1+/P-1/F-1+ (SP-1+/MIG1/F-1)	AA-/Aa3/AA-	**Corp.** Maximum of 3% per issuer with no more than 1.5% greater than 90 days. No more than 270 days final maturity. **Muni.** Maximum of 5% per issuer. No more than 13 month final maturity.
4	A-1/P-1/F-1 (SP-1/MIG1/F-1)	A/A2/A or better.	**Corp.** No Asset Backed programs. Maximum of 2% per issuer with no more than 1% greater than 7 days. No more than 45 days maximum maturity.

Rating Agency Comparison Table

Short-Term Scale	
S&P	**A-1+, A-1**
Moody's	**P-1**
Fitch	**F-1+, F-1**

Long-Term Scale	
S&P	**AAA, AA+, AA, AA-, A+, A**
Moody's	**Aaa, Aa1, Aa2, Aa3, A1, A2**
Fitch	**AAA, AA+, AA, AA-, A+, A**

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX G

BOOK-ENTRY ONLY SYSTEM

The description that follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Certificates, payment of principal of, premium, if any, and interest evidenced by the Certificates to Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Certificates, and other related transactions by and between DTC, Participants and Beneficial Owners, is based on information furnished by DTC which the District, the Corporation and the Underwriter each believes to be reliable, but none of the District, the Corporation or the Underwriter takes responsibility for the completeness or accuracy thereof. The District, the Corporation and the Underwriter cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners either (a) payments of principal, premium, if any, and interest with respect to the Certificates or (b) certificates representing ownership interests in or other confirmation of ownership interests in 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"), will act as securities depository for the Certificates. The Certificates will be executed and delivered as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Certificate will be executed and delivered for each stated Principal Payment Date of the Certificates, each in the aggregate amount of the principal evidenced by Certificates with such stated Principal Payment Date, 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. The information on such website is not incorporated into this Official Statement by reference or otherwise.

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

purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners, however, are 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 Trust Agreement and the Lease Agreement. 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.

Prepayment notices will be sent to DTC. If less than all of the Certificates with a particular stated Principal Payment Date are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Certificates to be prepaid.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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 the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal, premium, if any, interest and other payments evidenced by 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 the Trustee, 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 Trustee or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal, premium, if any, interest and other payments evidenced by the Certificates 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 Trustee, and 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 Trustee. Under such circumstances, in the event that a successor depository is not obtained, 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.

THE DISTRICT, THE CORPORATION AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO PARTICIPANTS, OR THAT PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL, INTEREST OR ANY PREMIUM EVIDENCED BY THE CERTIFICATES PAID TO DTC OR ITS NOMINEE AS THE REGISTERED OWNER, OR ANY PREPAYMENT OR OTHER NOTICES, TO THE BENEFICIAL OWNERS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE DISTRICT, THE CORPORATION AND THE TRUSTEE ARE NOT RESPONSIBLE OR LIABLE FOR THE FAILURE OF DTC OR ANY PARTICIPANTS TO MAKE ANY PAYMENT OR GIVE ANY NOTICE TO A BENEFICIAL OWNER WITH RESPECT TO THE CERTIFICATES OR ANY ERROR OR DELAY RELATING THERETO.

THE FOREGOING DESCRIPTION OF THE PROCEDURES AND RECORD KEEPING WITH RESPECT TO BENEFICIAL OWNERSHIP INTERESTS IN THE CERTIFICATES, PAYMENT OF PRINCIPAL, INTEREST AND OTHER PAYMENTS EVIDENCED BY THE CERTIFICATES TO PARTICIPANTS OR BENEFICIAL OWNERS, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN SUCH CERTIFICATES AND OTHER RELATED TRANSACTIONS BY AND BETWEEN DTC, THE PARTICIPANTS AND THE BENEFICIAL OWNERS IS BASED ON INFORMATION PROVIDED BY DTC. ACCORDINGLY, THE DISTRICT TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX H

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

[THIS PAGE INTENTIONALLY LEFT BLANK]

MUNICIPAL BOND INSURANCE POLICY (Annual Payments)

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $_____ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _____

Initial Risk Premium: $_____
Initial Member Surplus Contribution: $ _____
Total Initial Insurance Payment: $_____
Annual Insurance Payments: see attached Schedule A

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest.

SPECIMEN

"Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked, whether for failure to pay any Installment Payment set forth in the attached Schedule or otherwise.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Schedule A to
Municipal Bond Policy No. _____

In consideration for the issuance of the Policy on the closing date and as provided in the Bond documents, the Issuer has paid, or caused to be paid, an initial insurance payment comprised of an Initial Risk Premium and an Initial Member Surplus Contribution. Beginning on _____ __, _____, and on each one-year anniversary thereafter, the Issuer shall pay, or cause to be paid, an annual payment (the "Annual Insurance Payments") on the principal amount of Bonds outstanding on such date, (taking into account any principal payment made on the Bonds on such date), at the rate of ___% as further consideration for the issuance of the Policy as set forth below. No portion of the Initial Risk Premium, the Initial Member Surplus Contribution, or any paid Annual Insurance Payment is refundable for any reason, including without limitation any legal defeasance or payment on the Bonds prior to maturity. The Annual Insurance Payments shown below assume that all Bonds are retired in accordance with their respective maturity and mandatory sinking fund redemption requirements, and accordingly are subject to adjustment for actual par outstanding on such payment dates.

Annual Insurance Payments

Annual Insurance Payment Date	Member Surplus Contribution	Risk Premium	Total Annual Insurance Payment

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
200 Liberty Street, 27th floor
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)

SPECIMEN

CALIFORNIA

ENDORSEMENT TO

MUNICIPAL BOND INSURANCE POLICY

NO.

This Policy is not covered by the California Insurance Guaranty Association established pursuant to Article 15.2 of Chapter 1 of Part 2 of Division 1 of the California Law.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language

IN WITNESS WHEREOF, BUILDAMERICA MUTUAL ASSURANCE COMPANY has caused this policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By

_____

Authorized Officer

SPECIMEN

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX I

SPECIMEN MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY

[THIS PAGE INTENTIONALLY LEFT BLANK]

MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY

ISSUER: ISSUER_NAME, STATE_NAME

Policy No:

MEMBER: MEMBER_COMPANY, STATE_NAME

Effective Date:

BONDS: $_____ in aggregate principal amount of
,

Risk Premium: $_____
Member Surplus Contribution: $_____
Total Insurance Payment: $_____

Maximum Policy Limit: $

SPECIMEN

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above under the Security Documents, 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.

BAM will make payment as provided in this Policy to the Trustee or Paying Agent on the later of (i) the Business Day on which such principal and interest becomes Due for Payment and (ii) the first Business Day following the Business Day on which BAM shall have received a completed Notice of Nonpayment in a form reasonably satisfactory to it. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of this paragraph, and BAM shall promptly so advise the Trustee or Paying Agent who may submit an amended Notice of Nonpayment.

Payment by BAM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of BAM under this Policy. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, (a) BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond and (b) BAM shall become entitled to reimbursement of the amount so paid (together with interest and expenses) pursuant to the Security Documents and Debt Service Reserve Agreement.

The amount available under this Policy for payment shall not exceed the Policy Limit. The amount available at any particular time to be paid to the Trustee or Paying Agent under the terms of this Policy shall automatically be reduced by and to the extent of any payment under this Policy. However, after such payment, the amount available under this Policy shall be reinstated in full or in part, but only up to the Policy Limit, to the extent of the reimbursement of such payment (after taking into account the payment of interest and expenses) to BAM by or on behalf of the Issuer. Within three (3) Business Days of such reimbursement, BAM shall provide the Trustee or the Paying Agent with Notice of Reinstatement, in the form of Exhibit A attached hereto, and such reinstatement shall be effective as of the date BAM gives such notice.

Payment under this Policy shall not be available with respect to (a) any Nonpayment that occurs prior to the Effective Date or after the end of the Term of this Policy or (b) Bonds that are not outstanding under the Security Documents. If the amount payable under this Policy is also payable under another BAM issued policy insuring the Bonds, payment first shall be made under this Policy to the extent of the amount available under this Policy up to the Policy Limit. In no event shall BAM incur duplicate liability for the same amounts owing with respect to the Bonds that are covered under this Policy and any other BAM issued insurance 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 (as hereinafter defined) are authorized or required by law or executive order to remain closed. "**Debt Service Reserve Agreement**" means the Debt Service Reserve Agreement, if any, dated as of the effective date hereof, in respect of this Policy, as the same may be amended or supplemented from time to time. "**Due for Payment**" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "**Nonpayment**" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. **"Notice"** means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "**Owner**" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds. **"Policy Limit"** means the dollar

SPECIMEN

amount of the debt service reserve fund required to be maintained for the Bonds by the Security Documents from time to time (the "Reserve Account Requirement"), or the portion of the Reserve Account Requirement for the Bonds provided by this Policy as specified in the Security Documents or Debt Service Reserve Agreement, if any, but in no event shall the Policy Limit exceed the Maximum Policy Limit set forth above. The Policy Limit shall automatically and irrevocably be reduced from time to time by the amount of or, if this Policy is only providing a portion of the Reserve Account Requirement, in the same proportion as, each reduction in the Reserve Account Requirement, as provided in the Security Documents or Debt Service Reserve Agreement. **"Security Documents"** means any resolution, ordinance, trust agreement, trust indenture, loan agreement and/or lease agreement and any additional or supplemental document executed in connection with the Bonds. "**Term**" means the period from and including the Effective Date until the earlier of (i) the maturity date for the Bonds and (ii) the date on which the Bonds are no longer outstanding under the Security Documents.

BAM 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 BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy is being issued under and pursuant to and shall be construed under and governed by the laws of the State of New York, without regard to conflict of law provisions.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

SPECIMEN

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Schedule

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
200 Liberty Street, 27th floor
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)

SPECIMEN

EXHIBIT A

NOTICE OF REINSTATEMENT

[DATE]

[TRUSTEE][PAYING AGENT]
[INSERT ADDRESS]

Reference is made to the Municipal Bond Debt Service Reserve Insurance Policy, Policy No. _____ (the "Policy"), issued by Build America Mutual Assurance Company ("BAM"). The terms which are capitalized herein and not otherwise defined shall have the meanings specified in the Policy.

BAM hereby delivers notice that it is in receipt of payment from the [Issuer], or on its behalf, pursuant to the Security Documents or Debt Service Reserve Agreement, if any, and, as of the date hereof, the Policy Limit is $_____, subject to reduction as the Reserve Account Requirement for the Bonds is reduced in accordance with the terms set forth in the Security Documents.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Name:
Title:

SPECIMEN

CALIFORNIA

ENDORSEMENT TO

MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY

NO. @@POLICY_NO@@

This Policy is not covered by the California Insurance Guaranty Association established pursuant to Article 15.2 of Chapter 1 of Part 2 of Division 1 of the California Law.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language

IN WITNESS WHEREOF, BUILDAMERICA MUTUAL ASSURANCE COMPANY has caused this policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By

_____

Authorized Officer

SPECIMEN