This Preliminary Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful.

PRELIMINARY OFFICIAL STATEMENT DATED MAY 18, 2020

NEW ISSUE
FULL BOOK-ENTRY

RATINGS: S&P (insured): "AA"
S&P (underlying): "A"
(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."

$2,910,000*
CASTAIC UNION SCHOOL DISTRICT
CERTIFICATES OF PARTICIPATION (2020 REFUNDING)
(Bank Qualified)

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 Castaic Union School District Certificates of Participation (2020 Refunding), in the aggregate principal amount of $2,910,000* (the "Certificates"), 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 Castaic Union School District (the "District") for the use of certain real property and the improvements thereon (the "Property") pursuant to a Lease Agreement, dated as of June 1, 2020 (the "Lease Agreement"), by and between the District, as lessee, and the Castaic Union School District School Facilities Corporation (the "Corporation"), as lessor. The proceeds of the Certificates, together with other available funds, will be used to (i) currently refund all of the District's outstanding Castaic Union School District Certificates of Participation (2010 Refunding), (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 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 an insurance policy to be issued concurrently with the execution and delivery of the Certificates by ASSURED GUARANTY MUNICIPAL CORP.

ASSURED GUARANTY MUNICIPAL

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 Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California; for the District and the Corporation by Lozano Smith, Sacramento, California. It is anticipated that the Certificates in book-entry form will be available for delivery through the facilities of DTC on or about June 10, 2020.

RBC Capital Markets

Dated: _____, 2020

* *Preliminary; subject to change.*

**MATURITY SCHEDULE*
BASE CUSIP†: 14837R**

$2,910,000*
**CASTAIC UNION SCHOOL DISTRICT
CERTIFICATES OF PARTICIPATION (2020 REFUNDING)
(Bank Qualified)**

$_____ Serial Certificates

Maturity Date (September 1)	Principal Amount	Interest Rate	Yield	CUSIP Number†
2020	$	%	%	
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				

$_____ _____% Term Certificates due September 1, 20__ Yield _____% CUSIP Number† ___

* *Preliminary; subject to change.*

† 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.

CASTAIC UNION SCHOOL DISTRICT

BOARD OF TRUSTEES

Fred Malcomb, *President*
Mayreen Burk, *Clerk*
Stacy Dobbs, *Member*
Laura Pearson, *Member*
John Richard, *Member*

DISTRICT ADMINISTRATION

Steve Doyle, *Superintendent*
Linette Hodson, *Chief Business Official*
Jaime Garcia, *Director of Facilities*

PROFESSIONAL SERVICES

Special Counsel and Disclosure Counsel

Orrick, Herrington & Sutcliffe LLP
Los Angeles, California

Municipal Advisor

Fieldman, Rolapp & Associates, Inc.
Irvine, California

Counsel to the District and the Corporation

Lozano Smith
Sacramento, California

Trustee and Prior Trustee

U.S. Bank National Association
Los Angeles, California

Underwriter's Counsel

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

Verification Agent

Causey Demgen & Moore P.C.
Denver, Colorado

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.

RBC Capital Markets, LLC (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.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "CERTIFICATE INSURANCE" and APPENDIX G – "SPECIMEN MUNICIPAL BOND 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 those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the 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.

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OFFICIAL STATEMENT

$2,910,000*
CASTAIC UNION SCHOOL DISTRICT
CERTIFICATES OF PARTICIPATION (2020 REFUNDING)
(Bank Qualified)

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 Castaic Union School District Certificates of Participation (2020 Refunding), in the aggregate principal amount of $2,910,000* (the "Certificates"). The Certificates 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 Castaic Union School District (the "District") for the use of certain real property and the improvements thereon (the "Property"), as more fully described under the caption "THE PROPERTY" herein. The Property will be leased by the District from the Castaic Union School District School Facilities Corporation (the "Corporation") pursuant to a Lease Agreement, dated as of June 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 as an elementary school district organized under the laws of the State of California (the "State"). The District was formed in 1889 and encompasses an area of approximately 150 square miles, including portions of the city of Santa Clarita and unincorporated portions of Los Angeles County (the "County"). The District currently operates three preschools, three elementary schools and one middle school. Total enrollment for the 2019-20 school year is approximately 2,025 students. The District's enrollment or average daily attendance ("A.D.A") of students may be affected due to the current COVID-19 pandemic (as further described herein). See "RISK FACTORS – Infectious Disease Outbreak."

The District is governed by a Board of Trustees consisting of five members, each of which is elected to a four-year term within five trustee areas of the District. 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. Steve Doyle has served as Superintendent of Schools since February 1, 2016.

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 to this Official Statement, and should be read in their entirety.

---

* *Preliminary; subject to change.*

Security and Sources of Payment for the Certificates

The Certificates will be executed and delivered pursuant to a Trust Agreement, dated as of June 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 June 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 Payments 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 June 1, 2020 (the "Assignment Agreement"), pursuant to which the Corporation will sell, assign and transfer 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

Concurrently with the execution and delivery of the Certificates, Assured Guaranty Municipal Corp. ("AGM" or "Insurer") will issue its Municipal Bond Insurance Policy for the Certificates (the "Insurance Policy"). The Insurance Policy guarantees the scheduled payment of principal of and interest evidenced by the Certificates when due as set forth in the form of the Insurance Policy included as Appendix G to this Official Statement.

In the event that AGM is unable to make payments of principal of interest evidenced by the Certificates, as such payments become due under a Policy, such Certificates will be payable solely as otherwise described herein. In the event that AGM becomes obligated to make payments with respect to the Certificates, no assurance can be given that such event would not adversely affect the market price of the Certificates or the marketability or liquidity of the Certificates.

As a result of obtaining the Insurance Policy, the long-term ratings on the Certificates will be dependent in part on the financial strength of AGM and its claim paying ability. AGM's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of AGM and of the ratings on the Certificates insured by AGM will not be subject to downgrade, and such event could adversely affect the market price of the Certificates, or the marketability or liquidity for the Certificates

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. None of the District, the Municipal Advisor, or the Underwriter (as defined herein) have made independent investigations into the claims paying ability of AGM and no assurance or representation regarding the financial strength or projected financial strength thereof is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District pay all amounts required under the Lease Agreement, and the claims paying ability of AGM, particularly over the life of the investment. 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 AGM (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) refund all of the District's outstanding Castaic Union School District Certificates of Participation (2010 Refunding) (the "Prior Certificates"), (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 "THE REFUNDING PLAN" 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 (as defined in the Trust Agreement) of the Certificates. See "THE CERTIFICATES – General" and APPENDIX F – "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 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 in book-entry form for delivery through the facilities of DTC on or about June 10, 2020 (the "Delivery Date").

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

The District has covenanted for the benefit of the 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 fiscal year 2019-20 (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 Rule 15c2-12(b)(5) (the "Rule") of the Securities and Exchange Commission (the "SEC").

Fieldman, Rolapp & Associates, Inc., doing business as Applied Best Practices currently serves as the District's dissemination agent for each of its continuing disclosure undertakings pursuant to the Rule.

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, the Escrow Agreement and the Continuing Disclosure Agreement are available for inspection at the District at 28131 Livingston Avenue, Valencia, California 91355, by request to Linette Hodson, Chief Business Official, and, following delivery of the Certificates, will be on file at the offices of the Trustee.

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 front inside cover page of this Official Statement. The principal evidenced by the Certificates will be payable on their respective Principal 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 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 Certificate 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 F – "BOOK-ENTRY ONLY SYSTEM."

Prepayment[*]

Optional Prepayment. The Certificates maturing on or before September 1, 20__ are not subject to optional prepayment prior to their respective stated Principal Payment Dates. The Certificates maturing on or after September 1, 20__, are subject to optional prepayment prior to their respective stated Principal Payment Dates, on any date on or after September 1, 20__, 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, 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.

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.

[*] *Preliminary; subject to change.*

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

Mandatory Sinking Account Prepayment. The Certificates with a stated Principal Payment Date of September 1, 20__ are subject to prepayment prior to such stated Principal Payment Date, in part, from Mandatory Sinking Account Payments, on September 1 of the years and in the aggregate principal amounts as set forth in the table shown below, any such Mandatory Sinking Account Payments to be at a prepayment price equal to the principal evidenced by the Certificates to be prepaid, plus accrued interest evidenced thereby to the date fixed for prepayment, without premium:

Prepayment Date (September 1)	Principal To Be Prepaid
	$

†

† 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, 20__ is prepaid pursuant to the extraordinary prepayment provisions as described herein under the caption "– *Extraordinary Prepayment*," the principal evidenced by such Certificates to be prepaid pursuant to Mandatory Sinking Account Payments on any subsequent September 1 shall be reduced by the aggregate principal evidenced by such Certificates so prepaid pursuant to the extraordinary prepayment provisions, 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 the Lease Agreement as a result of the event that caused such Certificates to be prepaid pursuant to the extraordinary prepayment provisions, 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, 20__ is prepaid pursuant to the optional prepayment provisions as described herein under the caption "– *Optional Prepayment*" or "– *Special Optional Prepayment*," the principal evidenced by such Certificates to be prepaid pursuant to Mandatory Sinking Account Payments on any subsequent September 1 shall be reduced by the aggregate principal evidenced such Certificates so prepaid pursuant to the optional or special optional prepayment provisions, such reduction to be allocated among prepayment dates in amounts of Authorized Denominations, as designated by the District.

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 (a) 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 (b) with respect to any prepayment described above under the caption "– *Optional Prepayment*" 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 redemption, containing the information required by the Indenture, will be mailed by first-class mail, postage prepaid, by the Trustee to DTC (not to the Beneficial Owners of any Certificates designated for redemption) 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 F – "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, 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. On each Principal Payment Date, the Trustee will withdraw from the Principal Fund, for payment to the Certificate Owners, the principal evidenced by the Certificates due and payable on such Principal 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.

[Remainder of page left intentionally blank.]

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 Semi-Annual Base Rental Payment	Total Annual Base Rental Payment
September 1, 2020	$	$	$	$
March 1, 2021				
September 1, 2021				
March 1, 2022				
September 1, 2022				
March 1, 2023				
September 1, 2023				
March 1, 2024				
September 1, 2024				
March 1, 2025				
September 1, 2025				
March 1, 2026				
September 1, 2026				
March 1, 2027				
September 1, 2027				
March 1, 2028				
September 1, 2028				
March 1, 2029				
September 1, 2029				
March 1, 2030				
September 1, 2030				
March 1, 2031				
September 1, 2031				
March 1, 2032				
September 1, 2032				
March 1, 2033				
September 1, 2033				
Total:	$	$	$	$

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, amounts payable to the Insurer and the Reserve Insurer 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 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 the Reserve Fund and rental interruption insurance, see "– Reserve Fund" and "– 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."

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, the least of (a) "10% of the proceeds of the issue," within the meaning of Section 148 of the Code (as defined herein), (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"). "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. Upon the execution and delivery of the Certificates, the Reserve Policy in the stated amount of $_____, an amount equal to the initial Reserve Requirement, issued by the Reserve Insurer will be deposited in the Reserve Fund for the Certificates. 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 or Principal Payment Date will be used 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 (a) 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 (b) 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 (a) 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 (b) 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 re-let, to pay the full amount of the Base 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 Base Rental Payments that results therefrom; and further agrees to pay said Base Rental Payments and/or Base 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 Base Rental Payments in excess of the Base 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

Bond Insurance Policy

Concurrently with the execution and delivery of the Certificates, AGM will issue its Policy for the Certificates. The Policy guarantees the scheduled payment of principal of and interest evidenced by the Certificates when due as set forth in the form of the Policy included as Appendix G to this Official Statement.

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

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and, as of October 1, 2019, asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

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

Current Financial Strength Ratings

On December 19, 2019, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On November 7, 2019, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

Capitalization of AGM

At March 31, 2020:

- The policyholders' surplus of AGM was approximately $2,573 million.

- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately $997 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.

- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $1,997 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

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

Incorporation of Certain Documents by Reference

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

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (filed by AGL with the SEC on February 28, 2020); and

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020 (filed by AGL with the SEC on May 8, 2020).

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

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

Miscellaneous Matters

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

THE PROPERTY

General

The Property consists of the real property on which Northlake Hills Elementary School, 32545 Ridge Route Road, Castaic, California, is located, together with the buildings and improvements located thereon. Northlake Hills Elementary School currently serves 539 students in grades kindergarten through eighth. The Northlake Hills Elementary School was originally built in 2003, with pre-school facilities added in 2004, portable buildings added in 2005 and restrooms and storage buildings added in 2014. Northlake Hills Elementary School contains approximately 53,266 square feet of building space on an approximately 18.78 acres site, including 37 classrooms, a multipurpose room, administrative facilities, a library, kitchen, playgrounds/athletic fields and multiple parking areas. Located on the same site is a preschool containing approximately 3,840 square feet of space. The insured aggregate value of the Property (which excludes the value of the land) is not less than the principal evidenced by the outstanding Certificates.

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."

THE REFUNDING PLAN

The Certificates are being executed and delivered to provide funds to (i) currently refund all of the outstanding Prior Certificates, (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 Prior Certificates were executed and delivered on March 10, 2010, pursuant to a trust agreement, dated as of March 1, 2010 (the "Prior Trust Agreement"), by and among U.S. Bank National Association, as trustee (the "Prior Trustee"), the District and the Corporation, payable from base rental

payments received by the Corporation from the District under a lease agreement, dated as of March 1, 2010 (the "Prior Lease Agreement"), by and between the District, as lessee, and the Corporation, as lessor. The Corporation and U.S. Bank National Association, as escrow bank (the "Escrow Bank") will enter into an Escrow Agreement, dated as of June 1, 2020 (the "Escrow Agreement"), with respect to the Prior Certificates being refunded, pursuant to which the Corporation will deposit a portion of the proceeds from the sale of the Certificates, together with other amounts available to prepay the Prior Certificates, into a special fund to be held by the Escrow Bank. The amounts deposited with the Escrow Bank with respect to the Prior Certificates, which will be held pursuant to the Escrow Agreement, will be used to purchase certain United States governmental obligations or other non-callable obligations (the "Escrow Securities") the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America, the principal of and interest on which (together with any uninvested amount) will be sufficient to enable the Escrow Bank to pay the principal and interest evidenced by the Prior Certificates to their first optional prepayment date (September 1, 2020), and to prepay such Prior Certificates at a prepayment price equal to 100% of the principal amount of such Prior Certificates being refunded on the prepayment date in accordance with the schedule set forth in the Escrow Agreement. The amounts to be deposited under the Escrow Agreement will be verified as sufficient by Causey Demgen & Moore P.C., Denver, Colorado (the "Verification Agent"). As a result of such deposit and the application of the proceeds of the Certificates and the other amounts available to prepay the Prior Certificates pursuant to the Escrow Agreement, and assuming the accuracy of the Verification Agent's computations, the District's obligation to make base rental payments in connection with the Prior Certificates will terminate in accordance with the Prior Trust Agreement and the Prior Lease Agreement. See "ESCROW VERIFICATION."

The Escrow Securities and other moneys held under the Escrow Agreement are pledged to the payment of the Prior Certificates to be refunded. As a result, the lien of the Prior Certificates under the Prior Trust Agreement will be defeased and discharged.

None of the amounts on deposit with the Escrow Bank, the principal of the Escrow Securities nor the interest thereon will be available for the payment of the Certificates.

Remaining proceeds of the Certificates will be used to purchase the Insurance Policy and the Reserve Policy and to pay the costs incurred in connection with the execution and delivery of the Certificates. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

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	$
Plus [Net] Original Issue Premium	
Release of Other Available Funds from Prior Trust Agreement	
Total Sources	$
USES	
Transfer to Escrow Bank	$
Underwriter's Discount	
Costs of Issuance[(1)]	
Total Uses	$

[(1)] Includes legal, Municipal Advisor, rating agency, printing, Insurance Policy and Reserve Policy premiums and fees, and other fees and miscellaneous costs of issuance.

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.

Extraordinary Prepayment from Net Proceeds

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

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 releting 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 releting 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 releting 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 releting 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 re-let 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 Rental 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.

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. See "DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION – Local Property Taxation – *Wildfires*." 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 or flood insurance for the Property. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Insurance."

All building components of the Property were constructed under the standards of the "Field Act" (California State Building Code, Title 24). The Field Act requires substantially higher construction standards for public schools and hospitals than are required for other types of construction. The Field Act requires that building systems be capable of withstanding seismic forces from the "most credible" earthquake likely to occur in the vicinity of the property being constructed. Although the building components of the Property were constructed under the standards of the Field Act, the District cannot provide assurances that the Property would not be significantly damaged if an earthquake were to occur.

Infectious Disease Outbreak

In general, the outbreak of a highly contagious disease or epidemic disease could harm the District's financial results or result in a temporary shutdown of the District's facilities. As further discussed below, school districts in California are funded based on the LCFF, which allocates a base grant per unit of A.D.A with additional supplemental grants based on certain factors. For more information on the Local Control Funding Formula, see "DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION – State Funding of Education; State Budget Process − *Allocation of State Funding to School Districts; Local Control Funding Formula*." Thus, a temporary shutdown of a school or an entire school district would reduce the A.D.A 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. See "DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION – State Funding of Education; State Budget Process – *Changes in State Budget*." 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.

As a result of the outbreak of COVID-19, the District closed its schools effective March 16, 2020 for the remainder of the school year. The District is currently receiving guidance on the coronavirus from County health officials and the Los Angeles County Office of Education which is monitoring the coronavirus situation in accordance with coronavirus guidelines for schools published by the Centers for Disease Control and Prevention.

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 pandemic. Such order went into effect immediately and remains 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 U.S. 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.

On March 17, 2020, the Governor signed Senate Bill 117 ("SB 117") as urgency legislation effective immediately. For purposes of school district funding for fiscal year 2019-20, SB 117 limits the A.D.A 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, which provides that school districts that initiate a school closure to address COVID-19 will continue to receive State funding to support certain enumerated school functions during the period of closure. 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 COVID-19. 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 COVID-19 caused the school district to fall below applicable instructional time requirements. SB 117 also includes $100 million in additional funding to school districts for certain costs incurred as a result of COVID-19. The District received $34,406 from such additional State funding. Further, to mitigate the economic effects of the COVID-19 outbreak, the State may be able to access certain reserves. See "DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION – State Funding of Education; State Budget Process– *State and School District Reserves*."

On March 27, 2020, the U.S. House of Representatives approved and President Trump signed into law the Coronavirus Aid, Relief and Economic Security Act (the "Cares Act"). The Cares Act provides $30 billion to education, specifically $3 billion allocated to state governors to be used at their discretion to address the emergency, $13.5 billion for K-12 education, and $14.25 billion for postsecondary institutions. School districts will be able to use their share of the $13.5 billion K-12 education allocation under the Cares Act, which will be based on the proportion of Title I funding received for the most recent fiscal year, for purposes authorized by federal law and other specified uses. The District expects to receive approximately $ 227,080 from such additional federal funding.

On March 22, 2020, President Trump approved the Major Disaster Declaration for the State of California's COVID-19 pandemic, authorizing federal emergency aid related to COVID-19. Local educational agencies may submit a request for public assistance through the California Office of Emergency Services for reimbursement of certain costs incurred as a result of COVID-19.

While SB 117 and the Cares Act provides some immediate relief to school districts, the short-term and long-term impacts of the COVID-19 outbreak, as well as federal, state and local responses thereto, are unknown as the situation is rapidly evolving. Due to the COVID-19 pandemic, the District is currently incurring costs with respect to providing meals to students and families and purchasing technology equipment for students to engage in distance learning. However, the District expects to receive federal and State reimbursements for much of such costs. Given the current estimated costs and anticipated reimbursements, the District does not expect actual results for fiscal year 2019-20 to vary significantly from

the District's fiscal year 2019-20 second interim report. Nonetheless, the situation continues to evolve, and the District cannot predict the full impact of COVID-19 on its actual results for fiscal year 2019-20 or future fiscal years. The District cannot predict whether the State will access its reserves and whether any of such funds will be provided to school districts, including the District. The District also cannot predict whether similar legislation would be enacted in the event the outbreak of COVID-19 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.

Other potential impacts of the COVID-19 pandemic includes, but are not limited to, disruption of the regional and local economy with corresponding decreases in tax revenues, including property tax revenue, sales tax revenue and other revenues, increases in tax delinquencies, potential declines in property values, and decreases in new home sales and real estate development. The economic consequences and the declines in the U.S. and global stock markets resulting from the spread of COVID-19, and responses thereto by local, State, and the federal governments, could have a material impact on the investments in the State pension trusts, which could materially increase the unfunded actuarial accrued liability of the CalSTRS Defined Benefit Program and CalPERS Schools Pool. See "DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION – Retirement Benefits – *CalSTRS*" and "DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION – Retirement Benefits – *CalPERS.*"

Additional information with respect to events surround the outbreak of COVID-19 and responses thereto can be found on State and local government websites, including but not limited to: the Governor's office (http://www.gov.ca.gov), the County Department of Health (http://www.lacounty.publichealth.org) and the California Department of Public Health (https://covid19.ca.gov/). *The District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated in this Official Statement by such reference.*

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 Corporation was incorporated on March 8, 2000, as a California nonprofit public benefit corporation. The Corporation was formed for the specific purpose of benefiting the District by participating with the District in projects to maintain, improve and assist the educational activities of the District by acquiring, purchasing, selling, leasing or otherwise transferring real and personal property in connection with such projects, as well as assisting the District in financing, acquiring and constructing such projects. 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.

DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION

Introduction

The District was established as an elementary school district organized under the laws of the State. The District was formed in 1889 and encompasses an area of approximately 150 square miles, including portions of the city of Santa Clarita and unincorporated portions of the County. The District currently operates three preschools, three elementary schools and one middle school. Total enrollment for the 2019-20 school year is approximately 2,025 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 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. Steve Doyle has served as Superintendent of Schools since February 1, 2016.

Board of Trustees

The District is governed by a five-member Board of Trustees (the "District Board") elected by voters within five trustee areas of the District to serve alternating four-year terms. The District Board consists of five voting members. The voting members are elected to four-year terms in alternate slates of two and three and elections are held every two years. Each December, the District elects a President and Clerk to serve one year terms. Current voting members of the District Board, together with their office and the date their term expires, are listed below:

CASTAIC UNION SCHOOL DISTRICT
(Los Angeles County, California)

Board of Trustees

Name	Office	Trustee Area	Term Expires
Fred Malcomb	President	Trustee Area C	December 2020
Mayreen Burk	Clerk	Trustee Area E	December 2022
Stacy Dobbs	Member	Trustee Area A	December 2020
Laura Perason	Member	Trustee Area B	December 2022
John Richard	Member	Trustee Area D	December 2022

Superintendent and Financial and Fiscal Administrative Personnel

The day-to-day operations of the District are managed by a board-appointed Superintendent of Schools. Information concerning the Superintendent and certain other key administrative personnel is set forth below

Steve Doyle, Superintendent. Mr. Doyle held the position of Superintendent for Keppel Union School District for six years prior to coming to the District in 2016. Prior to his work as Superintendent in Keppel Union School District, Mr. Doyle served for five years as Assistant Superintendent of Business Services as well as Director of Support Services, principal and teacher. Mr. Doyle received his Master's degree from California State University, Bakersfield, after receiving his Bachelor's degree in Elementary Education from the Minnesota State University.

Linette Hodson, Chief Business Official. Ms. Hodson has served as the Chief Business Official of the District since June 2016. Prior to joining the District, she served Keppel Union School District for 12 years in various roles, including as Assistant Superintendent Business Services, Assistant Superintendent Support Services and Director of Support Services. She also served as the Director of Special Education and Assistant Principal for Palmdale Union School District. Ms. Hodson has been an elementary teacher at both Keppel Union School District and Palmdale Union School District. She received her Bachelor's degree in Elementary Education from Central College, Pella, Iowa and her Master's degree in Educational Administration from California State University, Bakersfield, California.

Jaime Garcia, Director of Facilities. For the past 17 years, Mr. Garcia has overseen all facilities projects for the District. This includes several construction, technology, and maintenance projects throughout the District using various funding sources. He is responsible for the District facilities master plan and education specifications, and oversees maintenance and operations. He has a Bachelor's degree and graduate coursework leading toward a Master's of Business Administration from California State Polytechnic University, Pomona. Prior to joining the District, Mr. Garcia worked as Director of Technical Services for the New York State University at Albany and for the Whittier Law School as the Facility Manager.

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*" herein) 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 62.31% 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 $13.73 million 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). As a result, 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. Over the long run, the guaranteed amount will increase as enrollment and per capita personal income grow.

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

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. In March 2020, following the outbreak of the COVID-19 pandemic, the Governor declared a state of emergency, and the legislature subsequently authorized an amendment to the 2019-20 State Budget providing for an appropriation of up to $1 billion from the State's general fund to be used for any purpose related to such emergency declaration. Since the 2019-20 State Budget preceded the COVID-19 pandemic, it did not take into account the significant adverse impacts it will have on the State's financial condition beginning in fiscal year 2019-20. The 2020-21 May Revision (as defined herein) significantly revises the projections of revenues and expenditures in the 2019-20 State Budget. Further, the 2020-21 May Revision (as defined herein) proposes to defer $1.9 billion of LCFF apportionments due in fiscal year 2019-20 to fiscal year 2020-21. For more information on the 2020-21 May Revision, see " –May Revision to the 2020-21 Proposed State Budget." Certain limited information from the 2019-20 State Budget relating to the funding of education is provided herein as a historical baseline solely for context and reference.

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 ("SFEU"). 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. Since the Proposed 2020-21 State

Budget preceded the COVID-19 pandemic, it did not take into account the significant adverse impacts it will have on the State's financial condition in fiscal year 2020-21 and future fiscal years. The 2020-21 May Revision (as defined herein) significantly revises the projections of revenues and expenditures and cuts substantial educational funding and programs from the Proposed 2020-21 State Budget. For more information on the 2020-21 May Revision, see "*– May Revision to the 2020-21 Proposed State Budget.*" Certain limited information from the Proposed 2020-21 State Budget relating to the funding of education is provided herein solely for context and reference.

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 SFEU. 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.

- Proposition 98 Rainy Day Fund (also known as the Public School System Stabilization Account). The Proposed 2020-21 State Budget projects that a $524.2 million deposit into the Proposition 98 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 Proposition 98 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.

May Revision to the 2020-21 Proposed State Budget. The Governor released the May Revision to the Proposed 2020-21 State Budget (the "2020-21 May Revision") on May 14, 2020, which reflects the initial and profound effects of the COVID-19 pandemic on the State's economy. The 2020-21 May Revision indicates that, although the State began 2020 with a solid fiscal foundation as reflected in the Proposed 2020-21 State Budget, the COVID-19 pandemic and resulting recession have changed the fiscal landscape dramatically. Job losses and business closures and interruptions are sharply reducing State revenues. Compared to the Proposed 2020-21 State Budget, the 2020-21 May Revision projects that State general fund revenues will decline by over $41 billion. Such a decrease in State general fund revenues, combined with the increased costs in health and human services programs and other added costs to address COVID-19, leads to a projected budget deficit of approximately $54 billion before the changes proposed in the 2020-21 May Revision.

Consistent with the State's constitutional obligation to enact a balanced budget and the prohibition against issuing long-term bonds to finance deficits, the 2020-21 May Revision proposes the following actions to achieve a balanced budget for fiscal year 2020-21:

- Cancel $6.1 billion in program expansions and spending increases, including by canceling or reducing a number of one-time expenditures included in the 2019-20 State Budget. It also includes

redirecting $2.4 billion in extraordinary payments to CalPERS to temporarily offset the State's obligations to CalPERS in fiscal years 2020-21 and 2021-22.

- Draw down $16.2 billion in the Rainy Day Fund over three years, and allocate the Safety Net Reserve to offset increased costs in health and human services programs over the next two years. The 2020-21 May Revision reflects the withdrawal of $8.3 billion, including $7.8 billion from the Rainy Day Fund and $450 million from the Safety Net Reserve in 2020-21.

- Borrow and transfer $4.1 billion from special funds.

- Temporarily suspend net operating losses and temporarily limit to $5 million the amount of credits a taxpayer can use in any given tax year. These short-term limitations will generate new revenue of $4.4 billion in fiscal year 2020-21, $3.3 billion in fiscal year 2021-22, and $1.5 billion in fiscal year 2022-23 to increase funding for schools and community colleges and maintain other core services.

- Reflect the nationwide request of $1 trillion in flexible federal funds to support all 50 states and local governments, and identify reductions to base programs and employee compensation that will be necessary if sufficient federal funding does not materialize.

Although the 2020-21 May Revision proposes a balanced budget for fiscal year 2020-21, a significant out-year deficit would remain, increasing to over $16 billion by fiscal year 2023-24. Without the actions described above to achieve a balanced budget for fiscal year 2020-21, the out-year structural deficit would be approximately $45 billion annually. The 2020-21 May Revision estimates that total resources available in fiscal year 2019-20 will be approximately $148.1 billion (including revenues and transfers of approximately $136.8 billion and a prior year balance of $11.3 billion) and total expenditures in fiscal year 2019-20 will be approximately $146.5 billion. The 2020-21 May Revision projects total resources available for fiscal year 2020-21 of approximately $139.0 billion, inclusive of revenues and transfers of approximately $137.4 billion and a prior year balance of approximately $1.6 billion. The 2020-21 May Revision projects total expenditures of approximately $133.9 billion, inclusive of non-Proposition 98 expenditures of $89.0 billion and Proposition 98 expenditures of $44.9 billion. The 2020-21 May Revision proposes to allocate approximately $3.2 billion of the State general fund's projected fund balance to the State's reserve for liquidation of encumbrances and approximately $2.0 billion of such fund balance to the SFEU. In addition, the 2020-21 May Revision estimates that the Rainy Day Fund will have a fund balance of approximately $8.4 billion.

The 2020-21 May Revision includes total funding of $99.7 billion for all K-12 education programs, including $47.7 billion from the general fund and $52.0 billion from other funds. The 2020-21 May Revision includes certain cuts and adjustments to K-12 education programs and funding (described in more detail below) that may be rescinded, in whole or in part, if the State were to receive additional federal assistance, such as through the passage of the Health and Economic Recovery Omnibus Emergency Solutions Act.

Certain adjustments and budgetary proposals for K-12 education set forth in the 2020-21 May Revision include the following:

- Proposition 98 Minimum Guarantee. The 2020-21 May Revision projects that due to the COVID-19 pandemic and resulting recession, Proposition 98 funding will decline by $19 billion compared to the Proposed 2020-21 State Budget. Such decline in funding is approximately 23% of the 2019-20 State Budget Proposition 98 funding level. Due to declining A.D.A. and declining per capita income numbers, Proposition 98 funding is projected to stay at a depressed level for the entire

forecast period in the 2020-21 May Revision. The 2020-21 May Revision proposes to provide supplemental appropriations above the constitutionally required funding level beginning in fiscal year 2021-22, and in each of the next several fiscal years, in an amount equal to 1.5% of the general fund revenues per year, up to a cumulative total of $13 billion.

- Proposition 98 Rainy Day Fund (also known as the Public School System Stabilization Account). The 2020-21 May Revision also reflects the withdrawal of all of the funding in the Public School System Stabilization Account. The 2020-21 May Revision projects that no additional deposits will be required and the entire amount is available to offset the decline in the Proposition 98 minimum guarantee.

- Temporary Revenue Increases. The 2020-21 May Revision proposes the temporary three-year suspension of net operating loss tax deductions and a limitation on business incentive tax credits to offset no more than $5 million of tax liability per year. These measures, along with other more minor tax changes, will generate $4.5 billion in general fund revenues and approximately $1.8 billion in benefit to the Proposition 98 minimum guarantee.

- Learning Loss Mitigation. The 2020-21 May Revision proposes a one-time $4.4 billion investment (comprised of $4 billion from the federal Coronavirus Relief Fund and $355 million from the federal Governor's Emergency Education Relief Fund), to local educational agencies to address learning loss related to school closures caused by the COVID-19 pandemic.

- Revising CalPERS/CalSTRS Contributions. The 2019-20 State Budget included $850 million to buy down local educational agency employer contribution rates for CalSTRS and CalPERS in fiscal years 2019-20 and 2020-21, as well as $2.3 billion towards the employer long-term unfunded liability. The 2020-21 May Revision proposes redirecting $2.3 billion paid to CalSTRS and CalPERS towards long-term unfunded liabilities to further reduce employer contribution rates in fiscal years 2020-21 and 2021-22. This reallocation will reduce the CalSTRS employer rate from 18.41% to approximately 16.15% in fiscal year 2020-21 and from 18.20% to 16.02% in fiscal year 2021-22. The CalPERS Schools Pool employer contribution rate will be reduced from 22.67% to 20.7% in fiscal year 2020-21 and from 25.0% to 22.84% in fiscal year 2021-22.

- Elementary and Secondary School Emergency Relief Funds. The State received $1.6 billion in federal Elementary and Secondary School Emergency Relief funds, 90% of which will be allocated to local educational agencies. The remaining 10% is available for state-level activities.

- Aligning K-12 Appropriations with Available Resources. The 2020-21 May Revision indicates that the decline in Proposition 98 funding creates a shortfall of $15.1 billion ($14.8 billion general fund) for K-12 schools over fiscal years 2018-19, 2019-20, and 2020-21. To address this gap, the 2020-21 May Revision withdraws several proposals from the Proposed 2020-21 State Budget, including the Educator Workforce Investment Grants, Opportunity Grants, Community Schools Grants, and Workforce Development Grants.

- Local Control Funding Formula. The 2020-21 May Revision proposes a 10% reduction ($6.5 billion) to the Local Control Funding Formula, including the suspension of the statutory cost-of-living adjustment of 2.31%. The 2020-21 May Revision also proposes to defer $1.9 billion of Local Control Funding Formula apportionments to fiscal year 2020-21. An additional $3.4 billion is proposed to be added to the fiscal year 2019-20 deferral in fiscal year 2020-21, for a total of $5.3 billion in Local Control Funding Formula deferrals scheduled for payment in fiscal year 2021-22. The 2020-21 May Revision also proposes exemptions for local educational agencies from apportionment deferrals that create a documented hardship.

- Special Education. The 2020-21 May Revision sustains the proposal to increase special education base rates from the Proposed 2020-21 State Budget, but updates the amount to $645 per pupil (reflecting the suspension of the 2.31% cost-of-living adjustment).

- K-12 Categorical Programs. The 2020-21 May Revision proposes, absent receipt of additional federal funds, to reduce K-12 categorical program spending by $352.9 million.

- Local Property Tax Adjustments. The 2020-21 May Revision proposes an increase of $84.5 million in Proposition 98 general fund resources in fiscal year 2019-20 and $727 million in Proposition 98 general fund resources in fiscal year 2020-21 for school districts, special education local plan areas, and county offices of education as a result of lower offsetting property tax revenues in each year.

- Full-Day Kindergarten Facilities. The 2020-21 May Revision proposes a decrease of $300 million in one-time non-Proposition 98 general fund resources for construction of new, or retrofit of existing, facilities for full-day kindergarten programs.

- Categorical Program Growth. The 2020-21 May Revision proposes to decrease the Proposition 98 general fund by $10.9 million for selected categorical programs, based on updated estimates of A.D.A.

- Flexibilities for Local Educational Agencies. The 2020-21 May Revision proposes to provide local educational agencies with fiscal and programmatic flexibilities, including among others: (i) exemptions from apportionment deferrals (as described above), (ii) subject to public hearing, increases in inter-fund borrowing limits and (iii) authority to use proceeds from the sale of surplus property for one-time general fund purposes

The complete 2020-21 May Revision 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.

Changes in State Budget. The final fiscal year 2020-21 State budget, which requires approval by a majority vote of each house of the State Legislature, may differ substantially from the 2020-21 May Revision. As indicated above, the 2020-21 May Revision differs dramatically from the Proposed 2020-21 State Budget due to the effects of the COVID-19 pandemic on the State. The 2020-21 May Revision reflects the initial and profound impacts of the COVID-19 pandemic and resulting recession on the State's revenues and expenditures, but such impacts are far from settled and continue to evolve. Thus, the final fiscal year 2020-21 State budget may be affected by national and State economic conditions and other factors which the District cannot predict, including the continued and evolving effects of the COVID-19 pandemic on State revenues that may in turn impact the educational funding that the District receives from the State. See "RISK FACTORS –*Infectious Disease Outbreak*." Accordingly, the District cannot provide any assurances that there will not be any changes in the final fiscal year 2020-21 State Budget from the 2020-21 May Revision. The District cannot predict the impact that the final fiscal year 2020-21 State budget, or subsequent budgets, will have on its finances and operations.

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.

State and School District Reserves. On April 5, 2020, the LAO published an Update on State and School District Reserves, addressing the current levels of state and local reserves in light of the COVID-19 outbreak. The LAO indicates that State revenues will be lower than estimated in the Proposed 2020-21 State Budget, and that economic and budget conditions continue to rapidly evolve. The LAO indicates that the State currently has $17.5 billion in reserves, including $16.5 billion in the BSA and $900 million in the Safety Net Reserve. The LAO explains that the balance of the SFEU is nearly zero because the State recently transferred $1.3 billion from the SFEU to its disaster fund to address the effects of COVID-19. The LAO also notes, however, that the State will likely be reimbursed by the federal government for most of the funds transferred from the SFEU.

The LAO also addressed the accessibility of funds in the BSA, recounting that the State can make a withdrawal from the BSA in the case of a budget emergency that is declared by the Governor and approved by both houses of the State Legislature. A budget emergency may be declared if either (i) the estimated resources in the current or upcoming fiscal year are insufficient to maintain spending at the highest level of the last three enacted budgets; or (ii) it is made in response to a natural or man-made emergency. The LAO notes that if the State faces a budget deficit in either fiscal year 2019-20 or 2020-21, the conditions for the declaration of a budget emergency will likely exist. If a budget emergency exists and the State elects to make a withdrawal from the BSA, the State may withdraw the lesser of (i) the amount needed to maintain General Fund spending at the highest level of the past three enacted budget acts; and (ii) fifty percent of the balance of the BSA.

The LAO also analyzed two sources of reserves that school districts in the State may use to mitigate some of the reduction in state revenue that is likely to occur as a result of the COVID-19 outbreak: the State-level reserve for schools and local school district reserves. The LAO notes that the State made its first deposit into the State-level reserve for schools in connection with the 2019-20 State Budget. That deposit was only approximately $377 million, representing less than one percent of State spending on schools in fiscal year 2019-20. School districts, however, may also hold reserves in their local operating accounts, and although there is significant variation in the level of reserves held by the various school districts, the LAO indicates that school district reserves average seventeen percent of school funding statewide. According to the LAO, the median school district holds reserves equal to approximately twenty-two percent of its expenditures, although about twenty-five percent of school districts hold reserves that account for less than fourteen percent of their expenditures. As of January 31, 2020, the District held approximately $5.13 million in unrestricted and non-earmarked reserves.

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 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. (The 2020-21 May Revision proposes to suspect the statutory cost-of-living adjustment in fiscal year 2020-21. For more information, see " – *May Revision to the 2020-21 Proposed 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 2015-16 through 2019-20, respectively. The A.D.A. and enrollment numbers reflected in the following table include special education students.

CASTAIC UNION SCHOOL DISTRICT
(Los Angeles County, California)
Average Daily Attendance, Enrollment and Targeted Base Grant
Fiscal Years 2015-16 through 2019-20

		A.D.A./Base Grant				Enrollment[10]	
Fiscal Year		K-3	4-6	7-8	Total A.D.A	Total Enrollment[9]	Unduplicated Percent of EL/LI Students
2015-16	A.D.A.[1]:	1,001.36	866.30	607.31	2,474.97	2,354	30.99%
	Targeted Base Grant[2][3]:	$7,820	$7,189	$7,403		--	--
2016-17	A.D.A.[1]:	875.08	841.67	570.49	2,287.24	2,234	30.73%
	Targeted Base Grant[2][4]:	$7,820	$7,189	$7,403		--	--
2017-18	A.D.A.[1]:	830.58	777.92	565.11	2,173.61	2,153	31.82%
	Targeted Base Grant[2][5]:	$7,941	$7,301	$7,518		--	--
2018-19	A.D.A.[1]:	852.67	707.35	527.58	2,087.60	2,037	33.14%
	Targeted Base Grant[2][6]:	$8,235	$7,571	$7,796		--	--
2019-20	A.D.A.[7]:	829.61	638.41	525.61	1,993,63	2,032	34.28%
	Targeted Base Grant[2][8]:	$8,503	$7,818	$8,050		--	--

[1] 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.
[2] 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.
[3] 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.
[4] 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.
[5] 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.
[6] 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.
[7] Figures are estimates.
[8] 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.
[9] The District is experiencing a decline in enrollment due to the net out-migration of school aged children consistent with statewide trends.
[10] Reflects enrollment as of October report submitted to the California Longitudinal Pupil Achievement Data System ("CALPADS") for the 2015-16 through 2019-20 school year. 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: Castaic Union School District.

The District received approximately $17.77 million in aggregate revenues reported under LCFF sources in fiscal year 2018-19, and has projected to receive approximately $17.59 million in aggregate revenues under the LCFF in fiscal year 2019-20 (or approximately 79.84% of its general fund revenues in

fiscal year 2019-20). Such amount includes the supplemental grant for targeted student groups projected to be approximately $1.31 million in fiscal year 2019-20.

For information on the impact of infectious diseases on the District's A.D.A and funding, such as COVID-19, please see "RISK FACTORS – Infectious Disease Outbreak."

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*" for more information about the LCFF.

Local property tax revenues account for approximately 31.09% of the District's aggregate revenues reported under LCFF sources and are projected to be approximately $5.47 million, or 24.82% 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, OPERATIONS AND FINANCIAL INFORMATION – Local Property Taxation – *Assessed Valuation of Property Within the 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, such as 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 a community funded district, 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, other than 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 3.75% (or approximately $827,128) 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 7.29% (or approximately $1.61 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 $428,082 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 9.11% (or approximately $2.01 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 charter school operating within the boundaries of the District, but not under charter from the District. Santa Clarita Valley International School is a charter school that serves transitional kindergarten through twelfth grades. Enrollment at Santa Clarita Valley International School was 1,084 students for fiscal year 2018-19. Charter school enrollment is one of many factors that is contributing to the District's declining enrollment. The District can make no representation as to whether enrollment at such charter schools may increase at the expense of District enrollment in future years, 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 A.D.A. or finances in future years.

Such charter schools may experience future growth due to new developments within the District. The District can make no representation as to whether enrollment at such charter schools may increase at the expense of District enrollment in future years, 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 A.D.A. or finances in future years.

Local Property Taxation

Taxable property located in the District has a 2019-20 assessed value of $6,410,559,522. 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 2003-04 through 2019-20.

CASTAIC UNION SCHOOL DISTRICT
(Los Angeles County, California)
Assessed Valuations
Fiscal Years 2003-04 through 2019-20

Fiscal Year	Local Secured	Utility	Unsecured	Total
2003-04	$2,584,341,473	$31,319,544	$308,753,438	$2,924,414,455
2004-05	2,942,300,078	33,864,597	296,396,861	3,272,561,536
2005-06	3,428,173,038	35,531,178	315,345,700	3,779,049,916
2006-07	3,831,481,287	35,711,296	353,211,703	4,220,404,286
2007-08	4,278,728,013	30,776,677	408,484,341	4,717,989,031
2008-09	4,643,043,860	11,090,461	443,849,148	5,097,983,469
2009-10	4,538,910,047	35,172,443	546,337,584	5,120,420,074
2010-11	4,537,621,459	38,236,871	507,383,354	5,083,241,684
2011-12	4,453,639,797	38,236,871	494,627,747	4,986,504,415
2012-13	4,333,530,260	38,236,871	508,975,881	4,880,743,012
2013-14	4,375,191,583	5,680,267	517,183,296	4,898,055,146
2014-15	4,549,307,496	3,970,785	530,420,944	5,083,699,225
2015-16	4,799,780,604	1,034,226	523,928,355	5,324,743,185
2016-17	5,032,670,481	1,359,512	491,795,445	5,525,825,438
2017-18	5,291,427,430	5,707,515	496,419,467	5,793,554,412
2018-19	5,505,660,493	2,100,150	515,793,308	6,023,553,951
2019-20	5,877,897,285	1,570,956	531,091,281	6,410,559,522

Source: California Municipal Statistics, Inc..

Risk of Decline in Property Values. Assessments may be adjusted during the course of the year when real property changes ownership or new construction is completed. Assessments may also be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control, such as a general market decline in property values including potential market declines caused by the effects of a pandemic, 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, drought, outbreak of disease, flood, landslide, liquefaction, levee failure, fire, toxic dumping, etc. For more information on the impact of the COVID-19 pandemic, see "RISK FACTORS – *Infectious Disease Outbreak*." 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.

Risk of Changing Economic Conditions. Property values could be reduced by factors beyond the District's control, including a depressed real estate market due to general economic conditions in the County, the region, and the State. With the outbreak of COVID-19, the world is currently experiencing a global pandemic. The pandemic may result in an economic recession or depression that causes a general market decline in property values therefore affecting the assessed value of property in the District. For more information on the impact of the COVID-19 pandemic, see "RISK FACTORS – Infectious Disease Outbreak."

Risk of Earthquake. Property values could be reduced by the complete or partial destruction of taxable property as a result of an earthquake. The District is located in a seismically active region. Notable earthquake faults include the Holser Fault, San Gabriel Fault and several smaller active faults that run throughout the County.

Drought. In recent years California has experienced severe drought conditions. In January 2014, the Governor declared a state-wide Drought State of Emergency due to the State facing serious water shortfalls due to the driest year in recorded history in the State and the resultant record low levels measured in State rivers and reservoirs. The California State Water Resources Control Board (the "State Water Board") subsequently issued a Statewide notice of water shortages and potential future curtailment of water right diversions. In April 2017, the Governor of the State lifted the drought emergency declaration, while retaining a prohibition on wasteful practices and advancing conservation measures. It is not possible for the District to make any representation regarding the extent to which drought conditions could cause reduced economic activity within the boundaries of the District or the extent to which the drought has had or may have in the future on the value of taxable property within the District.

Wildfire. In recent years, portions of California, including the County and adjacent counties, have experienced wildfires that have burned thousands of acres and destroyed thousands of homes and structures. According to the U.S. Forest Service operating in the Angeles National Forest, in September 2018, the Charlie Fire burned approximately 3,380 acres of land in the County, around Charlie Canyon Road and Tapia Canyon Road near the City of Castaic. In October 2019, the Tick Fire burned approximately 4,300 acres of land in the County, around Tick Canyon Road and Summit Knoll Road, in Canyon Country. Within the District, no property was damaged or destroyed by the Charlie Fire or the Tick Fire.

It is not possible for the District to make any representation regarding the extent to which wildfires could cause reduced economic activity within the boundaries of the District or the extent to which wildfires may impact the value of taxable property within the District.

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 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.

CASTAIC UNION SCHOOL DISTRICT
(Los Angeles County, California)
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 Santa Clarita	$1,796,379,487	28.02%	$ 35,174,818,421	5.11%
Unincorporated Los Angeles County	4,614,180,035	71.98	111,408,534,823	4.14
Total District	$6,410,559,522	100.00%		
Los Angeles County	$6,410,559,522	100.00%	$1,612,990,196,814	0.40%

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.

CASTAIC UNION SCHOOL DISTRICT
(Los Angeles County, California)
Assessed Valuation and Parcels by Land Use for Fiscal Year 2019-20

Type of Property	2019-20 Assessed Valuation[(1)]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Rural/Undeveloped	$ 14,720,611	0.25%	24	0.22%
Commercial/Office	585,816,743	9.97	191	1.72
Vacant Commercial	38,701,707	0.66	129	1.16
Industrial	1,945,228,797	33.09	630	5.66
Vacant Industrial	164,742,009	2.80	123	1.11
Recreational	6,741,709	0.11	7	0.06
Government/Social/Institutional	45,184,636	0.77	139	1.25
Miscellaneous	20,244,630	0.34	103	0.93
Subtotal Non-Residential	$2,821,380,842	48.00%	$1,346	12.10%
Residential:				
Single Family Residence	$2,722,529,148	46.32%	6,238	56.07%
Condominium	24,484,844	0.42	104	0.93
Mobile Home	25,660,934	0.44	350	3.15
Mobile Home Park	19,097,440	0.32	3	0.03
2-4 Residential Units	11,736,689	0.20	28	0.25
5+ Residential Units/Apartments	26,776,248	0.46	18	0.16
Vacant Residential	226,231,140	3.85	3,039	27.31
Subtotal Residential	$3,056,516,443	52.00%	9,780	87.90%
TOTAL	$5,877,897,285	100.00%	11,126	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.

CASTAIC UNION SCHOOL DISTRICT
(Los Angeles County, California)
Per Parcel 2019-20 Assessed Valuation of Single Family Homes

	Number of Parcels	2019-20 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	6,238	$2,722,529,148	$436,443	$429,824

2019-20 Assessed Valuation	No. of Parcels[(1)]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999	83	1.331%	1.331%	$ 1,691,510	0.062%	0.062%
$50,000 - $99,999	84	1.347	2.677	6,406,856	0.235	0.297
$100,000 - $149,999	77	1.234	3.912	9,724,630	0.357	0.655
$150,000 - $199,999	258	4.136	8.047	45,605,345	1.675	2.330
$200,000 - $249,999	449	7.198	15.245	101,656,748	3.734	6.064
$250,000 - $299,999	471	7.550	22.796	130,185,120	4.782	10.845
$300,000 - $349,999	594	9.522	32.318	193,223,629	7.097	17.943
$350,000 - $399,999	658	10.548	42.866	247,166,524	9.079	27.021
$400,000 - $449,999	747	11.975	54.841	317,515,724	11.663	38.684
$450,000 - $499,999	803	12.873	67.714	381,526,964	14.014	52.697
$500,000 - $549,999	587	9.410	77.124	307,389,968	11.291	63.988
$550,000 - $599,999	480	7.695	84.819	275,956,265	10.136	74.124
$600,000 - $649,999	337	5.402	90.221	209,753,071	7.704	81.828
$650,000 - $699,999	219	3.511	93.732	147,134,393	5.404	87.233
$700,000 - $749,999	115	1.844	95.576	83,064,624	3.051	90.284
$750,000 - $799,999	76	1.218	96.794	58,676,374	2.155	92.439
$800,000 - $849,999	42	0.673	97.467	34,639,464	1.272	93.711
$850,000 - $899,999	28	0.449	97.916	24,605,387	0.904	94.615
$900,000 - $949,999	24	0.385	98.301	22,178,995	0.815	95.430
$950,000 - $999,999	19	0.305	98.605	18,443,599	0.677	96.107
$1,000,000 and greater	87	1.395	100.000	105,983,958	3.893	100.000
Total	6,238	100.000%		$2,722,529,148	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.

CASTAIC UNION SCHOOL DISTRICT
(Los Angeles County, California)
Largest 2019-20 Local Secured Taxpayers

	Property Owner	Primary Land Use	2019-20 Assessed Valuation	Percent of Total[(1)]
1.	Valencia Biomedical Park LLC	Industrial	$ 105,222,418	1.79%
2.	Aerospace Dynamics International	Industrial	100,072,619	1.70
3.	Chiquita Canyon LLC	Landfill	89,595,308	1.52
4.	Newhall Land and Farming Co.	Land Holdings	85,488,090	1.45
5.	Galois Group LLC	Shopping Center	72,307,800	1.23
6.	Logix Federal Credit Union	Industrial	59,337,845	1.01
7.	SG Witherspoon I & II LLC	Industrial	54,277,072	0.92
8.	Sheldon Appel	Industrial	49,223,776	0.84
9.	Cole OFC Valencia CA LP	Office Building	47,405,221	0.81
10.	LIPT Valencia Commerceplex Inc.	Industrial	45,127,350	0.77
11.	Rexford Industrial Realty LP	Industrial	44,228,549	0.75
12.	TNREF III Valencia LLC	Office Building	43,774,825	0.74
13.	GPO Valencia LLC	Office Building	37,800,000	0.64
14.	28624 Witherspoon Parkway CA LP	Industrial	37,714,500	0.64
15.	Holiday Garden VC Corp.	Hotel	32,024,403	0.54
16.	Northlake Associates LLC	Residential Land	26,263,992	0.45
17.	Valencia II LLC	Industrial	25,911,186	0.44
18.	Valencia LLC	Industrial	24,667,507	0.42
19.	Paragon Valencia LLC	Office Building	24,541,214	0.42
20.	Hills of Valencia LLC	Residential Land	24,004,524	0.41
			$1,028,988,199	17.51%

(1) 2019-20 local secured assessed valuation: $5,877,897,285
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 the last five fiscal years in a typical Tax Rate Area of the District (TRA 360). The assessed valuation for this Tax Rate Area for fiscal year 2019-20 is $432,062,077 which is 6.34% of the District's fiscal year 2019-20 total assessed valuation.

CASTAIC UNION SCHOOL DISTRICT
(Los Angeles County, California)
Typical Tax Rate per $100 Assessed Valuation (TRA 360)
Fiscal Years 2015-16 through 2019-20

	2015-16	2016-17	2017-18	2018-19	2019-20
General	$1.000000	$1.000000	$1.000000	$1.000000	$1.000000
Castaic Union School District	0.087390	0.076294	0.088312	0.109729	0.007091
William S. Hart Union High School District	0.049132	0.049506	0.050694	0.056464	0.054929
Santa Clarita Community College District	0.028128	0.027579	0.043045	0.040979	0.029480
Castaic Lake Water Agency	0.070600	0.070600	0.070600	0.070600	0.070600
Total Tax Rates	$1.235250	$1.223979	$1.252651	$1.277772	$1.162100

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

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 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 may also bring a civil suit against the taxpayer for payment. As a result of the recent outbreak of COVID-19, property owners within the County affected by COVID-19 may submit a late penalty cancellation request to the county treasurer and tax collector.

The following table shows real property tax charges and corresponding delinquencies with respect to property located in the District for fiscal years 2014-15 through 2018-19.

CASTAIC UNION SCHOOL DISTRICT
(County Of Los Angeles, California)
Secured Tax Charges and Delinquencies
Fiscal Years 2014-15 through 2018-19

	Secured Tax Charge[(1)]	Amount Delinquent June 30	% Delinquent June 30
2014-15	$3,118,477.42	$44,563.94	1.43%
2015-16	3,273,018.48	46,037.04	1.41
2016-17	3,388,161.21	39,901.52	1.18
2017-18	3,576,535.61	44,057.72	1.23
2018-19	3,714,524.55	50,310.39	1.35

	Secured Tax Charge[(2)]	Amount Delinquent June 30	% Delinquent June 30
2014-15	$4,133,597.08	$47,577.07	1.15%
2015-16	4,184,803.81	52,788.55	1.26
2016-17	3,840,147.65	46,971.52	1.22
2017-18	4,586,467.25	44,481.89	0.97
2018-19	6,025,818.54	58,854.20	0.98

(1) 1% General Fund apportionment. Reflects countywide delinquency rate.
(2) General obligation bond debt service levy only.
Source: California Municipal Statistics, Inc.

Property tax delinquencies may be impacted by economic and other factors beyond the District's control, including the ability or willingness of property owners to pay property taxes during an economic recession or depression. An economic recession or depression can be caused by many factors outside the control of the District, including high interest rates, reduced consumer confidence, reduced real wages or reduced economic activity as a result of a natural or manmade disaster, such as earthquake, drought, flood, fire, toxic dumping or pandemic. It is not possible for the District to make any representation regarding the extent to which an economic recession or depression could impact the ability or willingness of property owners within the District to pay property taxes in the future. For more information on the impact of the COVID-19 pandemic, see "RISK FACTORS – *Infectious Disease Outbreak*." If delinquencies increase substantially as a result of the unprecedented events of the COVID-19 pandemic or other events outside the control of the District, the County does have the authority to increase allowances for annual reserves in the tax levy to avoid fluctuating tax levies.

As a result of the recent outbreak of COVID-19, property owners within the County directly affected by COVID-19 and unable to pay property taxes by April 10, may submit a late penalty cancellation request in order to have penalties and costs cancelled.

Certain counties in the State operate under a statutory program entitled Alternate Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"). Under the Teeter Plan local taxing entities receive 100% of their tax levies net of delinquencies, but do not receive interest or penalties on delinquent taxes collected by the county. The County has not adopted the Teeter Plan, and consequently the Teeter Plan is not available to local taxing entities within the County, such as the District. The District's receipt of property taxes is therefore subject to delinquencies.

The District participates in the California Statewide Delinquent Tax Finance Authority ("CSDTFA"). CSDTFA is a joint exercise of powers agency formed for the purpose of purchasing

delinquent *ad valorem* property taxes of its members in accordance with Government Code Section 6516.6. The District anticipates that CSDTFA will from time to time purchase delinquent *ad valorem* property tax receivables from the District. For the most recent fiscal year for which CSDTFA purchased delinquencies (the 2018-19 fiscal year), such delinquencies were purchased from the District at a purchase price equal to 110% thereof. Any penalty charges collected with respect to such delinquencies will be retained by CSDTFA. CSDTFA does not currently purchase *ad valorem* property tax receivables related to the payment of general obligation bonds of the District.

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 former independent auditor, Vavrinek, Trine, Day & Co., LLP, Rancho Cucamonga, California ("VTD"), for fiscal years 2014-15 through 2017-18, and by the District's current independent auditor, Eide Bailly LLP, Rancho Cucamonga, California ("Eide Bailly") for fiscal year 2018-19. On July 22, 2019, VTD joined Eide Bailly.

VTD and Eide Bailly have not been requested to consent to the use or to the inclusion of their respective reports in this Official Statement, and they have not audited nor reviewed this Official Statement. The District is required by law to adopt its audited financial statements after a public meeting to be conducted no later than January 31 following the close of each fiscal year.

The table on the following page 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.

CASTAIC UNION SCHOOL DISTRICT
(Los Angeles County, California)
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Years 2014-15 through 2018-19

	Fiscal Year 2014-15[(1)]	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
REVENUES					
Local Control Funding Formula	$17,516,390	$18,510,076	$17,897,787	$17,374,912	$17,771,814
Federal sources	646,005	807,855	664,005	1,138,369	1,034,334
Other State sources	1,306,438	3,245,594	2,149,608	1,761,874	2,786,157
Other local sources	1,894,172	2,098,830	2,024,048	1,932,900	1,955,294
Total Revenues	21,363,005	24,662,355	22,735,448	22,208,055	23,547,599
EXPENDITURES					
Current					
Instruction	15,349,924	12,907,151	12,597,135	13,555,082	13,637,198
Instruction-related activities:					
Supervision of instruction	434,427	465,594	304,088	663,831	717,960
Instructional library, media and technology	309,506	381,500	395,317	288,525	304,570
School site administration	1,357,931	1,261,662	1,255,199	1,339,014	1,399,336
Pupil Services					
Home-to-school transportation	591,153	572,821	601,448	670,076	913,264
All other pupil services	1,030,864	931,299	911,661	780,587	872,513
Administration:					
Data processing	7,514	8,218	9,036	7,016	6,994
All other administration	1,937,143	1,671,550	1,688,682	1,633,783	1,764,588
Plant services	1,970,144	1,899,912	1,999,160	2,162,645	2,256,649
Other outgo	434,722	717,334	666,149	315,972	432,731
Enterprise services	947	1,485	1,521	1,438	4,044
Total Expenditures	23,424,275	20,818,526	20,429,396	21,417,969	22,309,847
Excess (Deficiency) of Revenues Over Expenditures	(2,061,270)	3,843,829	2,306,052	790,086	1,237,752
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	21,087
Transfers out	-	(308,575)	(126,196)	(115,174)	-
Net Financing Sources (Uses)	-	(308,575)	(126,196)	(115,174)	21,087
NET CHANGE IN FUND BALANCES	-	3,535,254	2,179,856	674,912	1,258,839
FUND BALANCE – BEGINNING	1,281,328	(779,942)	2,755,312	4,935,168	5,610,080
FUND BALANCE – ENDING (DEFICIT)	$(779,942)	$2,755,312	$4,935,168	$5,610,080	$6,868,919

[(1)] The District engaged in deficit spending in fiscal year 2014-15 as a result of declines in student enrollment, decreased class size reduction funding and LCFF-related reduced revenue. The District had a negative ending fund balance for fiscal year 2014-15. Since then, the District has maintained a positive fund balance.

Source: Castaic Union 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.

CASTAIC UNION SCHOOL DISTRICT
(Los Angeles County, 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	$1,005,707	$3,306,341	$5,452,270	$5,824,130	$6,944,753
Receivables	538,323	719,080	560,468	525,180	876,738
Total Assets	$1,544,030	$4,025,421	$6,012,738	$6,349,310	$7,821,491
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	$2,284,872	$1,270,109	$1,025,322	$739,230	$932,254
Unearned revenue	39,100	-	52,248	-	20,318
Total Liabilities	$2,323,972	$1,270,109	$1,077,570	$739,230	952,572
FUND BALANCES:					
Nonspendable	3,000	3,000	3,000	3,000	-
Restricted	158,328	247,761	292,519	349,513	723,274
Assigned	928	337,215	535,946	207,184	35,237
Unassigned (deficit)	(942,198)	2,167,336	4,103,703	5,050,383	6,110,408
Total Fund Balances	(779,942)	2,755,312	4,935,168	5,610,080	6,868,919
Total Liabilities and Fund Balances	$1,544,030	$4,025,421	$6,012,738	$6,349,310	$7,821,491

Source: Castaic Union 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 Los Angeles County 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 last five years, the District received a negative certification in connection with its first interim report for fiscal years 2014-15 and 2015-16 and its second interim report for fiscal year 2014-15, but has maintained a positive certification since such reports.

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 table on the following page sets forth the District's adopted general fund budgets for fiscal years 2017-18 through 2019-20, unaudited actuals for fiscal years 2017-18 and 2018-19, and second interim report for fiscal year 2019-20.

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CASTAIC UNION SCHOOL DISTRICT
(Los Angeles County, California)
General Fund Budgets for Fiscal Years 2017-18 through 2019-20, Unaudited Actuals for Fiscal Years 2017-18 and 2018-19 and Second Interim Report for Fiscal Year 2019-20

	2017-18 Original Budget	2017-18 Unaudited Actuals[1]	2018-19 Original Budget[2]	2018-19 Unaudited Actuals[1]	2019-20 Original Budget	2019-20 Second Interim Budget[2]
REVENUES						
LCFF Sources	$17,465,976.00	$17,374,912.07	$17,663,095.00	$17,771,813.00	$17,535,718.00	$17,589,440.00
Federal Revenue	927,026.00	1,138,368.75	800,803.00	1,034,333.63	806,675.00	827,128.00
Other State Revenue	1,427,953.00	1,761,874.50	1,387,771.00	1,990,546.26	1,288,983.00	1,606,857.00
Other Local Revenue	1,510,306.00	1,932,886.94	1,435,757.00	1,955,278.94	1,449,860.00	2,007,130.00
TOTAL REVENUES	21,331,261.00	22,208,042.26	21,287,426.00	22,751,971.83	21,081,236.00	22,030,555.00
EXPENDITURES						
Certificated Salaries	9,014,581.00	9,061,837.56	8,951,275.33	8,917,806.89	8,880,759.00	8,947,450.00
Classified Salaries	3,768,991.00	3,784,851.44	3,850,108.00	3,943,475.74	3,968,519.00	4,100,952.00
Employee Benefits	4,897,799.00	4,707,234.59	4,874,661.07	4,892,023.46	5,308,121.00	5,182,664.00
Books and Supplies	917,378.00	1,099,924.06	568,990.00	830,869.12	783,703.00	1,079,096.00
Services, Other Operating Expenses	2,275,069.00	2,448,149.11	2,485,144.91	2,294,899.07	2,206,283.00	2,138,432.00
Capital Outlay	-	-	215,000.00	201,454.35	-	68,073.00
Other Outgo (excluding Direct Support/Indirect Costs)	725,000.00	315,972.41	680,000.00	432,731.48	425,000.00	425,000.00
Other Outgo - Transfers of Indirect Costs	-	-	-	-	-	-
TOTAL EXPENDITURES	21,598,818.00	21,417,969.17	21,625,179.31	21,513,260.11	21,572,385.00	21,941,667.00
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(267,557.00)	790,073.09	(337,753.31)	1,238,711.72	(491,149.00)	88,888.00
OTHER FINANCING SOURCES (USES)						
Inter-fund Transfers In	-	-	-	21,086.92	-	-
Inter-fund Transfers Out	-	(115,174.00)	-	-	-	-
Other Sources (Uses)	-	-	-	-	-	-
Contributions	-	-	-	-	-	-
TOTAL, OTHER FINANCING SOURCES (USES)	-	(115,174.00)	-	21,086.92	-	-
NET INCREASE (DECREASE) IN FUND BALANCE	(267,557.00)	674,899.09	(337,753.31)	1,259,798.64	(491,149.00)	88,888.00
BEGINNING BALANCE, as of July 1	3,412,206.40	4,934,221.50	5,157,408.39	5,609,120.59	6,459,329.00	6,868,919.23
ENDING BALANCE	$3,144,649.40	$5,609,120.59	$4,819,655.08	$6,868,919.23	$5,968,180.00	$6,957,807.23
Unrestricted Ending Balance	$2,942,756.30	$5,259,607.38	$4,505,634.03	$6,145,645.08	$5,626,879.00	$6,224,091.08
Restricted Ending Balance	$201,893.10	$349,513.21	$314,021.05	$723,274.15	$341,301.00	$733,716.15

[1] The District's unaudited actuals for fiscal years 2017-18 and 2018-19 differ from the District's audited financial statements for these fiscal years due to the consolidation of the Community Preschool Fund for reporting purposes into the General Fund.

[2] Figures are projections. The District expects General Fund revenues to reflect decreased enrollment and decreased LCFF related revenue.

Source: District adopted general fund budgets for fiscal years 2017-18 through 2019-20; unaudited actuals for fiscal years 2017-18 and 2018-19; and second interim report for fiscal year 2019-20.

District Debt Structure

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

Governmental Activities	Balance, July 1, 2018	Additions and Adjustments	Deductions	Balance June 30, 2019	Due in One Year
General obligation bonds	$15,602,863	$10,315,913	$855,682	$25,063,094	$5,715,000
Premium on issuance	-	1,031,742	38,213	993,529	-
Certificates of participation[(1)]	3,550,000	-	125,000	3,425,000	135,000
Discount on issuance	(43,058)	-	(3,076)	(39,982)	-
Supplemental early retirement plan (SERP)	19,860	-	19,860	-	-
Compensated absences	87,698	770	-	88,468	-
Total other postemployment benefits (OPEB) liability	4,213,128	676,541	-	4,889,669	-
Total	$23,430,491	$12,024,966	$1,035,679	$34,419,778	$5,850,000
Business Type Activities					
Net other post employment benefits (OPEB) liability	$18,693	$(18,693)	$ -	$ -	

[(1)] Excludes the Certificates; includes the Prior Certificates to be redeemed.
Source: Castaic Union School District Audited Financial Report for fiscal year 2018-19.

General Obligation Bonds. The District received authorization at an election held on March 2, 1993, to issue bonds of the District in an aggregate principal amount not to exceed $20,115,000 (the "1993 Authorization"). On July 13, 1993, the District issued $14,071,424.70 aggregate initial principal amount of the Castaic Union School District, Los Angeles County, California, 1993 General Obligation Bonds, Series A (the "1993 Series A Bonds"), for the purpose of acquiring a middle school site and constructing a new middle school. On March 15, 1995, the District issued $6,039,715.75 aggregate initial principal amount of the Castaic Union School District, Los Angeles County, California, General Obligation Bonds, 1993 Election, Series B (the "1993 Series B Bonds") for the construction of a middle school. The 1993 Series A Bonds matured on May 1, 2018. The 1993 Series B Bonds matured on November 1, 2019.

At an election held on November 6, 2012, the District received authorization to issue bonds of the District in an aggregate principal amount not to exceed $51,000,000 (the "2012 Authorization"). On April 16, 2013, the District issued $10,535,000 aggregate principal amount of its General Obligation Bonds, Election of 2012, Series 2013 (the "Series 2013 Bonds") as its first series of bonds issued under the 2012 Authorization. On October 24, 2018, the District issued $10,000,000 aggregate principal amount of its General Obligation Bonds, Election of 2012, Series 2018 as its second series of bonds issued under the 2012 Authorization. Currently $30,465,000 principal amount of bonds under the 2012 Authorization remains authorized but unissued.

Certificates of Participation. On March 10, 2010, the District caused to be executed and delivered $4,180,000 aggregate principal amount of its Prior Certificates. The proceeds of the Prior Certificates were used primarily to prepay and defease the District's outstanding Certificates of Participation (2002 School Facility Bridge Funding Program) that were originally executed and delivered on July 18, 2002, in the original principal amount of $22,200,000. The District plans to execute and deliver the Certificates in order to prepay all of the outstanding Prior Certificates.

Mello-Roos Bonds. In 1992, the Community Facilities District #92-1 of the Castaic Union School District ("CFD #92-1") issued Mello-Roos Bonds pursuant to the Mello-Roos Community Facilities Act of 1982 in the amount of $19,500,000 (the "CFD Bonds") with interest rates ranging from 5.50-9.00%. The

CFD Bonds are payable from certain proceeds of special taxes levied on owners of taxable land within CFD #92-1 and are not payable from the District's General Fund. At June 30, 2019, the principal balance outstanding was $1,780,000.

Accumulated Unpaid Employee Vacation. Compensated absences (unpaid employee vacation) for the District at June 30, 2019, amounted to $88,468.

Supplemental Early Retirement Plan. The District adopted a supplemental early retirement plan whereby certain eligible employees are provided an annuity to supplement the retirement benefits they are entitled to through CalSTRS (defined below). The annuities offered to the employees are to be paid over a five-year period. The annuities, which were purchased for nine employees who retired during the 2013-14 school year, were purchased from United Pacific Life Insurance Company.

In addition, the District has adopted an early retirement incentive program, pursuant to California Education Code Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years. Eligible employees must have five or more years of service under CalSTRS and retire during a period of not more than 120 years or less than 60 days from the date of formal action taken by the District. 10 employees have retired under this retirement incentive program and will receive a future benefit. The District's liability for these programs has been fulfilled.

Tax and Revenue Anticipation Notes. Tax and Revenue Anticipation Notes ("TRANS") are general obligations of the District and are payable from revenues and cash receipts to be generated by the District. TRANS are issued by the District to supplement the District's cash flow when necessary. The District did not issue TRANs or borrow funds to supplement the District's cash flow in fiscal year 2018-19 and does not expect to for fiscal year 2019-20. The District may issue TRANS or borrow funds in future fiscal years as and if necessary to supplement cash flow when necessary.

Other Post-Employment Benefits (OPEBs). In addition to the retirement plan benefits with CalSTRS and CalPERS (defined below), the District provides certain post-retirement medical and dental insurance benefits to eligible retirees and their spouses (the "Plan"). Management of the Plan is vested in District management. As of June 30, 2018, membership in the Plan consisted of 36 retirees and beneficiaries currently receiving benefits and 195 active Plan members. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The 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 Castaic Teacher Association ("CTA"), the local California Service Employees Associate ("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, CTA, CSEA and the unrepresented groups. For fiscal year 2018-19, the District paid $22,735 in benefits, including implicit rate subsidies.

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) 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 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 as of June 30, 2018.

DFA, LLC, Laguna Niguel, California, has prepared an actuarial valuation covering the District's retiree health benefits (the "Actuarial Report") and reports that, as of June 30, 2019, the District had a total OPEB liability of $4,889,669, and, because the District has not yet established an irrevocable trust for the pre-funding of retiree healthcare benefits, the net OPEB liability was $4,889,669. The following assumptions were applied to all periods included in the measurement: 3.00% inflation rate, 3.00% average salary increases, 3.13% discount rate, and 5.00% healthcare cost trends.

These benefits are described in 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."

Direct and Overlapping Debt

Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. effective February 6, 2020, for debt outstanding as of March 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 sets forth 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.

CASTAIC UNION SCHOOL DISTRICT
(Los Angeles County, California)
Statement of Direct and Overlapping Bonded Debt

February 6, 2020

2019-20 Assessed Valuation: $6,410,559,522

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 3/1/20
Antelope Valley Joint Community College District	0.001%	$2,651
Santa Clarita Community College District	13.875	45,509,257
William S. Hart Union High School District	13.875	46,832,412
William S. Hart Union High School District Community Facilities District No. 99-1	100.000	1,175,000
Castaic Union School District	100.000	19,500,000
Castaic Union School District Community Facilities District No. 92-1	100.000	1,120,000
Saugus-Castaic School Facilities Financing Authority Community Facilities District No. 2006-01C	32.373	5,210,434
City of Santa Clarita Open Space and Parkland Assessment District	5.107	653,951
City of Santa Clarita Landscaping and Lighting Street Lighting Zones A and B	5.392	769,978
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$120,773,683
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Los Angeles County General Fund Obligations	0.397%	$9,308,779
Los Angeles County Superintendent of Schools Certificates of Participation	0.397	20,574
Santa Clarita Community College District Certificates of Participation	13.875	1,122,488
William S. Hart Union High School District Certificates of Participation	13.875	6,059,908
Castaic Union School District Certificates of Participation	100.000	3,290,000[(1)]
City of Santa Clarita Certificates of Participation	5.107	1,843,410
Los Angeles County Sanitation District No. 32 Authority	12.940	1,107,476
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$22,752,635
COMBINED TOTAL DEBT		$143,526,318[(2)]

Ratios to 2019-20 Assessed Valuation:
Direct Debt ($19,500,000).....0.30%
Combined Direct Debt ($22,790,000).....0.36%
Total Overlapping Tax and Assessment Debt.....1.88%
Combined Total Debt.....2.24%

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

Employment

As of February 26, 2020, the District employed 102 certificated employees, approximately 133 classified employees and 25 management/confidential employees. For the year ended June 30, 2019, the total certificated and classified payrolls for the general fund were approximately $8.92 million (unaudited) and $3.94 million (unaudited), respectively, and are projected to be approximately $8.95 million and $4.10 million, respectively, in fiscal year 2019-20.

The District's certificated and classified employees are represented by the formal bargaining organization as shown in the following table below.

Name of Bargaining Unit	Number of FTEs Represented	Current Contract Expiration Date
Castaic Teachers' Association	102	June 30, 2022
California School Employees Association - Chapter 401	133	June 30, 2022

Source: Castaic Union 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. The CalSTRS defined benefit pension plan provides retirement benefits (generally 2% of final compensation for each year of credited service) to participating employees based on hiring date, age, final compensation and years of credited service. The CalSTRS benefit pension plan is funded through a combination of investment earnings and statutorily set contributions from participating employees, employers (including the District) and the State. Prior to fiscal year 2014-15, the statutorily set rates did not vary annually to adjust for funding shortfalls or actuarial surpluses. As a result, the combined employee, employer and State contributions to CalSTRs were not sufficient to pay actuarially determined amounts. To address the shortfall and implement a new funding strategy, Governor Brown signed into law Assembly Bill 1469 on June 24, 2014, as part of the fiscal year 2014-15 State budget (the "2014-15 State Budget"). The 2014-15 State Budget introduced phased increases to employee, employer and State contributions to CalSTRs and and sets forth a plan to eliminate CalSTRS' unfunded liability with respect to service credited to members of the CalSTRS Defined Benefit Program before July 1, 2014, by June 30, 2046.

The 2014-15 State Budget increased employee 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. On July 1, 2018, the rate increased to 10.250% of pay for employees hired on or after January 1, 2013. Employer contribution rates were also increased in fiscal year 2014-15 to 8.88% of payroll, with such rate increasing by 1.85% each year thereafter, plateauing at 19.10% of payroll in July 2020. However, due to supplemental payments of approximately $850 million pursuant to the 2019-20 State Budget, employer contribution rates are expected to decrease from 18.13% to 17.10% in fiscal year 2019-20 and 19.10% to 18.40% in fiscal year 2020-21 (see table below). The State's total contribution was increased from approximately 3% in fiscal year 2013-14 to 6.828% of payroll in fiscal year 2017-18, and to 10.328% of payroll in fiscal year 2019-20. The State's contribution includes an annual payment of 2.5% of payroll pursuant to a supplemental inflation protection program.

Pursuant to the 2014-15 State Budget, employer contribution rates, including school districts' contribution rates, will increase in accordance with the schedule set forth on the following page:

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, an estimated $850 million will be used to buy down employer contribution rates in fiscal years 2019-20 and 2020-21, resulting in decreased employer contribution rates of 17.10% and 18.40% in fiscal years 2019-20 and 2020-21, respectively. See "– State Funding of Education; State Budget Process – *2019-20 State Budget.*"

† The 2020-21 May Revision proposes redirecting funds paid to CalSTRS towards long-term unfunded liabilities to further reduce employer contribution rates in fiscal years 2020-21 and 2021-22. This reallocation will reduce the CalSTRS employer contribution rate to approximately 16.15% in fiscal year 2020-21 and to 16.02% in fiscal year 2021-22. See "DISTRICT HISTORY, OPERATION AND FINANCIAL INFORMATION – State Funding of Education; State Budget Process – *May Revision to the 2020-21 Proposed State Budget*."

Source: Assembly Bill 1469.

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

CASTAIC UNION SCHOOL DISTRICT
(Los Angeles County, California)
Contributions to CalSTRS for Fiscal Years 2015-16 through 2019-20

Fiscal Year	District Contribution	State's STRS On-Behalf Amounts
2015-16	$1,039,387	$ 944,157
2016-17	1,168,158	1,045,375
2017-18	2,073,439	778,937
2018-19	1,441,911	806,156
2019-20[(1)]	1,530,014	834,236

[(1)] Projections based on second interim report for fiscal year 2019-20.

Source: Castaic Union 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. Pursuant to the 2014-15 State Budget, beginning in fiscal year 2021-22, the State Teachers Retirement Board is required to increase or decrease employer contribution rates to the rates designed to eliminate the CalSTRS unfunded liability by June 30, 2046. A decrease in investment earnings may result in increased employer contribution rates in order to timely eliminate the CalSTRS unfunded liability. As the world is currently experiencing a pandemic, the District cannot predict the impact of the outbreak of COVID-19 on investment earnings and employer contribution rates. See "RISK FACTORS — *Infectious Disease Outbreak.*" However, under existing law, the State Teachers Retirement Board may not increase the employer contribution rate by more than 1% in any fiscal year, up to a maximum employer contribution rate of 20.25%. The State Teachers Retirement Board may also adjust the State's contribution rate by a maximum of 0.5% from year to year, based on the funding status of the CalSTRS actuarially determined unfunded liability.

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 and June 30, 2017, based on the actuarial assumptions, were approximately 64.0% and 62.6%, 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.

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. All school districts contributing to CalPERS participate in the same plan and share the same contribution rate in each year. However, unlike contributions to CalSTRS, which incrementally increase at statutorily set rates, 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 of CalPERS. 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.

CalPERS is funded by employee contributions and investment earnings, with the balance of the funding provided by employer contributions. School districts' contributions decrease when investment earnings rise and increase when investment earnings decline. As a result, declines in investment earnings may result in substantial increases in school district contributions. The District cannot make any predictions as to the effect of a global pandemic, including the outbreak of COVID-19, on investment earnings and school district contributions. See "RISK FACTORS — *Infectious Disease Outbreak*" for more information about the impact of COVID-19. Participating employees enrolled in CalPERS prior to January 1, 2013 contribute 7.00% of their respective salaries, while participating employees enrolled after January 1, 2013 contribute the higher of fifty percent of normal costs of benefits or an actuarially determined rate of 7.00% in fiscal year 2019-20. School districts are required to contribute to CalPERS at an actuarially determined rate, which was 18.062% of eligible salary expenditures for fiscal year 2018-19, and is 20.733% for fiscal year 2019-20.

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 CalPERS Board 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. Based on the changes in the discount rate, inflation rate, payroll growth rate and demographic assumptions, the addition of $904 million contributed by the State in July 2019, along with expected reductions in normal cost due to the continuing transition of active members from those employees hired prior to January 1, 2013, to those hired after such date, the projected employer contribution (as a percentage of payroll) is 22.8% and 24.9% for fiscal year 2020-21 and fiscal year 2021-22, respectively. The 2020-21 May Revision proposes redirecting State funding paid to CalPERS in fiscal year 2019-20 towards long-term unfunded liabilities to further reduce employer contribution rates in fiscal years 2020-21 and 2021-22. As a result, the 2020-21 May Revision projects that the CalPERS employer contribution rate will be reduced to 20.7% in fiscal year 2020-21 and to 22.84 in fiscal year 2021-22%.

The following table sets forth the District's total employer contributions to CalPERS for fiscal years 2015-16 through 2018-19 and the projected contribution for fiscal year 2019-20.

CASTAIC UNION SCHOOL DISTRICT
(Los Angeles County, California)
Contributions to CalPERS for Fiscal Years 2015-16 through 2019-20

Fiscal Year	District Contribution[(1)]
2015-16	$325,592
2016-17	401,245
2017-18	474,286
2018-19	589,169
2019-20[(1)]	622,024

[(1)] Projections based on second interim report for fiscal year 2019-20.
Source: Castaic Union School District.

The District's total employer contributions to CalPERS for fiscal years 2015-16 through 2018-19 were equal to 100% of the required contributions for each year.

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 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 $137,300 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.

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."

Insurance, Risk Pooling and Joint Powers Agreements and Joint Ventures

The District is a member of two joint powers authorities ("JPAs"): Santa Clarita Valley School Food Services Agency ("SCVSFSA") and Alliance of Schools for Cooperative Insurance Programs ("ASCIP"). Payments for food services are paid to SCVSFA. The District pays an annual premium to ASCIP for workers' compensation insurance and property liability coverage. The relationships between the District 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 the District's audited financial statements attached hereto.

See Note 15 to the District's audited financial statements attached hereto as APPENDIX B—"FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2019" for more information.

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 includes a constitutionally required deposit into the Public School System Stabilization Account in the amount of $376.5 million. 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). For more information, 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.

ESCROW VERIFICATION

The arithmetical accuracy of certain computations included in the schedules provided by the Underwriter relating to the computation of projected payments of principal, redemption premium, if any, and interest to redeem the Prior Certificates will be verified by the Verification Agent. Such computations will be based solely on assumptions and information supplied by the District and the Underwriter. The Verification Agent will restrict its procedures to verifying the arithmetical accuracy of certain computations and will not make any study to evaluate the assumptions and information on which the computations are based, and will express no opinion on the data used, the reasonableness of the assumptions or the achievability of the projected outcome.

RATINGS

The Certificates were assigned an underlying rating of "A" by S&P. 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 (which may include information and material from the District which is not included in this Official Statement). 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 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, redemption, 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 legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the District, for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, for the District and the Corporation by Lozano Smith, Sacramento, California. From time to time, Orrick, Herrington & Sutcliffe LLP may represent the Underwriter on matters unrelated to the Certificates.

BANK QUALIFIED

The District has designated the Certificates as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code. Pursuant to that section, a qualifying financial institution will be allowed a deduction from its own federal corporate income tax for the portion of interest expense the financial institution is able to allocate to designated "bank qualified" investments.

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.

ABSENCE OF MATERIAL LITIGATION

At the time of delivery of and payment for the Certificates, the District will certify that 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 and 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 is occasionally subject to other lawsuits and claims. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the financial position or operations of the District.

UNDERWRITING

The Certificates are expected to be purchased by the Underwriter. The Underwriter has agreed, subject to certain terms and conditions set forth in the Certificate Purchase Agreement, dated _____, 2020, by and between the Underwriter and the District, to purchase the Certificates at a purchase price of $_____ (which represents the aggregate principal amount of the Certificates, [plus/less] $_____ of [net] original issue [premium/discount], and less $_____ of Underwriter's discount). The Underwriter will purchase all the Certificates if any are purchased. 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.

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

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.

CASTAIC UNION SCHOOL DISTRICT

By: _____
Superintendent

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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.

MASTER DEFINITIONS

"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 President 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 Chief Business Official of the District, the Director of Facilities 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.

"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 Contract of Purchase, 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 Castaic Union School District Certificates of Participation (2020 Refunding), 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 the 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 Castaic Union 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 in the Lease Agreement.

"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 or the prepayment of the Prior 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 Castaic Union 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.

"Escrow Agreement" means the Escrow Agreement, dated as of June 1, 2020, by and between the Escrow Bank and the District, relating to the Prior Certificates.

"Escrow Bank" means U.S. Bank National Association, as Prior Trustee and as escrow bank under the Escrow Agreement, and any successor thereto.

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

"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 Assured Guaranty Municipal Corp., a New York stock insurance company, 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, 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) plus 3%, 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 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, 20__, September 1, 20__ and each September 1 thereafter continuing through and including September 1, 20__, and (b) for the Certificates with a stated Principal Payment Date of September 1, 20__, September 1, 20__ and each September 1 thereafter continuing through and including September 1, 20__.

"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 Trust Agreement, and (c) Certificates paid or deemed to have been paid within the meaning of the Trust Agreement.

"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 paragraph (d) 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."

"Preference Claim" has the meaning ascribed thereto in the Indenture.

"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.

"Prior Certificates" means the Castaic Union School District Certificates of Participation (2010 Refunding), executed and delivered pursuant to the Prior Trust Agreement.

"Prior Trust Agreement" means the Trust Agreement, dated as of March 1, 2010, by and among U.S. Bank National Association, as trustee, the Corporation and the District, relating to the Prior Certificates.

"Prior Trustee" means U.S. Bank National Association, as trustee under the Prior Trust Agreement, and any successor thereto.

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

"Purchaser" means RBC Capital Markets, LLC, 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 Assured Guaranty Municipal Corp., a New York stock insurance company, 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, 20__.

"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 June 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 thereunder substituted in its place as provided therein.

"Verification Report" means, with respect to the deemed payment of Certificates pursuant to clause (ii) of paragraph (a) of the provisions of the Trust Agreement described under the heading "DEFEASANCE – Certificate 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 paragraph (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.

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 prepaying the Prior Certificates.

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 thereunder, 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 thereunder, and has duly authorized the execution and delivery of the Ground Lease.

Assignment, Selling and Subleasing

Assignment to Trustee; Third-Party Beneficiaries. 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 thereby 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. The District consents to the Trust Agreement and acknowledges and agrees to the rights of the Trustee and the Insurer as set forth therein. 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.

Miscellaneous

Binding Effect. The Ground Lease shall inure to the benefit of and shall be binding upon the District, the Corporation and their respective successors and assigns.

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

LEASE AGREEMENT

Lease of Property; Term

Lease of Property. (a) 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.

(b) 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. (a) 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 described in 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.

(b) 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 described under the heading " – Rental Abatement" and "EMINENT DOMAIN; PREPAYMENT" and the provisions thereof 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 Lease Agreement described under the heading "–Rental Abatement," 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 of the Lease Agreement described under the heading "LEASE OF PROPERTY; TERM – Term; Occupancy," 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 provisions of the Lease Agreement described under the heading "INSURANCE;"

(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; and

(e) 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 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 under the Lease Agreement 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 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 in the Lease Agreement contained shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the 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 described under this heading "RENTAL PAYMENTS – Rental 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, 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 in the Lease Agreement described under the heading "LEASE OF PROPERTY; TERM – Term; Occupancy," except that the term of the Lease Agreement shall in no event be extended more than ten years beyond the Scheduled Termination Date.

(b) 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.

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 described 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 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 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 described under the heading "INSURANCE – Self-Insurance. 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 this paragraph may be satisfied by self-insurance, provided that such self-insurance complies with the provisions of the Lease Agreement described under the heading "INSURANCE – Self-Insurance."

(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 this subsection may be satisfied by self-insurance, provided that such self-insurance complies with the provisions of the Lease Agreement described under the heading "INSURANCE – 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 described under the heading "FUNDS AND ACCOUNTS; RENTAL PAYMENTS – Application of Net Proceeds."

(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 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 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 Trust Agreement described under the heading "FUNDS AND ACCOUNTS; RENTAL PAYMENTS – Pledge; Base Rental Payment Fund."

(e) The insurance required by the Lease Agreement described under this heading "INSURANCE – Property Casualty Insurance; Rental Interruption Insurance," 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 described under the heading "FUNDS AND ACCOUNTS; RENTAL PAYMENTS – Title Insurance." So long as any of the Certificates remain Outstanding, each policy of title insurance obtained pursuant to or required by the Lease Agreement 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 described 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 described 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 described 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 provisions of the Lease Agreement described under the heading "INSURANCE," 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 in the Lease Agreement, 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 in the Lease Agreement on account of default by the District, notwithstanding any re-entry or re-letting of the Property as provided for in subparagraph (2) of the Lease Agreement, 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 in the Lease Agreement contained. 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 to the Lease Agreement, 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) of the Lease Agreement, the District shall remain liable and agrees to keep or perform all covenants and conditions in the Lease Agreement contained 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 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. Should the Corporation elect to re-enter as in the Lease Agreement provided, 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 in the Lease Agreement contained. 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) of the Lease Agreement. 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 in the Lease Agreement thereinafter provided for, (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 provisions of the Lease Agreement described under this heading "– Defaults and Remedies," 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 thereafter 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 described under this heading "– Defaults and Remedies," 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 under the Lease Agreement.

(d) Notwithstanding anything in the Lease Agreement to the contrary, the termination of the Lease Agreement by the Corporation on account of a default by the District under the Lease Agreement described under this heading "– 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 this instrument 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 provisions of the Lease Agreement 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 this paragraph shall not impair, restrict or limit the application of the provisions of the Lease Agreement described 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 described under the heading "RENTAL PAYMENTS – Rental Abatement. 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 prepayment provisions of the Trust Agreement and as described under the heading "FUNDS AND ACCOUNTS; RENTAL PAYMENTS – Application of Net Proceeds." Any such award made after all of the Certificates, and all other amounts due under the Trust Agreement and under 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 prepay all or a portion of the Base Rental Payments which are payable on or after September 1, 20__, from any source of available funds, on any date on or after September 1, 20__, by paying (i) all or a portion, as elected by the District, of the principal components of the Base Rental Payments, and (ii) 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 Trust Agreement described under the heading "DEFEASANCE" 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 preceding paragraph (a), and to prepay such Base Rental Payments on such prepayment date, at a prepayment price determined in accordance with the preceding paragraph (a).

(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 paragraph (a) above, or the date of a deposit pursuant to 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 provisions of 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 paragraph (a) above, or deposit pursuant to paragraph (b) above, the term of the Lease Agreement shall be terminated.

(e) Prepayments of Base Rental Payments made pursuant to the provisions of 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 provisions of the Lease Agreement described under the heading "EMINENT DOMAIN; PREPAYMENT," 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 paragraph 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 in the Lease Agreement contained, shall at all times during the term of the Lease Agreement 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 under the Lease Agreement 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 under the Lease Agreement 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 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 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 Lease Agreement described under this 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 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 this paragraph 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 provisions of the Lease Agreement described under the heading "EMINENT DOMAIN; PREPAYMENT – Prepayment" 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 Lease Agreement described under this heading "REPRESENTATIONS AND WARRANTIES; COVENANTS – Corporation Not Liable; Indemnification," 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 under the Lease Agreement 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 in the Lease Agreement described under this heading "REPRESENTATIONS AND WARRANTIES; COVENANTS – Corporation Not Liable; Indemnification," 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 defaults and remedies, eminent domain provisions of the Lease Agreement, 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 provisions of the Lease Agreement under this heading "NO CONSEQUENTIAL DAMAGES; USE OF THE PROPERTY; SUBSTITUTION OR RELEASE – Substitution or Release of the Property." 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 provisions of the Lease Agreement under this heading "NO CONSEQUENTIAL DAMAGES; USE OF THE PROPERTY; SUBSTITUTION OR RELEASE – Substitution or Release of the Property," 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 made 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 described under the heading "INSURANCE – Title Insurance" 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, the Insurer 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 Los Angeles 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 and the Insurer that the substituted real property is of approximately the same degree of essentiality to the District as the portion of the Property 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 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 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 to the Lease Agreement or 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 in the Lease Agreement or 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 in the Lease Agreement or therein to or conferred in the Lease Agreement or 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 in the Lease Agreement or therein or in

regard to questions arising under the Lease Agreement or 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 described under the heading "NO CONSEQUENTIAL DAMAGES; USE OF THE PROPERTY; SUBSTITUTION OR RELEASE – Substitution or Release of the Property" or

(v) to make such other changes in the Lease Agreement or 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 defaults and remedies; provided, however, that the Insurer shall not be deemed to be the sole and exclusive Owner of the Outstanding Certificates for purposes of all defaults and remedies, and shall not have the right to direct 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.

ASSIGNMENT AGREEMENT

Assignment. The Corporation, for good and valuable consideration, the receipt of which is acknowledged by the Assignment Agreement, 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 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 provisions of the Assignment Agreement described under the heading "Assignment," 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).

Further Assurances. The Corporation shall make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Assignment Agreement, and for the better assuring and confirming to the Trustee, for the benefit of the owners of the Certificates, the right, title and interest intended to be sold, assigned and transferred pursuant to the Assignment Agreement.

Captions. The captions or headings in the Assignment Agreement are for convenience only and in no way define or limit the scope or intent of any provision of the Assignment Agreement.

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

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.

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.

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 the provisions of the Trust Agreement summarized in this paragraph. 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 of the Trust Agreement 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.

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 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 in the Trust Agreement authorized. 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 in the Trust Agreement, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

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 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 described under the headings "FUNDS AND ACCOUNTS; RENTAL PAYMENTS – Application of Net Proceeds" or "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 this 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 of the Trust Agreement.

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 provisions of the Lease Agreement described under the heading "RENTAL PAYMENTS – Rental Abatement" (disregarding, for the purpose of determining whether such an abatement would result, the provisions of paragraph (b) of the Lease Agreement described 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 extraordinary prepayment provisions of 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 paragraph (b) of the Lease Agreement described 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 extraordinary prepayment provisions of 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 paragraph (b) of the Lease Agreement described under the heading "BASE 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 extraordinary prepayment provisions of 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 in the Trust Agreement authorized.

(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 provisions of the Lease Agreement described under the heading "RENTAL PAYMENTS – Rental Abatement"), 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 provisions of the Lease Agreement described under the heading "RENTAL PAYMENTS – Payment Provisions," 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 provisions of the Lease Agreement described under the heading "RENTAL PAYMENTS – Rental Abatement), 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 provisions of the Lease Agreement described under the heading "LEASE OF PROPERTY; TERM – Term; Occupancy," any amounts paid in respect of such abated and unpaid Base Rental Payment pursuant to paragraph (b) of the provisions of the Lease Agreement described under "RENTAL PAYMENTS – Base Rental Payments" and the provisions of the Lease Agreement described under the heading "RENTAL PAYMENTS – Payment Provisions." Any such payment by the District pursuant to the provisions of the Trust Agreement described under this heading "FUNDS AND ACCOUNTS; RENTAL PAYMENTS – 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 provisions of the Trust Agreement described under the heading "DEFEASANCE – Certificate Deemed To Have Been Paid," 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.

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 provisions of the Trust Agreement described under the heading "DEFEASANCE" or anything to the contrary contained in the Trust Agreement, 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 described under this heading "FUNDS AND ACCOUNTS; RENTAL PAYMENTS – Rebate Fund," 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 provisions of the Trust Agreement described under this heading "FUNDS AND ACCOUNTS; RENTAL PAYMENTS – Rebate Fund," shall be withdrawn by the Trustee and remitted to the District.

Costs of Issuance Fund. (a) 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 provisions of the Trust Agreement.

(b) 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.

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 described under the heading "FUNDS AND ACCOUNTS; RENTAL PAYMENTS – 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 described under the heading "FUNDS AND ACCOUNTS; RENTAL PAYMENTS – Rebate Fund," any interest or profits received with respect to investments held in the Reserve Fund shall 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 will 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 thereafter 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 thereafter 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 under the Trust Agreement 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 of the Trust Agreement.

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 thereafter 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 in the Trust Agreement. 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 provisions of the Trust Agreement described under this heading "COVENANTS – 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 under the Trust Agreement, 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 provisions of the Trust Agreement described under this heading "COVENANTS – Tax Covenants," if the District shall provide to the Trustee an Opinion of Counsel to the effect that any specified action required under the provisions of the Trust Agreement

described under this heading "COVENANTS – 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 provisions of the Trust Agreement described under this heading "COVENANTS – Tax Covenants," and of the Tax Certificate, and the covenants under the Trust Agreement 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 or by 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 provisions of the Lease Agreement described under the heading "DEFAULTS AND REMEDIES") 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 described under the heading "DEFAULT AND LIMITATIONS OF LIABILITY – Other Remedies of the Trustee."

Other Remedies of the Trustee. Subject to the provisions of the Trust Agreement described 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 provisions of the Trust Agreement described under the heading "DEFAULT AND LIMITATIONS OF LIABILITY" 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 described under the heading "DEFAULT AND LIMITATIONS OF LIABILITY – Action on Default," no remedy in the Trust Agreement 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 under the Trust Agreement or now or thereafter 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 in the Trust Agreement.

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 in 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 in the Trust Agreement.

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 in 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 provisions of the Lease Agreement described under the heading "DEFAULTS AND REMEDIES" (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 provisions of the Lease Agreement described under the heading "DEFAULTS AND REMEDIES," 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 provisions of the Trust Agreement described under the heading "THE TRUSTEE – Compensation and Indemnification;"

(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 clause (b) or clause (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 under the Trust Agreement, 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 in the Trust Agreement 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 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 described under this 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 in the Trust Agreement set forth. 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 Trust Agreement 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," "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 in the Trust Agreement specifically prescribed) 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 under the Trust Agreement may be amended or supplemented at any time by an amendment of the Trust Agreement 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 provisions of the Trust Agreement described 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 described under this 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 under the Trust Agreement may also be amended or supplemented at any time by an amendment of the Trust Agreement 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 in the Trust Agreement to or conferred in the Trust Agreement 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 under the Trust Agreement 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 described under this heading "AMENDMENT OF 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 Trust Agreement described 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 the Trust Agreement described under the heading "AMENDMENT OF OR SUPPLEMENT TO TRUST AGREEMENT," 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 in this paragraph.

Endorsement or Replacement of Certificates After Amendment or Supplement. After the effective date of any action taken as provided in the Trust Agreement described under the heading "AMENDMENT OF OR SUPPLEMENT TO TRUST AGREEMENT" 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 described under the heading "AMENDMENT OF OR SUPPLEMENT TO TRUST AGREEMENT – Amendment or Supplement," the provisions of the Trust Agreement described 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 in the Certificates 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 provisions of 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 provisions of 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 related to prepayment notices, notice of prepayment of such Certificate on said prepayment date, said notice to be given in accordance with the provisions of the Trust Agreement related to prepayment notices, (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 this heading "DEFEASANCE – Certificate 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 in 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 five (5) 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 this 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 described under the heading "AMENDMENT OF OR SUPPLEMENT TO TRUST AGEREMENT – 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 under the Trust Agreement 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 provisions of the Lease Agreement described under the heading "DEFAULTS AND REMEDIES") 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 five Insurance Business Days of the

Trustee's having knowledge of the occurrence of any event of default (within the meaning of the provisions of the Lease Agreement described under the heading "DEFAULTS AND REMEDIES"), 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) 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 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 Mandatory Sinking Account Payment, the stated Principal Payment Date or the Insurer's election to pay said amounts prior to the stated Principal Payment Date pursuant to paragraph (e) of the Trust Agreement described 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 Assured Guaranty Municipal Corp., 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 provisions of the

Lease Agreement described under the heading "RENTAL PAYMENTS – Rental Abatement"), 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 Trust Agreement described 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 described under the heading "RENTAL PAYMENTS – Payment Provisions," 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 provisions of the Lease Agreement described under the heading "RENTAL PAYMENTS – Rental Abatement"), 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 described under the heading "LEASE OF PROPERTY; TERM – Term; Occupancy," any amounts paid in respect of such abated and unpaid Base Rental Payment pursuant to paragraph (b) of the provisions of the Lease Agreement described under the heading "RENTAL PAYMENTS – Base Rental Payments" and "RENTAL PAYMENTS – Payment Provisions" of the Lease Agreement that are not required to be paid to the Reserve Insurer pursuant to paragraph (f) of the Trust Agreement described under the heading "FUNDS AND ACCOUNTS; RENTAL PAYMENTS – Reserve Fund." Any such payment by the District pursuant to the provisions of the Trust Agreement described under this 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 in 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.

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APPENDIX B

FINANCIAL STATEMENTS OF THE DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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Annual Financial Report
June 30, 2019

Castaic Union School District

CASTAIC UNION SCHOOL DISTRICT

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CASTAIC UNION SCHOOL DISTRICT

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FINANCIAL SECTION

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CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

Governing Board
Castaic Union School District
Valencia, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Castaic Union 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Castaic Union School 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 15, budgetary comparison schedule on page 69, schedule of changes in the District's total OPEB liability and related ratios on page 70, schedule of the District's proportionate share of the net pension liability on page 71, and the schedule of District contributions on page 72, 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 Castaic Union School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2019, on our consideration of the Castaic Union School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Castaic Union School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Castaic Union School District's internal control over financial reporting and compliance.

Eide Bailly LLP

Rancho Cucamonga, California
December 11, 2019

CASTAIC UNION SCHOOL DISTRICT

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President *Clerk* *Member* *Member* *Member*

This section of Castaic Union School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019, with comparative information for the year ending 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 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. They present governmental activities and business-type activities separately. These statements include all assets of the District (including capital assets), as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

Governmental and *Business-Type Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting.

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

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

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

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

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

The Primary unit of the government is the Castaic Union School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results.* Since the 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 separate the District activities as follows:

Governmental Activities – Most of the District's services are reported in this category. This includes the education of kindergarten through grade eight students 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.

Business-type Activities - The District charges fees to help it cover the costs of certain services it provides. The District's community preschool program is included here.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental funds **-** Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Proprietary funds **–** When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. In fact, the District's enterprise funds are the same as the business-type activities we reported in the government-wide financial statements but provide more detail and additional information, such as cash flows, for proprietary funds.

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 *Statement of Fiduciary 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.

FINANCIAL HIGHLIGHTS

The District's Government-Wide Statement of Net Position shows total net position of $29,397,486, the result of assets and deferred outflows of $93,724,333 minus liabilities and deferred inflows of $63,326,847.

General Revenues accounted for $26,778,763 or 83 percent of all revenues. Program specific revenues in the form of charges for services, contributions, and operating grants accounted for $5,304,075 or 17 percent of total revenues of $32,082,838.

The District had $26,758,815 in total expenses compared to total revenue of $32,082,838.

The General Fund balance has a positive ending fund balance.

The General Fund continues to be affected by the following:

- Significant reductions in enrollment/ADA.
- State and Federal Special Program Revenue losses due to reduced enrollment.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $29,397,486 for the fiscal year ended June 30, 2019. Of this amount, $(24,688,328) was unrestricted (deficit). 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 that 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 activities.

Table 1

	Governmental Activities		Business-Type Activities		School District Activities	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	$ 27,636,543	$ 10,558,354	$ 14,806	$ 30,550	$ 27,651,349	$ 10,588,904
Capital assets	60,139,539	60,442,958	-	46,158	60,139,539	60,489,116
Total Assets	87,776,082	71,001,312	14,806	76,708	87,790,888	71,078,020
Deferred Outflows of Resources	5,933,445	6,749,880	-	27,089	5,933,445	6,776,969
Liabilities						
Current liabilities	1,605,454	1,036,569	14,806	3,148	1,620,260	1,039,717
Long-term obligations	34,419,778	23,411,798	-	18,693	34,419,778	23,430,491
Aggregate net pension liability	21,426,602	21,498,822	-	95,814	21,426,602	21,594,636
Total Liabilities	57,451,834	45,947,189	14,806	117,655	57,466,640	46,064,844
Deferred Inflows of Resources	6,860,207	7,709,245	-	7,437	6,860,207	7,716,682
Net Position						
Net investment in capital assets	44,743,001	50,438,004	-	46,158	44,743,001	50,484,162
Restricted	9,342,813	2,775,213	-	-	9,342,813	2,775,213
Unrestricted (deficit)	(24,688,328)	(29,118,459)	-	(67,453)	(24,688,328)	(29,185,912)
Total Net Position	$ 29,397,486	$ 24,094,758	$ -	$ (21,295)	$ 29,397,486	$ 24,073,463

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased by 18.7 percent $(24,688,328) compared to $(29,185,912).

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 17. Table 2 takes the information from the Statement and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities		Business-Type Activities		School District Activities	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Charges for sales	$ 432,739	$ 291,662	$ 485,875	$ 330,908	$ 918,614	$ 622,570
Operating grants and contributions	4,385,461	3,625,187	-	-	4,385,461	3,625,187
General revenues:						
Federal and State aid not restricted	12,881,443	12,806,494	-	-	12,881,443	12,806,494
Property taxes	12,947,258	10,347,354	-	-	12,947,258	10,347,354
Other general revenues	950,654	1,071,489	(592)	850	950,062	1,072,339
Total Revenues	**31,597,555**	**28,142,186**	**485,283**	**331,758**	**32,082,838**	**28,473,944**
Expenses						
Instruction	15,814,295	14,057,008	-	-	15,814,295	14,057,008
Instruction-related	2,607,972	2,255,862	-	-	2,607,972	2,255,862
Pupil services	1,850,851	1,539,576	-	-	1,850,851	1,539,576
Administration	1,818,589	1,614,860	-	-	1,818,589	1,614,860
Plant services	2,195,723	2,249,845	-	-	2,195,723	2,249,845
All other activities	2,007,397	1,465,740	463,988	356,710	2,471,385	1,822,450
Total Expenses	**26,294,827**	**23,182,891**	**463,988**	**356,710**	**26,758,815**	**23,539,601**
Change in Net Position	**$ 5,302,728**	**$ 4,959,295**	**$ 21,295**	**$ (24,952)**	**$ 5,324,023**	**$ 4,934,343**

Governmental Activities

As reported in the *Statement of Activities* on page 17, the cost of all of our governmental activities this year was $26,294,827, an increase of $3,111,936 or 13.4 percent over the prior year. The amount that our taxpayers ultimately financed for these activities through local taxes was only $12,947,258 because the cost was paid by those who benefited from the programs ($432,739) or by other governments and organizations who subsidized certain programs with grants and contributions ($4,385,461). We paid for the remaining "public benefit" portion of our governmental activities with $13,880,794 from Federal and State unrestricted funds and from other revenue sources, such as interest, general entitlements, and transfers.

In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction-related programs, pupil services, administration, plant services, and all other 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

	Total Cost of Services		Net Cost of Services	
	2019	2018	2019	2018
Instruction-related	$ 18,422,267	$ 16,312,870	$ 14,244,166	$ 12,951,973
Pupil services	1,850,851	1,539,576	1,529,585	1,284,933
Administration	1,818,589	1,614,860	1,733,364	1,574,053
Plant services	2,195,723	2,249,845	2,144,207	2,232,315
All other activites	2,007,397	1,465,740	1,825,305	1,222,768
Total	**$ 26,294,827**	**$ 23,182,891**	**$ 21,476,627**	**$ 19,266,042**

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $26,564,322, which is an increase of $16,814,517, or 172.5 percent, from last year. An itemized chart is provided below labeled as Table 4.

Table 4

	Balances and Activity			
	July 1, 2018	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2019
General Fund	$ 5,610,080	$ 23,568,686	$ 22,309,847	$ 6,868,919
Building Fund	1,131,161	10,162,857	1,327,924	9,966,094
Bond Interest and Redemption Fund	1,680,725	7,771,154	1,492,660	7,959,219
Child Development	-	247,609	247,609	-
Capital Facilities Fund	495,939	297,162	78,877	714,224
County School Facilities Fund	77,207	1,617	-	78,824
Special Reserve Fund for Capital Outlay Projects	38,793	674	-	39,467
Capital Project Fund for Blended Component Units	316,051	5,513	203	321,361
Debt Service Fund for Blended Component Units	399,849	509,538	293,173	616,214
Total	**$ 9,749,805**	**$ 42,564,810**	**$ 25,750,293**	**$ 26,564,322**

The primary reasons for these changes are:

a. Continuous monitoring of General Fund expenditures
b. A bond issuance of $10,000,000 in the Building Fund
c. Property tax and interest collected in the Bond Interest and Redemption Fund
d. Developer fees collected in the Capital Facilities Fund
e. Property taxes and interest collected in the Debt Services Fund

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget to reflect changes in revenues and expenditures. The final amendment to the budget was adopted on June 20, 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.)

The variation between the Final Budget and the Unaudited Actuals were the result of:

- Increased revenue due to higher than projected attendance
- One-time state funds
- Reimbursement of Mandated Costs
- Off schedule one-time two percent bonus

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, the District had $60,139,539 in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. This amount represents a net decrease (including additions, deductions, and depreciation) of $349,577, or 0.58 percent, from last year (Table 5). The totals reported below are based on a recently completed fiscal inventory and assessment of building and land values.

Table 5

	Governmental Activities		Business-Type Activitied		School District Activities	
	2019	2018	2019	2018	2019	2018
Land	$ 25,763,434	$ 25,763,434	$ -	$ -	$ 25,763,434	$ 25,763,434
Construction in process	2,626,755	1,893,951	-	-	2,626,755	1,893,951
Land improvements	582,011	366,650	-	7,465	582,011	374,115
Buildings and improvements	30,855,688	31,976,663	-	30,393	30,855,688	32,007,056
Equipment	311,651	442,260	-	8,300	311,651	450,560
Total	**$ 60,139,539**	**$ 60,442,958**	**$ -**	**$ 46,158**	**$ 60,139,539**	**$ 60,489,116**

This year's total additions of $1,641,595 included the following:

- Expansion and modernization of the CMS locker room
- Upgrades to the school Computer Labs and Libraries
- The purchase of one delivery van and two buses

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 long-term obligations increased from the previous year by $10,989,287.

Those obligations consisted of:

Table 6

	School District Activities	
	2019	2018
General obligation bonds, net of premium on issuance	$ 26,056,623	$ 15,602,863
Certificates of participation, net of discount on issuance	3,385,018	3,506,942
Supplemental early retirement plan (SERP)	-	19,860
Compensated absences	88,468	87,698
Total other postemployment benefits (OPEB) liability	4,889,669	4,213,128
Total	**$ 34,419,778**	**$ 23,430,491**

In September 2018 the District's general obligation bond rating was upgraded from A- to A due to the improved fiscal situation of the District. The State limits the amount of general obligation debt that districts can issue to 1.25 percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of $26,056,623.

We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

Net Pension Liability (NPL)

At year-end, the District has a net pension liability of $21,426,602 versus $21,594,636 last year, a decrease of $168,034, or 0.78 percent.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2018-2019 ARE NOTED BELOW:

The District will continue the planned $51.0 million Measure QS Bond Program. The first bond series, Series A, of $10.3 million has been expended to improve classroom technology, facilities, parking, playgrounds, technology infrastructure, site safety, new and improved heating and air-conditioning (HVAC) and overall site improvement. The second bond series, Series B, of $10 million was issued in October 2018 and is being used for the re-model and modernization of the locker room structure at Castaic Middle School. Additionally, planning for modernization and new structures at Live Oak Elementary School has begun.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the 2018-2019 budget year, the Local Control Funding Formula (LCFF) is fully funded and is the primary source of revenue for the District. The budget uses the LCFF model for distributing revenues to determine apportionments and the impact on the budget. The LCFF Revenue budget is $17,771,814.

The funding for 2019-2020 school year will be based on the ADA from April 2019. This number is 1,995. The District has experienced significant loss of enrollment and expects to continue losses into the near future. Previous losses and predicted losses have been incorporated into the 2019-2020 budget. Additional reductions in enrollment will be incorporated into the First Interim report.

The Budget reflects the Governor's proposed budget including a COLA of 2.71 percent for the 2018-2019 school year and 3.26 percent for the 2019-2020 school year.

The impact of lost revenue and enrollment will force the District to continue to reduce staff and control expenditures. It is essential that the District maintain fiscal stability.

2019-2020 BUDGET ASSUMPTIONS

Income

Unrestricted and Restricted

1. Our ADA projection is 1963 with an enrollment of 2025.
2. The Statutory COLA is 3.26 percent.
3. One-time reimbursement (rebate) from the Santa Clarita Valley Food Service Agency of $16,000.

Expenditures

Unrestricted and Restricted

1. Contract negotiations have not been initiated for this time period.
2. 1000's Salaries are consistent with the prior year. The step and column increases are budgeted at two percent of contract salaries.
3. 2000's Salaries are consistent with the prior year. The step and column increased are budgeted at one percent of contract salaries.
4. 4000's (Instructional Books and Supplies) and 5000's (Services and Other Operating Expenditures) – Expenditures are budgeted based on actual and encumbrances. A comparison with prior year actual expenditures was used for reasonableness.
5. The District has budgeted to accommodate the RRM requirement at 3.0 percent, $677,399.

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 Linette Hodson, Chief Business Official or Julia Phippen, Supervisor of Business Services, at Castaic Union School District, 28131 Livingston Avenue, Valencia California, 91355, or e-mail at lhodson@castaicusd.com or jphippen@castaicusd.com.

CASTAIC UNION SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Deposits and investments	$ 26,696,009	$ 14,462	$ 26,710,471
Receivables	940,534	344	940,878
Capital assets			
Land and construction in process	28,390,189	-	28,390,189
Other capital assets	58,165,603	-	58,165,603
Less: Accumulated depreciation	(26,416,253)	-	(26,416,253)
Total Capital Assets	60,139,539	-	60,139,539
Total Assets	87,776,082	14,806	87,790,888
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to net other postemployment benefits (OPEB) liability	341,119	-	341,119
Deferred outflows of resources related to pensions	5,592,326	-	5,592,326
Total Deferred Outflows of Resources	5,933,445	-	5,933,445
LIABILITIES			
Accounts payable	1,051,903	14,806	1,066,709
Accrued interest payable	533,233	-	533,233
Unearned revenue	20,318	-	20,318
Long-term obligations:			
Current portion of long-term obligations other than pensions	5,850,000	-	5,850,000
Noncurrent portion of long-term obligations other than pensions	28,569,778	-	28,569,778
Total Long-Term Obligations	34,419,778	-	34,419,778
Aggregate net pension liability	21,426,602	-	21,426,602
Total Liabilities	57,451,834	14,806	57,466,640
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to net other postemployment benefits (OPEB) liability	289,386	-	289,386
Deferred inflows of resources related to pensions	6,570,821	-	6,570,821
Total Deferred Inflows of Resources	6,860,207	-	6,860,207
NET POSITION			
Net investment in capital assets	44,743,001	-	44,743,001
Restricted for:			
Debt service	7,826,491	-	7,826,491
Capital projects	793,048	-	793,048
Educational programs	723,274	-	723,274
Unrestricted (deficit)	(24,688,328)	-	(24,688,328)
Total Net Position	$ 29,397,486	$ -	$ 29,397,486

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

CASTAIC UNION SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Sales	Program Revenues: Operating Contributions
Governmental Activities:			
Instruction	$ 15,814,295	$ 322,755	$ 3,625,045
Instruction-related activities:			
Supervision of instruction	790,769	22,713	133,653
Instructional library, media, and technology	312,808	-	11,883
School site administration	1,504,395	-	62,052
Pupil services:			
Home-to-school transportation	895,363	-	25,269
All other pupil services	955,488	39,988	256,009
Administration:			
Data processing	14,601	-	-
All other administration	1,803,988	-	85,225
Plant services	2,195,723	-	51,516
Enterprise services	5,633	-	17,266
Interest on long-term obligations	1,569,033	-	-
Other outgo	432,731	47,283	117,543
Total Governmental Activities	26,294,827	432,739	4,385,461
Business-Type Activities			
Enterprise services	463,988	485,875	-
Total School District	$ 26,758,815	$ 918,614	$ 4,385,461
General revenues and subventions:			
Property taxes, levied for general purposes			
Property taxes, levied for debt service			
Taxes levied for other specific purposes			
Federal and State aid not restricted to specific purposes			
Interest and investment earnings			
Miscellaneous			
Transfers			
Subtotal, General Revenues and Transfers			
Change in Net Position			
Net Position - Beginning			
Net Position - Ending			

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

Net (Expenses) Revenues and Changes in Net Position Activities	Business- Type Activities	Total
$ (11,866,495)	$ -	$ (11,866,495)
(634,403)	-	(634,403)
(300,925)	-	(300,925)
(1,442,343)	-	(1,442,343)
(870,094)	-	(870,094)
(659,491)	-	(659,491)
(14,601)	-	(14,601)
(1,718,763)	-	(1,718,763)
(2,144,207)	-	(2,144,207)
11,633	-	11,633
(1,569,033)	-	(1,569,033)
(267,905)	-	(267,905)
(21,476,627)	-	(21,476,627)
-	21,887	21,887
(21,476,627)	21,887	(21,454,740)
5,765,588	-	5,765,588
7,166,170	-	7,166,170
15,500	-	15,500
12,881,443	-	12,881,443
348,164	-	348,164
600,925	973	601,898
1,565	(1,565)	-
26,779,355	(592)	26,778,763
5,302,728	21,295	5,324,023
24,094,758	(21,295)	24,073,463
$ 29,397,486	$ -	$ 29,397,486

CASTAIC UNION SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019

	General Fund	Building Fund	Bond Interest and Redemption Fund
ASSETS			
Deposits and investments	$ 6,944,753	$ 9,995,527	$ 7,959,219
Receivables	876,738	57,233	-
Total Assets	$ 7,821,491	$ 10,052,760	$ 7,959,219
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 932,254	$ 86,666	$ -
Unearned revenue	20,318	-	-
Total Liabilities	952,572	86,666	-
Fund Balances:			
Restricted	723,274	9,966,094	7,959,219
Assigned	35,237	-	-
Unassigned	6,110,408	-	-
Total Fund Balances	6,868,919	9,966,094	7,959,219
Total Liabilities and Fund Balances	$ 7,821,491	$ 10,052,760	$ 7,959,219

Non-Major Governmental Funds	Total Governmental Funds
$ 1,796,510	$ 26,696,009
6,563	940,534
$ 1,803,073	$ 27,636,543
$ 32,983	$ 1,051,903
-	20,318
32,983	1,072,221
1,514,914	20,163,501
39,467	74,704
215,709	6,326,117
1,770,090	26,564,322
$ 1,803,073	$ 27,636,543

CASTAIC UNION SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total Fund Balance - Governmental Funds		**$ 26,564,322**
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:	$ 86,555,792	
Accumulated depreciation is:	(26,416,253)	
Net Capital Assets		60,139,539
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.		(533,233)
Deferred outflows of resources related to pensions at year end consist of:		
Pension contributions subsequent to measurement date	2,031,080	
Net change in proportionate share of net pension liability	72,631	
Differences between projected and actual earnings on pension plan investments	50,615	
Differences between expected and actual experience in the measurement of the total pension liability	451,851	
Changes of assumptions	2,986,149	
Total Deferred Outflows of Resources Related to Pensions		5,592,326
Deferred inflows of resources related to pensions at year end consist of:		
Net change in proportionate share of net pension liability	(5,761,787)	
Differences between projected and actual earnings on pension plan investments	(587,438)	
Differences between expected and actual experience in the measurement of the total pension liability	(221,596)	
Total Deferred Inflows of Resources Related to Pensions		(6,570,821)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(21,426,602)
Deferred outflows or resources related to other post-employment benefits represent a consumption of net position in a future period and are not reported in the District's funds Deferred outflows of resources related to OPEB at year-end result from changes in assumptions.		341,119

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

CASTAIC UNION 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 other post-employment benefits represent an acquisition of net position in a future period and are not reported in the District's funds. Deferred inflows of resources related to OPEB at year-end result from changes in assumptions.		$ (289,386)
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 the following:		
General obligation bonds	$ 21,305,446	
Premium on issuance	993,529	
Certificates of participation	3,425,000	
Discount on issuance	(39,982)	
Compensated absences	88,468	
Net other postemployment benefits (OPEB) liability	4,889,669	
In addition, the District has issued 'capital appreciation' general obligation bonds. The accretion of interest unmatured on the general obligation bonds to date is:	3,757,648	
Total Long-Term Obligations		(34,419,778)
Total Net Position - Governmental Activities		**$ 29,397,486**

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

CASTAIC UNION SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
JUNE 30, 2019

	General Fund	Building Fund	Bond Interest and Redemption Fund
REVENUES			
Local Control Funding Formula	$ 17,771,814	$ -	$ -
Federal sources	1,034,334	-	-
Other State sources	2,786,157	-	27,319
Other local sources	1,955,294	162,857	6,712,093
Total Revenues	23,547,599	162,857	6,739,412
EXPENDITURES			
Current			
Instruction	13,637,198	-	-
Instruction-related activities:			
Supervision of instruction	717,960	-	-
Instructional library, media, and technology	304,570	-	-
School site administration	1,399,336	-	-
Pupil services:			
Home-to-school transportation	913,264	-	-
All other pupil services	872,513	-	-
Administration:			
Data processing	6,994	-	-
All other administration	1,764,588	-	-
Plant services	2,256,649	15,909	-
Other outgo	432,731	-	-
Enterprise services	4,044	-	-
Facility acquisition and construction	-	1,132,015	-
Debt service			
Principal	-	-	855,682
Interest and other	-	180,000	636,978
Total Expenditures	22,309,847	1,327,924	1,492,660
Excess (Deficiency) of Revenues Over Expenditures	1,237,752	(1,165,067)	5,246,752
Other Financing Sources			
Transfers in	21,087	-	-
Other sources - general obligation bonds	-	10,000,000	-
Other sources - premium on issuance of general obligation bonds	-	-	1,031,742
Net Financing Sources	21,087	10,000,000	1,031,742
NET CHANGE IN FUND BALANCES	1,258,839	8,834,933	6,278,494
FUND BALANCES - BEGINNING	5,610,080	1,131,161	1,680,725
FUND BALANCES - ENDING	$ 6,868,919	$ 9,966,094	$ 7,959,219

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

Non-Major Governmental Funds	Total Governmental Funds
$ -	$ 17,771,814
3,619	1,037,953
208,524	3,022,000
820,795	9,651,039
1,032,938	31,482,806
216,642	13,853,840
-	
25,677	743,637
-	304,570
-	1,399,336
-	913,264
-	872,513
-	6,994
2,310	1,766,898
84,035	2,356,593
-	432,731
-	4,044
132	1,132,147
125,000	980,682
166,066	983,044
619,862	25,750,293
413,076	5,732,513
29,175	50,262
-	10,000,000
-	1,031,742
29,175	11,082,004
442,251	16,814,517
1,327,839	9,749,805
$ 1,770,090	$ 26,564,322

CASTAIC UNION SCHOOL DISTRICT

RECONCILIATION OF 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		**$ 16,814,517**
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 depreciation expense exceed capital outlays in the period.		
Depreciation expense	$ (1,769,797)	
Capital outlays	1,526,996	
Net Expense Adjustment		(242,801)
Loss on disposal of capital assets is reported in the government-wide Statement of Net Assets, but is not recorded in the governmental funds.		(106,776)
The District closed the Child Care Enterprise Fund during the year. A transfer was made to include the fund's balances for capital assets, OPEB and pension liabilities, and related deferred outflows of assets and deferred inflows of assets in the government-wide statements.		(48,697)
In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (supplemental early retirement plan) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, special termination benefits paid were $19,680. Vacation used was less than the amounts earned by $770.		19,090
Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities. This year the District issued General Obligation Bonds.		(10,000,000)
Governmental funds report the effects of premiums, discounts, issuance costs, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities. This is the premium on the current-year issuance:		(1,031,742)
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.		(200,326)

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

CASTAIC UNION SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows and net OPEB liability during the year.			$ (295,230)
Payment of principal on long-term obligations 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	$ 855,682		
Certificates of participation	125,000		
Combined adjustment			980,682
Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.			
Premium on issuance	38,213		
Discount on issuance	(3,076)		
Combined adjustment			35,137
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. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds increased by $305,214, and second, $315,912 of accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.			(621,126)
Change in Net Position of Governmental Activities			**$ 5,302,728**

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

CASTAIC UNION SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

	Business-Type Activities Enterprise Fund	
	Community Preschool	
ASSETS		
Current Assets		
Deposits and investments	$	14,462
Receivables		344
Total Current Assets		14,806
LIABILITIES		
Current Liabilities		
Accounts payable	$	14,806

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

CASTAIC UNION SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

	Business-Type Activities Enterprise Fund
	Community Preschool
OPERATING REVENUES	
Charges for services	$ 485,875
OPERATING EXPENSES	
Payroll costs	66,173
Supplies and materials	4,383
Other operating cost	393,432
Total Operating Expenses	463,988
Operating Income	21,887
NONOPERATING REVENUES	
Interest income	973
Transfers out	(1,565)
Total Nonoperating Revenues	(592)
Change in Net Position	21,295
Total Net Position - Beginning	(21,295)
Total Net Position - Ending	$ -

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

CASTAIC UNION SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Business-Type Activities Enterprise Fund
	Community Preschool
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	$ 485,740
Other operating cash receipts	
Cash payments to employees for services	(66,173)
Cash payments to other suppliers of goods or services	(388,696)
Net Cash provided by operating activities	30,871
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers out	(1,565)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Transfer of capital assets	(46,158)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	973
Net Decrease in Cash and Cash Equivalents	(15,879)
Cash and Cash Equivalents - Beginning	30,341
Cash and Cash Equivalents - Ending	$ 14,462
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ 21,887
Adjustments to reconcile operating incomes to net cash provided by operating activities:	
Changes in accruals:	
Receivables	(135)
Accounts payable	9,119
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 30,871

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

CASTAIC UNION SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019

	Agency Funds
ASSETS	
Deposits and investments	$ 9,579,334
Receivables	42,056
Total Assets	$ 9,621,390
LIABILITIES	
Accounts payable	$ 5,347
Due to student groups	59,529
Due to employees	93,618
Due to bond holders	9,462,896
Total Liabilities	$ 9,621,390

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Castaic Union School District (the District) was organized on March 25, 1889 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 - 8 as mandated by the State and/or Federal agencies. The District operates three elementary schools and one middle school.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Castaic Union School District, this includes general operations and student related activities of the District.

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. For financial reporting purposes, the component units have a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and thus are included in the financial statements of the District. The component units, although legally separate entities, are reported in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component units is essentially the same as the governing board of the District and because their purpose is to finance the construction of facilities to be used for the benefit of the District.

The Castaic Union School District Community Facilities Districts (CFDs) 92-1 and 92-2, and the Castaic Union School District Facilities Corporation (the Corporation), as represented by the 2010 Refunding Certificates of Participation, have a financial and operational relationship which meets the reporting entity definition criteria of the GASB Statement No. 14, *The Financial Reporting Entity,* for inclusion of the CFDs and the Corporation as component units of the District. The component units, although legally separate entities, are reported in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component units is essentially the same as the governing board of the District and because their purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The CFDs financial capital projects activity is presented in the Capital Project Fund for Blended Component Units. The CFDs financial debt activity is presented in the Agency Funds. Debt instruments issued by the CFDs do not represent liabilities of the District of component units and are not included in the District-wide Financial Statements.

The financial statements present the Corporation's financial debt activity within the Debt Service Fund for Blended Component Units. All debt instruments issued by the Corporation are included as long-term liabilities in the government-wide financial statements.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

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

As a result, the General Fund reflects a decrease in fund balance of $1, and an increase in revenue and other financing sources revenues and an increase in expenditures of $795,625 and $796,587, respectively.

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.

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).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue Funds are used 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.

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

Capital Project Funds The Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of 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).

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition lA), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

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

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

Debt Service Funds The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, principal and interest on general long-term obligations.

Debt Service Fund for Blended Component Units The Debt Service Fund for Blended Component Units is used to account for the accumulation of resources for the payment of principal and interest on bonds issued by Mello-Roos Community Facilities Districts and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

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

Enterprise Fund Enterprise Funds may be used to account for any activity for which a fee is charged to external users for goods or services. The only enterprise fund of the District accounts for the financial transactions related to the preschool service activities of the District.

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.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body activities (ASB), payroll clearing, and funds held for the payment of the non-obligatory debt of the Community Facilities Districts.

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities 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*. 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.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Governmental Funds All governmental funds are accounted for using 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.

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

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. 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.

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.

Cash and Cash Equivalents

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

Investments

Investments held at June 30, 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 and State investment pools are determined by the program sponsor.

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.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

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 certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the 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 and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund 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 service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for pension related items, 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 net OPEB liability, and deferred inflows of resources related to OPEB, and OPEB expense, have been determined on the same basis as they are reported by the District Plan. For this purpose, the District Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

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.

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 director of fiscal services has delegated 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

In fiscal year 2010-2011, the governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $9,342,813 of restricted net position.

Operating Revenues and Expenses

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

Interfund Activity

Transfers between governmental and business-type activities in the government-wide financial statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental and business-type activities columns of the Statement of Activities, except for the net residual amounts transferred between governmental and business-type 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 Los Angeles 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	$	26,696,009
Business-type activities		14,462
Fiduciary funds		9,579,334
Total Deposits and Investments	$	36,289,805

Deposits and investments as of June 30, 2019, consisted of the following:

Cash on hand and in banks	$	562,935
Investments		35,726,870
Total Deposits and Investments	$	36,289,805

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

Debt Authorizations

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Unsecured Certificates of Deposits, Time Deposits, and Bankers' Acceptances	365 days	None	None
Commercial Paper	270 days	None	None
Farm Credit System Bonds and Notes	N/A	None	None
Federal Home Loan Mortgage Corporation Senior Debt Obligations and Participation	N/A	None	None
Federal Home Loan Banks Debt Obligations	N/A	None	None
Federal National Mortgage Association Senior Debt Obligations and Mortgaged-Back Securities	N/A	None	None
Money Market Funds	N/A	None	None
Fully insured deposits	N/A	None	None
State obligations	N/A	None	None
Pre-Refunded Municipal Obligations	N/A	None	None
U.S. Treasury Obligations	N/A	None	None
Repurchase Agreements	N/A	None	None
Investment Agreements	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing primarily in the Los Angeles County Treasury Investment Pool to provide the cash flow and liquidity needed for operations, and by having the Los Angeles County Treasury Investment Pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities of other investments so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide cash flow necessary for debt service requirements.

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

Investment Type	Reported Amount	Average Weighted Maturity in Days
Los Angeles County Treasury Investment Pool	$ 31,478,443	547
First American Treasury Obligation Fund, Class D	3,848,578	N/A
US Bank Money Market	399,849	N/A
Total	$ 35,726,870	

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with First American Treasury Obligations Fund Class D is rated Aaa by Moody's Investor Service. The District's investments with the US Bank Money Market and in the Los Angeles County Treasury Investment Pool are not required to be rated, nor have been rated as of June 30, 2019.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2019, the District's bank balance of $202,032, was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 3 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Los Angeles County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2019:

Investment Type	Reported Amount	Fair Value Measurements Using Level 2 Inputs	Uncategorized
Los Angeles County Treasury Investment Pool	$ 31,478,443	$ -	$ 31,478,443
First American Treasury Obligation Fund, Class D	3,848,578	3,848,578	-
US Bank Money Market	399,849	399,849	-
Total	$ 35,726,870	$ 4,248,427	$ 31,478,443

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	Building Fund	Non-Major Governmental Funds	Total Governmental Activities	Enterprise Fund	Fiduciary Funds
Federal Government						
Categorical aid	$ 368,865	$ -	$ -	$ 368,865	$ -	$ -
State Government						
Categorical aid	119,549	-	-	119,549	-	-
Lottery	76,997	-	-	76,997	-	-
Special Education	107,019	-	-	107,019	-	-
Other	26,520	-	-	26,520	-	-
Local Government						
Interest	32,071	57,233	6,563	95,867	344	42,056
Other local sources	145,717	-	-	145,717	-	-
Total	$ 876,738	$ 57,233	$ 6,563	$ 940,534	$ 344	$ 42,056

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance, July 1, 2018	Additions and Adjustments	Deductions	Balance June 30, 2019
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 25,763,434	$ -	$ -	$ 25,763,434
Construction in Progress	1,893,951	732,804	-	2,626,755
Total Capital Assets Not Being Depreciated	27,657,385	732,804	-	28,390,189
Capital Assets Being Depreciated:				
Land Improvements	2,234,784	248,848	-	2,483,632
Buildings and Improvements	51,814,598	270,174	50,676	52,034,096
Furniture and Equipment	3,332,582	389,769	74,476	3,647,875
Total Capital Assets Being Depreciated	57,381,964	908,791	125,152	58,165,603
Total Capital Assets	85,039,349	1,641,595	125,152	86,555,792
Less Accumulated Depreciation:				
Land Improvements	1,868,134	33,487	-	1,901,621
Buildings and Improvements	19,837,935	1,348,919	8,446	21,178,408
Furniture and Equipment	2,890,322	455,832	9,930	3,336,224
Total Accumulated Depreciation	24,596,391	1,838,238	18,376	26,416,253
Governmental Activities Capital Assets, Net	$ 60,442,958	$ (196,643)	$ 106,776	$ 60,139,539
Business-Type Activities				
Capital Assets Being Depreciated				
Land Improvements	$ 18,534	$ (18,534)	$ -	$ -
Buildings and improvements	75,458	(75,458)	-	-
Furniture and equipment	20,607	(20,607)	-	-
Total Capital Assets Being Depreciated	114,599	(114,599)	-	-
Less Accumulated Depreciation				
Land Improvements	11,069	(11,069)	-	-
Buildings and improvements	45,065	(45,065)	-	-
Furniture and equipment	12,307	(12,307)	-	-
Total Accumulated Depreciation	68,441	(68,441)	-	-
Business-Type Activities Capital Assets, Net	$ 46,158	$ (46,158)	$ -	$ -

Depreciation expense was charged to governmental functions as follows:

Governmental activities:	
Instruction	$ 1,625,420
Home-to-school transportation	144,377
Total Depreciation Expenses Governmental Activities	$ 1,769,797

NOTE 6 – INTERFUND TRANSACTIONS

Operating Transfers

Interfund transfers for the year ended June 30, 2019, consisted of the following:

The Child Care Enterprise Fund transferred to the General Fund for program contributions.	$ 21,087
The Child Care Enterprise Fund transferred to the Child Development Fund Non-Major Governmental Fund for program contributions.	29,175
	$ 50,262

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2019, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities	Enterprise Fund	Fiduciary Funds
Salaries and benefits	$ 471,510	$ -	$ 12,019	$ 483,529	$ 2,720	$ -
LCFF apportionment	252,655	-	-	252,655	-	-
State categorical aid	-	-	20,358	20,358	-	-
Supplies	14,450	-	-	14,450	-	-
Services	65,630	-	606	66,236	-	5,347
Construction	-	86,666	-	86,666	-	-
Due to local educational agencies	103,745	-	-	103,745	-	-
Other vendor payables	24,264	-	-	24,264	12,086	-
Total	$ 932,254	$ 86,666	$ 32,983	$ 1,051,903	$ 14,806	$ 5,347

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2019, consisted of the following:

	General Fund
Federal financial assistance	$ 20,318

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 and Adjustments	Deductions	Balance June 30, 2019	Due in One Year
General obligation bonds	$ 15,602,863	$ 10,315,913	$ 855,682	$ 25,063,094	$ 5,715,000
Premium on issuance	-	1,031,742	38,213	993,529	
Certificates of participation	3,550,000	-	125,000	3,425,000	135,000
Discount on issuance	(43,058)	-	(3,076)	(39,982)	-
Supplemental early retirement plan (SERP)	19,860	-	19,860	-	-
Compensated absences	87,698	770	-	88,468	-
Total other postemployment benefits (OPEB) liability	4,213,128	676,541	-	4,889,669	-
	$ 23,430,491	$ 12,024,966	$ 1,035,679	$ 34,419,778	$ 5,850,000
Business-Type Activities					
Net other postemployment benefits (OPEB) liability	$ 18,693	$ (18,693)	$ -	$ -	

Payments on the General Obligation Bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments on the Certificates of Participation are made by the Debt Service Fund for Blended Component Units with transfers from the accumulation of resources by the Community Facilities District. Payments for the Supplemental Early Retirement Program are made from the General Fund. The compensated absences will be paid by the fund for which the employee worked. Net other postemployment benefits (OPEB) liability is generally paid by the General Fund.

General Obligation Bonds

The District has pledged tax revenues resulting from levies for general obligation bonds and amounts held in the Bond Interest and Redemption Fund for the repayment of outstanding general obligation bond principal and interest.

The outstanding general obligation bonded debt is as follows:

	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2018	Issued	Accreted	Redeemed	Bonds Outstanding June 30, 2019
1993 Series B	3/1/95	11/1/19	3.00-5.09%	$ 6,039,716	$ 5,397,863	$ -	$ 315,912	$ 855,682	$ 4,858,093
2012 Series 2013	4/2/13	8/1/42	4.00-5.00%	10,535,000	10,205,000	-	-	-	10,205,000
2012 Series 2018	10/10/18	8/1/45	3.00-5.00%	10,000,000	-	10,000,000	-	-	10,000,000
					$ 15,602,863	$ 10,000,000	$ 315,912	$ 855,682	$ 25,063,093

1993 General Obligation Bonds, Series B

On March 1, 1995, the District issued the 1993 General Obligation Bonds, Series B current and capital appreciation bonds in the amount of $6,039,716 (accreting to $14,944,738) to acquire and construct a middle school site. The bonds have a final maturity to occur on November 1, 2019, with interest rates ranging from 3.00 to 5.09 percent. At June 30, 2019, the 1993 General Obligation Bonds, Series B, principal balance outstanding was $4,858,093.

2012 General Obligation Bonds, Series 2013

On April 2, 2013, the District issued the 2012 General Obligation Bonds, Series 2013 in the amount of $10,535,000 to finance certain District school facilities projects. The bonds have a final maturity to occur on August 1, 2042 with interest rates ranging from 4.00 to 5.00 percent. At June 30, the 2019, 2012 General Obligation Bonds, Series 2013, principal balance outstanding was $10,205,000.

2012 General Obligation Bonds, Series 2018

On October 10, 2018, the District issued the 2012 General Obligation Bonds, Series 2018 in the amount of $10,000,000. The 2012 General Obligation Bonds, Series 2018, were issued as current interest bonds. The bonds have a final maturity to occur on August 1, 2045 with interest rates ranging from 3.00 to 5.00 percent. The net proceeds of $10,755,827 (representing the principal amount of $10,000,000 and premium of $1,031,742, less cost of issuance of $275,915) from the sale of the bonds will be used to finance the modernization and equipping of District sites and facilities and to pay the costs of issuance of the bonds. At June 30, 2019, the 2012 General Obligation Bonds, Series 2018, principal balance outstanding was $10,000,000, and unamortized premium was $993,529.

Debt Service Requirements to Maturity

The bonds mature through 2046 as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest to Maturity	Total
2020	$ 5,563,093	$ 151,907	$ 1,006,137	$ 6,721,137
2021	735,000	-	851,981	1,586,981
2022	455,000	-	828,563	1,283,563
2023	95,000	-	818,931	913,931
2024	120,000	-	816,094	936,094
2025-2029	1,090,000	-	4,000,441	5,090,441
2030-2034	2,650,000	-	3,628,850	6,278,850
2035-2039	4,650,000	-	2,820,000	7,470,000
2040-2044	6,865,000	-	1,503,250	8,368,250
2045-2046	2,840,000	-	145,000	2,985,000
Total	$ 25,063,093	$ 151,907	$ 16,419,247	$ 41,634,247

Certificates of Participation

2010 Refunding Certificates of Participation

On February 11, 2010, the Castaic Union School District Facilities Corporation issued the 2010 Refunding Certificates of Participation in the amount of $4,180,000. The net proceeds of $3,411,231 (issuance of $4,180,000 net of discount of $70,742, deposited amount to reserve fund of $384,581 and costs incurred on issuance of $313,446) were used to refund the District's outstanding 2002 Certificates of Participation, with the prepayment occurring April 1, 2010. Contributions from the District of $6,128,144 and from the 2002 Certificates of Participation principal, summary, interest and reserve funds of $2,159,536 resulted in additional funds of $8,287,680 being placed with an escrow agent to satisfy prepayment of the remaining balance of the 2002 Certificates of Participation. The certificates have a final maturity to occur on September 1, 2033 with interest rates ranging from 2.00 to 4.50 percent. At June 30, 2019, the principal balance outstanding on the 2010 Refunding Certificates of Participation was $3,425,000.

The certificates mature through 2034 as follows:

Year Ending June 30,	Principal	Interest	Total
2020	$ 135,000	$ 161,144	$ 296,144
2021	150,000	155,706	305,706
2022	160,000	149,600	309,600
2023	175,000	142,791	317,791
2024	190,000	135,144	325,144
2025-2029	1,190,000	523,763	1,713,763
2030-2034	1,425,000	178,478	1,603,478
Total	$ 3,425,000	$ 1,446,626	$ 4,871,626

Supplemental Early Retirement Plan (SERP)

The District adopted a supplemental early retirement plan whereby certain eligible employees were provided an annuity to supplement the retirement benefits they are entitled to through the California State Teachers' Retirement System. The annuities offered to the employees were paid over a five-year period. The annuities, which were purchased for nine employees who retired during the 2013-2014 school year, were purchased from United of Pacific Life Insurance Company.

In addition, the District has adopted an early retirement incentive program, pursuant to *Education Code* Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years. Eligible employees must have had five or more years of service under the State Teachers' Retirement System and retired during a period of not more than 120 days or less than 60 days from the date of the formal action taken by the District. Ten employees retired under this retirement incentive program and received a benefit.

The District's liability for these programs has been fulfilled.

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2019, amounted to $88,468.

Total Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2019, the District reported total OPEB liability, deferred inflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Total OPEB Liability	Deferred Outflows of Resources	Defered Inflows of Resources	OPEB Expense
District Plan	$ 4,889,669	$ 341,119	$ 289,386	$ 317,965

The details of this plan is as follows:

District Plan

Plan Administration

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

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	36
Active employees	195
	231

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 Castaic Teacher Association (CTA), 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, CTA, CSEA, and the unrepresented groups. For fiscal year 2018-2019, the District paid $22,735 in benefits (including implicit rate subsidies).

Total OPEB Liability of the District

The District's total OPEB liability of $4,889,669 was measured as of June 30, 2019, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2018.

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total liability to June 30, 2019. The following assumptions were applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00	percent
Salary increases	3.00	percent, average, including inflation
Investment rate of return	3.13	percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	5.00	percent for 2019

The discount rate was based on the Municipal Bond 20-Year High Grade Rate Index blended with the long-term expected return of plan investments (if any).

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Table for Males or Females, as appropriate. 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, 2019 valuation were based on the results of an actual experience study for the period July 1, 2017, to June 30, 2018.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.13 percent. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB lability.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2018	$ 4,213,128
Service cost	162,870
Interest	152,107
Changes of assumptions or other inputs	384,299
Benefit payments	(22,735)
Net change in total OPEB liability	676,541
Balance at June 30, 2019	$ 4,889,669

Change to the benefit terms: No changes to benefits noted from prior evaluation.

Changes of assumptions and other inputs reflect a change in the discount rate from 3.13 percent in 2018 to 3.62 percent in 2019.

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 (2.13%)	$ 5,818,120
Current discount rate (3.13%)	4,889,669
1% increase (4.13%)	4,147,096

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 (4.0%)	$ 4,878,444
Current healthcare cost trend rate (5.0%)	4,889,669
1% increase (6.0%)	4,904,173

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of $317,965. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Defered Inflows of Resources
Changes of assumptions	$ 341,119	$ 289,386

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	$ 2,988
2020	2,988
2021	2,988
2022	2,988
2022	2,988
Thereafter	36,793
	$ 51,733

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 No. 92-1 with a remaining balance as of June 30, 2019, of $1,780,000.

NOTE 11 - FUND BALANCES

Fund balances with are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Restricted					
Legally restricted programs	$ 723,274	$ -	$ -	$ -	$ 723,274
Capital projects	-	9,966,094	-	1,114,409	11,080,503
Debt services	-	-	7,959,219	400,505	8,359,724
Total Restricted	723,274	9,966,094	7,959,219	1,514,914	20,163,501
Assigned					
Class size penalty	35,237	-	-	-	35,237
Capital projects	-	-	-	39,467	39,467
Total Assigned	35,237	-	-	39,467	74,704
Unassigned					
Unassigned	6,110,408	-	-	215,709	6,326,117
Total	$ 6,868,919	$ 9,966,094	$ 7,959,219	$ 1,770,090	$ 26,564,322

NOTE 12 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2019, the District contracted with Self-Insurance Risk Management Authority (SIRMA) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year ending June 30, 2019, the District participated in Protected Insurance Program for Schools (PIPS) joint powers authority for workers' compensation. The intent of PIPS is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in PIPS. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in PIPS. Each participant pays its workers' compensation premium based on its individual rate.

Employee Medical Benefits

The District purchases medical, dental, and vision insurance from commercial insurance companies.

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	$ 15,255,658	$ 3,859,226	$ 6,464,423	$ 1,192,639
CalPERS	6,170,944	1,733,100	106,398	1,038,767
Total	$ 21,426,602	$ 5,592,326	$ 6,570,821	$ 2,231,406

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 non-employer 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 $1,441,911.

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	$ 15,255,658
State's proportionate share of the net pension liability associated with the District	8,734,577
Total	$ 23,990,235

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 period June 30, 2018 and June 30, 2017, respectively, was 0.0166 percent and 0.0175 percent, resulting in a net decrease in the proportionate share of 0.0009 percent.

For the year ended June 30, 2019, the District recognized pension expense of $1,192,639. In addition, the District recognized pension expense and revenue of $1,029,116 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	$ 1,441,911	$ -
Net change in proportionate share of net pension liability	-	5,655,389
Differences between projected and actual earnings on pension plan investments	-	587,438
Differences between expected and actual experience in the measurement of the total pension liability	47,307	221,596
Changes of assumptions	2,370,008	-
Total	$ 3,859,226	$ 6,464,423

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	$ 127,550
2021	(92,554)
2022	(492,838)
2023	(129,596)
Total	$ (587,438)

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 seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ (980,125)
2021	(980,125)
2022	(980,126)
2023	(628,561)
2024	214,188
Thereafter	(104,921)
Total	$ (3,459,670)

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%)	$ 22,347,753
Current discount rate (7.10%)	15,255,658
1% increase (8.10%)	9,375,622

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 are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. 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 $589,169.

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 $6,170,944. 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 period June 30, 2018 and June 30, 2017, respectively, was 0.0231 percent and 0.0226 percent, resulting in a net increase in the proportionate share of 0.0005 percent.

For the year ended June 30, 2019, the District recognized pension expense of $1,038,767. 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	$ 589,169	$ -
Net change in proportionate share of net pension liability	72,631	106,398
Differences between projected and actual earnings on pension plan investments	50,615	-
Differences between expected and actual experience in the measurement of the total pension liability	404,544	-
Changes of assumptions	616,141	-
Total	$ 1,733,100	$ 106,398

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	$ 184,100
2021	44,025
2022	(141,088)
2023	(36,422)
Total	$ 50,615

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 4.0 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2020	$ 378,882
2021	450,577
2022	157,459
Total	$ 986,918

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%)	$ 8,984,599
Current discount rate (7.15%)	6,170,944
1% increase (8.15%)	3,836,614

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 $806,156 (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 budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

Senate Bill 90 (Chapter 33, Statues 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.*

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2019.

Litigation

The District is involved in various litigations 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.

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWERS AUTHORITIES

The District is a member of the Self Insurance Risk Management Authority (SIRMA I and SIRMA II) and Santa Clarita Valley School Food Services Agency (SCVSFSA) Joint Powers Authorities (JPAs). The District pays a premium to SIRMA I for workers compensation insurance. The District pays an annual premium to SIRMA II for its property liability coverage. Payments for the food services received are paid to the SCVSFSA. The relationships between the District 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 available from the respective entities.

During the year ended June 30, 2019 the District made payments of $342,778, $205,257, and $18,536, to SIRMA I, SIRMA II, and SCVSFSA, respectively, for services received.

REQUIRED SUPPLEMENTARY INFORMATION

CASTAIC UNION SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Local Control Funding Formula	$ 17,663,095	$ 17,824,053	$ 17,771,814	$ (52,239)
Federal sources	800,803	977,765	1,034,334	56,569
Other State sources	1,387,771	1,964,968	2,786,157	821,189
Other local sources	1,435,757	1,739,384	1,955,294	215,910
Total Revenues [1]	21,287,426	22,506,170	23,547,599	1,041,429
EXPENDITURES				
Current				
Certificated salaries	8,951,275	8,789,104	8,917,807	(128,703)
Classified salaries	3,850,108	3,942,139	3,943,476	(1,337)
Employee benefits	4,874,661	4,890,624	5,687,633	(797,009)
Books and supplies	568,990	1,010,668	830,868	179,800
Services and operating expenditures	2,485,145	2,357,708	2,295,876	61,832
Other outgo	680,000	425,000	432,733	(7,733)
Capital outlay	215,000	201,455	201,454	1
Total Expenditures [1]	21,625,179	21,616,698	22,309,847	(693,149)
Excess (Deficiency) of Revenues Over Expenditures	(337,753)	889,472	1,237,752	348,280
Other Financing Sources (Uses)				
Transfers in	-	-	21,087	21,087
Transfers out	-	(39,266)	-	39,266
Net Financing Sources (Uses)	-	(39,266)	21,087	60,353
NET CHANGE IN FUND BALANCE	(337,753)	850,206	1,258,839	408,633
Fund Balance - Beginning	5,610,080	5,610,080	5,610,080	-
Fund Balance - Ending	$ 5,272,327	$ 6,460,286	$ 6,868,919	$ 408,633

[1] On behalf payments of $806,156 are included in the actual revenues and expenditures and have also been included in the budgeted amounts. In addition, due to the consolidation of fund 14, Deferred Maintenance Fund for reporting purposes into the General Fund, additional revenues and expenditures pertaining to his fund has been included in the Actual (GAAP Basis) revenues and expenditures, however, are not included in the original and final General Fund budget. On behalf payments of $795,379 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.

CASTAIC UNION 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	$ 162,870	$ 180,984
Interest	152,107	134,015
Changes of assumptions	384,299	(369,770)
Benefit payments	(22,735)	(27,253)
Net change in total OPEB liability	676,541	(82,024)
Total OPEB liability - beginning	4,213,128	4,295,152
Total OPEB liability - ending	$ 4,889,669	$ 4,213,128
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.

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CASTAIC UNION SCHOOL DISTRICT

SCHEDULE OF DISTRICT 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	0.0166%	0.0175%
District's proportionate share of the net pension liability	$ 15,255,658	$ 16,191,300
State's proportionate share of the net pension liability associated with the District	8,734,577	9,578,636
Total	$ 23,990,235	$ 25,769,936
District's covered - employee payroll	$ 8,970,908	$ 9,285,835
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	170.06%	174.37%
Plan fiduciary net position as a percentage of the total pension liability	71%	69%
CalPERS		
District's proportion of the net pension liability	0.0231%	0.0226%
District's proportionate share of the net pension liability	$ 6,170,944	$ 5,403,336
District's covered - employee payroll	$ 3,053,802	$ 2,889,149
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	202.07%	187.02%
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
0.0191%	0.0268%	0.0298%
$ 15,412,196	$ 18,017,953	$ 17,438,928
8,773,888	9,529,511	10,530,377
$ 24,186,084	$ 27,547,464	$ 27,969,305
$ 9,686,738	$ 12,400,957	$ 12,960,591
159.11%	145.29%	134.55%
70%	74%	77%
0.0230%	0.0257%	0.0272%
$ 4,550,610	$ 3,784,591	$ 3,092,967
$ 2,748,308	$ 2,854,813	$ 2,891,200
165.58%	132.57%	106.98%
74%	79%	83%

CASTAIC UNION SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
CalSTRS		
Contractually required contribution	$ 1,441,911	$ 1,294,502
Contributions in relation to the contractually required contribution	1,441,911	1,294,502
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 8,856,947	$ 8,970,908
Contributions as a percentage of covered - employee payroll	16.28%	14.43%
CalPERS		
Contractually required contribution	$ 589,169	$ 474,286
Contributions in relation to the contractually required contribution	589,169	474,286
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 3,261,926	$ 3,053,802
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
$ 1,168,158	$ 1,039,387	$ 1,101,205
1,168,158	1,039,387	1,101,205
$ -	$ -	$ -
$ 9,285,835	$ 9,686,738	$ 12,400,957
12.58%	10.73%	8.88%
$ 401,245	$ 325,592	$ 336,040
401,245	325,592	336,040
$ -	$ -	$ -
$ 2,889,149	$ 2,748,308	$ 2,854,813
13.888%	11.847%	11.771%

CASTAIC UNION SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

This schedule presents 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.

At June 30, 2019, the District General Fund exceeded the budgeted amount in total as follows:

	Expenditures		
	Budget	Actual*	Excess
General Fund	$ 21,655,964	$ 22,309,847	$ 653,883

* Includes on behalf payments of $795,379 related to Senate Bill 90.

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.

Change to the benefit terms– No changes to benefits noted from prior evaluation.

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.

CASTAIC UNION SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

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

CASTAIC UNION SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal 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 - Low Income and Neglected	84.010	14329	$ 404,114
Title II, Part A - Improving Teacher Quality	84.367	14341	55,659
Title III, Part A - Limited English Proficient Student Program	84.365	14346	24,203
Passed through Santa Clarita Valley SELPA			
Individuals with Disabilities Education Act			
Special Education (IDEA) Cluster			
Local Assistance Entitlement	84.027	13379	325,367
Private School Grant, Part B Section 611	84.027	10115	6,973
Preschool Grant, Part B, Section 619	84.173	13430	12,542
Preschool Staff Development	84.173A	13431	143
Subtotal Special Education (IDEA) Cluster			345,025
Total U.S. Department of Education			829,001
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services			
Medicaid Cluster			
Medi-Cal Billing Option	93.778	10013	65,381
Subtotal Medicaid Cluster			65,381
U.S. DEPARTMENT OF AGRICULTURE			
Child and Adult Care Food Program	10.558	13393	3,619
Forest Service Schools and Roads Cluster			
Forest Reserve	10.665	10044	93,343
Subtotal Forest Service Schools and Roads Cluster			93,343
Total U.S. Department of Agriculture			96,962
Total Expenditures and Federal Awards			$ 991,344

See accompanying note to supplementary information.

CASTAIC UNION SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2019

ORGANIZATION

The Castaic Union School District (the District) was organized on March 25, 1889, 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 - 8 as mandated by the State and/or Federal agencies. The District operates three elementary schools and one middle school. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Stacy Dobbs	President	2020
Fred Malcomb	Clerk	2020
Mayreen Burk	Member	2022
Laura Pearson	Member	2022
John Richard	Member	2022

ADMINISTRATION

NAME	TITLE
Steve Doyle	Superintendent
Linette Hodson	Chief Business Official
Janene Maxon	Assistant Superintendent, Educational Services
Julia Phippen	Supervisor of Fiscal Services
Kim Tredick	Director, Student Support Services
Jaime Garcia	Director, Facilities

See accompanying note to supplementary information.

CASTAIC UNION SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2019

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	813.78	814.54
Fourth through sixth	624.72	625.45
Seventh and eighth	521.66	517.76
Total Regular ADA	1,960.16	1,957.75
Extended Year Special Education		
Transitional kindergarten through third	15.83	7.32
Fourth through sixth	13.69	5.24
Seventh and eighth	3.95	0.64
Total Extended Year Special Education	33.47	13.20
Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.98	0.93
Total ADA	1,994.61	1,971.88

See accompanying note to supplementary information.

CASTAIC UNION 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	54,520	180	-	Complied
Grades 1 - 3	50,400				
Grade 1		54,520	180	-	Complied
Grade 2		54,520	180	-	Complied
Grade 3		54,520	180	-	Complied
Grades 4 - 6	54,000				
Grade 4		54,520	180	-	Complied
Grade 5		54,520	180	-	Complied
Grade 6		54,520	180	-	Complied
Grades 7 - 8	54,000				
Grade 7		58,216	180	-	Complied
Grade 8		58,216	180	-	Complied

See accompanying note to supplementary information.

CASTAIC UNION SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Summarized below are the net position reconciliations between the Unaudited Actual Financial Report and the audited financial statements:

	Debt Service Fund for Blended Component Unit
NET POSITION	
Balance, June 30, 2019, Unaudited Actuals	$ 400,505
Decrease in:	
Accounts payable	215,709
Balance, June 30, 2019, Audited Financial Statements	$ 616,214

See accompanying note to supplementary information.

CASTAIC UNION SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019

	(Budget) 2020 [1]	2019	2018	2017
GENERAL FUND [3]				
Revenues	$ 21,081,236	$ 22,751,974	$ 22,208,042	$ 22,735,436
Other sources and transfer in	-	21,087	-	-
Total Revenues and Other Sources	21,081,236	22,773,061	22,208,042	22,735,436
Expenditures	21,572,385	21,513,260	21,417,969	20,429,396
Other uses and transfers out	-	-	115,174	126,196
Total Expenditures and Other Uses	21,572,385	21,513,260	21,533,143	20,555,592
INCREASE (DECREASE) IN FUND BALANCE	$ (491,149)	$ 1,259,801	$ 674,899	$ 2,179,844
ENDING FUND BALANCE	$ 6,377,771	$ 6,868,920	$ 5,609,119	$ 4,934,220
AVAILABLE RESERVES [2]	$ 5,856,637	$ 6,110,408	$ 5,050,383	$ 4,103,703
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO [4]	27.15%	28.40%	23.45%	19.96%
LONG-TERM OBLIGATIONS	N/A	$ 34,419,778	$ 23,430,491	$ 27,249,797
K-12 AVERAGE DAILY ATTENDANCE AT P-2	1,841	1,995	2,089	2,172

The General Fund balance has increased by $1,934,700 over the past two years. The fiscal year 2019-2020 budget projects a decrease of $491,149 (7.15 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 each of the past three years but anticipates incurring an operating deficit during the 2019-2020 fiscal year. Total long-term obligations has increased by $7,169,981 over the past two years.

Average daily attendance has decreased by 177 over the past two years. An additional decline of 154 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 contained with the General Fund.

[3] General Fund amounts do not include activity related to the consolidation of Fund 14, Deferred Maintenance Fund, as required by GASB Statement No. 54.

[4] On behalf payments of $795,379 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.

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CASTAIC UNION SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019

	Child Development Fund	Capital Facilities Fund	County School Facilities Fund
ASSETS			
Deposits and investments	$ 28,872	$ 713,623	$ 78,395
Receivables	1,030	3,682	429
Total Assets	$ 29,902	$ 717,305	$ 78,824
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 29,902	$ 3,081	$ -
Fund Balances:			
Restricted	-	714,224	78,824
Assigned	-	-	-
Unassigned	-	-	-
Total Fund Balances	-	714,224	78,824
Total Liabilities and Fund Balances	$ 29,902	$ 717,305	$ 78,824

See accompanying note to supplementary information.

Special Reserve Fund for Capital Outlay Projects	Capital Project Fund for Blended Component Units	Debt Service Fund for Blended Component Unit	Total Non-Major Governmental Funds
$ 39,252	$ 320,154	$ 616,214	$ 1,796,510
215	1,207	-	6,563
$ 39,467	$ 321,361	$ 616,214	$ 1,803,073
$ -	$ -	$ -	$ 32,983
-	321,361	400,505	1,514,914
39,467	-	-	39,467
-	-	215,709	215,709
39,467	321,361	616,214	1,770,090
$ 39,467	$ 321,361	$ 616,214	$ 1,803,073

CASTAIC UNION SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	Child Development Fund	Capital Facilities Fund	County School Facilities Fund
REVENUES			
Federal sources	$ 3,619	$ -	$ -
Other State sources	208,524	-	-
Other local sources	6,291	297,162	1,617
Total Revenues	218,434	297,162	1,617
EXPENDITURES			
Current			
Instruction	216,642	-	-
Instruction-related activities:			
Supervision of instruction	25,677	-	-
Administration:			
All other administration	-	-	-
Plant services	5,290	78,745	-
Facility acquisition and construction	-	132	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	247,609	78,877	-
Excess (Deficiency) of Revenues Over Expenditures	(29,175)	218,285	1,617
Other Financing Sources			
Transfers in	29,175	-	-
NET CHANGE IN FUND BALANCES	-	218,285	1,617
Fund Balances - Beginning	-	495,939	77,207
Fund Balances - Ending	$ -	$ 714,224	$ 78,824

See accompanying note to supplementary information.

Special Reserve Fund for Capital Outlay Projects	Capital Project Fund for Blended Component Units	Debt Service Fund for Blended Component Unit	Total Non-Major Governmental Funds
$ -	$ -	$ -	$ 3,619
-	-	-	208,524
674	5,513	509,538	820,795
674	5,513	509,538	1,032,938
-	-	-	216,642
-	-	-	25,677
-	-	2,310	2,310
-	-	-	84,035
-	-	-	132
-	-	125,000	125,000
-	203	165,863	166,066
-	203	293,173	619,862
674	5,310	216,365	413,076
-	-	-	29,175
674	5,310	216,365	442,251
38,793	316,051	399,849	1,327,839
$ 39,467	$ 321,361	$ 616,214	$ 1,770,090

CASTAIC UNION 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 Billing Option 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.

	CFDA Number	Amount
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balances:		$ 1,037,953
Medi-Cal Billing Option	93.778	(46,609)
Total Schedule of Expenditures of Federal Awards		$ 991,344

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District 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.

CASTAIC UNION SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2019

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.

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

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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
Castaic Union School District
Valencia, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Castaic Union 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 Castaic Union School District's basic financial statements, and have issued our report thereon dated December 11, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Castaic Union School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Castaic Union School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Castaic Union School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-001 to be a material weakness.

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. We identified no additional significant deficiencies.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Castaic Union School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Castaic Union School District in a separate letter dated December 11, 2019.

Castaic Union School District's Response to Findings

Castaic Union School District's response to the findings identified in our audit are described in the accompanying schedule findings and questioned costs Castaic Union School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Rancho Cucamonga, California
December 11, 2019

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

Governing Board
Castaic Union School District
Valencia, California

Report on Compliance for Each Major Federal Program

We have audited Castaic Union 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 Castaic Union School District's major Federal programs for the year ended June 30, 2019. Castaic Union School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the 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 Castaic Union School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Castaic Union School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Castaic Union School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2019.

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Report on Internal Control over Compliance

Management of Castaic Union School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Castaic Union School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Castaic Union School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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 11, 2019

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CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Castaic Union School District
Valencia, California

Report on State Compliance

We have audited Castaic Union 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 Castaic Union School 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 Castaic Union School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *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 Castaic Union School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Castaic Union School District's compliance with those requirements.

Basis for Qualified Opinion on Classroom Teacher Salaries and Comprehensive School Safety Plan

As described in the accompanying schedule of findings and questioned costs as items 2019-002 and 2019-003, Castaic Union School District did not comply with requirements regarding *Classroom Teacher Salaries* and *Comprehensive School Safety Plan*. Compliance with such requirements is necessary, in our opinion, for Castaic Union School District to comply with the requirements applicable to these programs.

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Qualified Opinion on Classroom Teacher Salaries and Comprehensive School Safety Plan

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Castaic Union School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2019.

Unmodified Opinion on Each of the Other Programs

In our opinion, Castaic Union School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2019, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

In connection with the audit referred to above, we selected and tested transactions and records to determine the Castaic Union School District's compliance with the State laws and regulations applicable to the following items:

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	No, 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	No, see below
After School	No, see below
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

	Procedures Performed
CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

We did not perform testing for the Independent Study program because the average daily attendance for the program was below the materiality threshold as indicated in the 2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.

The District does not offer a Continuation Education program; therefore, we did not perform procedures related to 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 have any Middle or Early College High Schools; therefore, we did not perform any procedures related to Middle or Early College High Schools.

The District does not offer an Apprenticeship Program; therefore, we did not perform any procedures for the Apprenticeship Program.

The District does not offer a District of Choice Program; therefore, we did not perform procedures for the District of Choice Program.

The District does not offer an After/Before School Education and Safety Program; therefore, we did not perform any procedures related to the After/Before School Education and Safety Program.

The District does not offer an Independent Study Course-Based Program; therefore, we did not perform any procedures related to the Independent Study Course-Based Program

The District does not have any Charter Schools; therefore, we did not perform any procedures for Charter School Programs.

Ede Sally LLP

Rancho Cucamonga, California
December 11, 2019

Schedule of Findings and Questioned Costs

CASTAIC UNION 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?	Yes
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 Numbers	Name of Federal Program or Cluster
84.027, 84.173, and 84.173A	Special Education (IDEA) Cluster

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

Unmodified for all programs except for the following programs which were qualified:

Name of Programs
Classroom Teacher Salaries
Comprehensive School Safety Plan

CASTAIC UNION SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

The following finding represents a material weakness related to the financial statements that is required to be reported in accordance with *Government Auditing Standards*. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
30000	Internal Control

2019-001 Code 30000

Criteria or Specific Requirements

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 are included on the balance sheet.

Condition

The District accrued a payable as of June 30, 2019, for the certificates of participation debt service payment due on August 1, 2019.

Questioned costs

There are no questioned costs associated with this finding.

Context

We noted the condition in our audit of accounts payable in Fund 52, Debt Service Fund for Blended Component Units.

Effect

The ending fund balance in Fund 52, Debt Service Fund for Blended Component Units, was understated by $215,709.

Cause

The situation was caused by an error in the evaluation of the debt service payment.

Recommendation

The District should review all accruals to ensure that they are properly posted.

Corrective Action Plan

This accrual error happened during the transition from one accounting system to another during year end closing. The District will more closely monitor all accruals to ensure they are properly posted.

CASTAIC UNION SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

CASTAIC UNION SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
40000	State Compliance
61000	Classroom Teacher Salaries

2019-002 Code 61000 State Compliance, Classroom Teacher Salaries

Criteria or Specific Requirements

Education Code Section 41372 requires that the payment of classroom teacher salaries and benefits meet or exceed 60 percent (as required for elementary districts) of total current expense of the district, as calculated using Form CEA of the Standardized Account Code Structure Financial Reporting Software, Version 2018.2.0 (SACS Software).

Condition

The District's current expense of education totaled $19,576,046. The District spent 59.82 percent, or $11,710,222, on classroom teacher salaries and benefits. This is below the 60 percent requirement.

Questioned Costs

The deficiency is calculated to be $35,267, or 0.18 percent of total expenditures.

Context

We noted the deficiency in our review of Form CEA as generated from the SACS Software.

Effect

The deficiency is calculated to be $35,267, or 0.18 percent of total expenditures. Therefore, the District does not comply with *Education Code* Section 41372.

Cause

Due to the implementation of the adopted Local Control Accountability Plan, the District has spent more of its funding on support staff, instructional materials, and technology to enhance student learning and success.

Recommendation

We recommend that the District continue to monitor the status of the waiver request that has been submitted to the Los Angeles County Office of Education.

Corrective Action Plan

The District has made substantial progress toward meeting the required 60 percent for classroom teacher salaries and benefits. In 2018-2019 our deficiency was 0.18 percent versus 0.87 percent in 2017-2018. We will continue to monitor expenditures with the goal of meeting or exceeding the requirement in future years. A waiver was filed and approved by LACOE so the $35,267 penalty will not be assessed.

2019-003 Code 40000 State Compliance, Comprehensive School Safety Plan

Criteria or Specific Requirements

Education Code Section 32288 requires that each site shall forward it comprehensive school safety plan to the school district or county office of education for approval. The code also specifies a process for gathering input from members of the school community and the public. *Education Code Section* 32282 specifies the components to be addressed by the Plan.

Condition

The District was unable to demonstrate that its comprehensive school safety plans had been approved at the District level.

Questioned Costs

There are no questioned costs associated with this condition.

Context

We noted the deficiency during our review of the comprehensive school safety plan approval process.

Effect

The effect of the deficiency is a lack of district approval of the comprehensive school safety plans.

Cause

It appears that the District was not aware of its responsibility to document it review and approval of the comprehensive school safety plans developed by the sites.

Recommendation

We recommend that the District ensure that the sites have developed plans that meet the required criteria by reviewing the plans each year.

Corrective Action Plan

District staff updated the template for the Comprehensive Safety Plans and presented the template at the August 1, 2019 Administrator Meeting. Updated Board Policy and Administrative Regulation 0450 was approved at the September 12, 2019 Governing Board Meeting. Updated Comprehensive Safety Plans were approved for all of the four school sites at the October 10, 2019 Governing Board Meeting. Annual approval of the Comprehensive Safety Plans was added to the "Standard Board Agenda Schedule" for the month of November.

CASTAIC UNION SCHOOL DISTRICT

SUMMARY SCHEDULE FINDINGS AND QUESTIONED COSTS 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.

State Awards Findings

2018-001 61000 State Compliance

Criteria or Specific Requirements

Education Code Section 41372 requires that the payment of classroom teacher salaries and benefits meet or exceed 60 percent (as required for elementary districts) of total current expense of the district, as calculated using Form CEA of the Standardized Account Code Structure Financial Reporting Software, Version 2018.2.0 (SACS Software).

Condition

The District's current expense of education totaled $19,701,368. The District spent 59.13 percent, or $11,649,621, on classroom teacher salaries and benefits. This is below the 60 percent requirement.

Questioned Costs

The deficiency is calculated to be $171,402, or 0.87 percent of total expenditures.

Context

We noted the deficiency in our review of Form CEA as generated from the SACS Software.

Effect

The deficiency is calculated to be $171,402, or 0.87 percent of total expenditures. Therefore, the District does not comply with *Education Code* Section 41372.

Cause

Due to the implementation of the adopted Local Control Accountability Plan, the District has spent more of its funding on support staff, instructional materials, and technology to enhance student learning and success.

Recommendation

We recommend that the District continue to monitor the status of the waiver request that has been submitted to the Los Angeles County Office of Education.

Current Status

Not implemented – see finding 2019-003.

Management
Castaic Union School District
Valencia, California

In planning and performing our audit of the financial statements of Castaic Union 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 11, 2019, on the government-wide financial statements of the District.

ASSOCIATED STUDENT BODY FUNDS (ASB)

Castaic Middle School

Observations

During our review of the ASB, we noted the following:

- Of ten bank deposits selected for testing, three were not deposited timely. The delay in deposits ranged from 11 to 15 days.
- One of the four revenue potential forms reviewed was not properly completed. The forms did not include information on the inventory purchased for the event and the disposition of the unsold inventory. Although the actual revenue and actual expenditures for the fundraiser are documented, there is no explanation of the difference between budgeted and actual revenue.
- Although the bank account reconciliation selected for testing was prepared properly, it was not signed by the preparer. There was no indication that the bank account reconciliation had been reviewed.

Recommendations

- ASB receipts should be deposited weekly at a minimum to minimize the amount of cash held at the site. During weeks of high cash collections, there may be a need for more frequent deposits.
- The ASB should require that a revenue potential form be completed for each fundraising event. As the revenue potential form is a vital internal control tool, it should be used to document potential revenue, actual revenue, expenditures, and inventory purchased for sale. This allows an analysis of the fundraiser to be conducted, indicating to the students and 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, such as lost or stolen merchandise or problems with collecting all moneys due.

- The review of the bank account reconciliation by a person independent of the disbursement process is an important component of an internal control system. The reviewer should review activity in the account to note that checks are issued in sequential order, there are no unusual patterns for check amounts, outstanding deposits are posted on the subsequent statement, and most checks clear within a reasonable time.

We will review the status of the current year comments during our next audit engagement.

Eide Bailly LLP

Rancho Cucamonga, California
December 11, 2019

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APPENDIX C

FORM OF SPECIAL COUNSEL OPINION

Upon the execution and delivery of the Certificates, Orrick, Herrington & Sutcliffe LLP, Special Counsel to the District, proposes to render its final approving opinion in substantially the following form:

[Date of Delivery]

Castaic Union School District
Valencia, California

Castaic Union School District
Certificates of Participation (2020 Refunding)
(Final Opinion)

Ladies and Gentlemen:

We have acted as special counsel to the Castaic Union School District (the "District") in connection with the execution and delivery of the Castaic Union School District Certificates of Participation (2020 Refunding) (the "Certificates"), evidencing principal in the aggregate amount of $_____, pursuant to the Trust Agreement, dated as of June 1, 2020 (the "Trust Agreement"), by and among U.S. Bank National Association, as trustee (the "Trustee"), the Castaic Union 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 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, dated _____, 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 June 1, 2020, is by and between the CASTAIC UNION 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 Castaic Union School District Certificates of Participation (2020 Refunding) (the "Certificates"), evidencing principal in the aggregate amount of $_____, pursuant to the Trust Agreement, dated as of the date hereof (the "Trust Agreement"), by and among the Trustee, the Castaic Union 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 Castaic Union School District Certificates of Participation (2020 Refunding), executed and delivered pursuant to the Trust Agreement.

"Disclosure Representative" means the [Chief Business Official] 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 Castaic Union 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 _____, 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 June 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 Revnues, 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) Assessed value of taxable property within the District and the District's total property tax levy, in each case for the current fiscal year.

(viii) 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.

(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.

CASTAIC UNION 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:	Castaic Union School District
Name of Issue:	Castaic Union School District Certificates of Participation (2020 Refunding)
Date of Issuance:	June ___, 2020

NOTICE IS HEREBY GIVEN that the Castaic Union 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 June 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 Castaic Union School District

cc: Castaic Union School District

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APPENDIX E

THE LOS ANGELES COUNTY TREASURY POOL

The Treasurer and Tax Collector of the County of Los Angeles (the "Treasurer") manages, in accordance with California Government Code Section 53600 et seq., funds deposited with the Treasurer by County school and community college districts, various special districts and some cities. State law generally requires that all moneys of the County, school districts and certain special districts be held in the County's Treasury Pool (the "Treasury Pool") as described below. The composition and value of investments under management in the Treasury Pool vary from time to time, depending on the cash flow needs of the County and the other public agencies invested in the Treasury Pool, the maturity or sale of investments, purchase of new securities and fluctuations in interest rates generally. The Treasurer maintains a website, the address of which is ***http://ttc.lacounty.gov****, on which the Treasurer periodically places information relating to the Treasury Pool. However, the information presented there is not part of this Official Statement, is not incorporated by reference herein and should not be relied upon in making an investment decision with respect to the Bonds.*

The County of Los Angeles Pooled Surplus Investments

The Treasurer and Tax Collector (the "Treasurer") of the County of Los Angeles (the "County") has the delegated authority to invest funds on deposit in the County Treasury (the "Treasury Pool"). As of March 31, 2020, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

Local Agency	Invested Funds (in billions)
County of Los Angeles and Special Districts	$13.223
Schools and Community Colleges	16.343
Discretionary Participants	3.108
Total	$32.674

The Treasury Pool participation composition is as follows:

Non-discretionary Participants	90.49%
Discretionary Participants:	
Independent Public Agencies	9.10
County Bond Proceeds and Repayment Funds	0.41
Total	100.00%

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

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

The Treasurer prepares a monthly Report of Investments (the "Investment Report") summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors. According to the Investment Report dated April 30, 2020, the March 31, 2020, book value of the Treasury Pool was approximately $32.674 billion, and the corresponding market value was approximately $32.790 billion.

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

The following table identifies the types of securities held by the Treasury Pool as of March 31, 2020:

Type of Investment	% of Pool
Certificates of Deposit	9.49%
U.S. Government and Agency Obligations	58.91
Bankers Acceptances	0.00
Commercial Paper	31.05
Municipal Obligations	0.24
Corporate Notes & Deposit Notes	0.31
Repurchase Agreements	0.00
Asset Backed Instruments	0.00
Other	0.00
	100.00%

The Treasury Pool is highly liquid. As of March 31, 2020, approximately 37% of the investments mature within 60 days, with an average of 713 days to maturity for the entire portfolio.

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The following information has been provided by DTC for use in securities offering documents, and none of the District, the Corporation or the Underwriter takes any responsibility for the accuracy or completeness thereof.

1. 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.

2. 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.

3. Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners, 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.

4. To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be

requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other 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.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. 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.

7. 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).

8. 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.

9. 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.

10. 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.

11. 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.

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APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: $ in aggregate principal amount of

Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

SPECIMEN

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

SPECIMEN

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100