NEW ISSUE—FULL BOOK-ENTRY

INSURED RATING: Standard & Poor's: "AA"
UNDERLYING RATING: Moody's: "Baa1"
See "MISCELLANEOUS – Ratings" herein

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See "TAX MATTERS" herein with respect to tax consequences relating to the Bonds.

LENNOX SCHOOL DISTRICT
(Los Angeles County, California)

$2,860,357.00
General Obligation Bonds, Election of 2007, Series 2021
(Federally Taxable)

$2,360,924.70
2021 General Obligation Refunding Bonds
(Federally Taxable)

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

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page but not otherwise defined shall have the meanings assigned thereto herein.

The Lennox School District (Los Angeles County, California) General Obligation Bonds, Election of 2007, Series 2021 (the "Series 2021 Bonds"), were authorized at an election of the registered voters of the Lennox School District (the "District") held on November 6, 2007, at which the requisite 55% of the persons voting on the proposition voted to authorize the issuance and sale of $10,700,000 aggregate principal amount of general obligation bonds of the District. The Series 2021 Bonds are being issued by the Board of Supervisors of Los Angeles County on behalf of the District to finance the acquisition, construction, modernization and equipping of District sites and facilities and to pay costs of issuance of the Series 2021 Bonds.

The Lennox School District (Los Angeles County, California) 2021 General Obligation Refunding Bonds (the "Refunding Bonds," and together with the Series 2021 Bonds, the "Bonds"), are being issued by the District to (i) refund all of the District's General Obligation Bonds, Election of 2007, Series 2012 (Bank Qualified) and (ii) pay the costs associated with the issuance of the Refunding Bonds.

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of Los Angeles County is empowered and obligated to levy such *ad valorem* taxes, without limitation as to rate or amount, upon all property within the District subject to taxation by the District (except certain personal property which is taxable at limited rates), for the payment of principal and Accreted Value of and interest on the Bonds when due.

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for The Depository Trust Company, New York, New York (collectively referred to herein as "DTC"). Purchasers of the Bonds (the "Beneficial Owners") will not receive certificates representing their interest in the Bonds, but will instead receive credit balances on the books of their respective nominees.

The Bonds will be issued as current interest bonds (the "Current Interest Bonds") and capital appreciation bonds (the "Capital Appreciation Bonds"). Interest on the Current Interest Bonds accrued from the date of delivery of the Bonds (the "Date of Delivery"), and is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2021. The Capital Appreciation Bonds are dated the Date of Delivery and accrete interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing August 1, 2021. The Capital Appreciation Bonds are payable only at maturity (unless earlier redeemed) and will not pay interest on a current basis.

Payments of principal and Accreted Value of and interest on the Bonds will be made by the designated paying agent, bond registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants (defined herein) who will remit such payments to the Beneficial Owners of the Bonds. U.S. Bank National Association has been appointed as agent of the Treasurer and Tax Collector of the County to act as Paying Agent for the Bonds.

The scheduled payment of principal and Accreted Value of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY.

BAM
BUILD AMERICA MUTUAL

The Bonds are subject to optional and mandatory sinking fund redemption as provided herein.

MATURITY SCHEDULES
(see inside front cover page)

The Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel and Disclosure Counsel. Certain matters will be passed on for the Underwriter by Kutak Rock LLP, Denver, Colorado. The Bonds, in book-entry form, will be available for delivery through The Depository Trust Company in New York, New York on or about February 18, 2021.

STIFEL

Dated: February 2, 2021

MATURITY SCHEDULES

$2,860,357.00
LENNOX SCHOOL DISTRICT
(Los Angeles County, California)
General Obligation Bonds, Election of 2007, Series 2021
(Federally Taxable)

Base CUSIP[1]: 526084

$1,115,000 Current Interest Term Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP Suffix[1]
2047	$1,115,000	3.250%	3.250%	FJ2

$1,745,357.00 Capital Appreciation Term Bonds

Maturity (August 1)	Denominational Amount	Accretion Rate	Yield	Maturity Value	CUSIP Suffix[1]
2036	$436,875.80	3.350%	3.350%	$730,000	FL7
2045	1,308,481.20	3.800	3.800	3,285,000	FH6

$2,360,924.70
LENNOX SCHOOL DISTRICT
(Los Angeles County, California)
2021 General Obligation Refunding Bonds
(Federally Taxable)

Base CUSIP[1]: 526084

$2,360,924.70 Capital Appreciation Term Bonds

Maturity (August 1)	Denominational Amount	Accretion Rate	Yield	Maturity Value	CUSIP Suffix[1]
2036	$2,360,924.70	3.350%	3.350%	$3,945,000	FK9

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

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the District. 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 issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy 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 provided by the District, has been obtained from sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

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

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

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

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

LOS ANGELES COUNTY

Board of Supervisors

Hilda L. Solis, *Chair, First District*
Holly J. Mitchell, *Supervisor, Second District*
Sheila Kuehl, *Supervisor, Third District*
Janice Hahn, *Supervisor, Fourth District*
Katherine Barger, *Supervisor, Fifth District*

LENNOX SCHOOL DISTRICT

Board of Education

Angeles Gonzalez, *President*
Dr. Angela Fajardo, *Vice President*
Karen Rodriguez-Garcia, Clerk
Alexis Aceves, *Member*
Sergio Hernández Jr., *Member*

District Administration

Dr. Scott Price, *Superintendent*
Victor Herrera, *Business Manager*

PROFESSIONAL SERVICES

Bond and Disclosure Counsel

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

Municipal Advisor

Montague DeRose and Associates, LLC
Westlake Village, California

Paying Agent, Registrar, and Transfer Agent

U.S. Bank National Association,
as agent of
Treasurer and Tax Collector of the County of Los Angeles
Los Angeles, California

Escrow Agent

U.S. Bank National Association
Los Angeles, California

Escrow Verification

Causey Demgen & Moore P.C.
Denver, Colorado

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LENNOX SCHOOL DISTRICT
(Los Angeles County, California)

$2,860,357.00
General Obligation Bonds, Election of 2007, Series 2021
(Federally Taxable)

$2,360,924.70
2021 General Obligation Refunding Bonds
(Federally Taxable)

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page and appendices hereto, provides information in connection with the sale of (i) Lennox School District (Los Angeles County, California) General Obligation Bonds, Election of 2007, Series 2021 (the "Series 2021 Bonds") and (ii) Lennox School District (Los Angeles County, California) 2021 General Obligation Refunding Bonds (the "Refunding Bonds," and together with the Series 2021 Bonds, the "Bonds").

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 offering of the Bonds to potential investors is made only by means of the entire Official Statement.

Changes Since Date of Preliminary Official Statement

The information set forth in "APPENDIX F - Los Angeles County Treasury Pool" has been updated to reflect the release of the report for the period ending December 31, 2020.

The District

The Lennox School District (the "District"), is located in Los Angeles County (the "County") formed in 1910, serves the community of Lennox, which is an unincorporated, 1.3 square-mile area of metropolitan Los Angeles situated between the cities of Hawthorne and Inglewood and the Los Angeles International Airport. The District operates a preschool, five elementary schools, and one middle school. The District has budgeted average daily attendance ("ADA") for fiscal year 2020-21 of 4,663 students and the total fiscal year 2020-21 assessed value of property within the District is $1,407,928,206.

As a result of the COVID-19 (as defined herein) pandemic, the District transitioned to distance learning for a portion of the 2019-20 school year, and has continued distanced learning for the 2020-21 school year, consistent with State mandates. See "DISTRICT FINANCIAL INFORMATION– Considerations Regarding COVID-19" herein. See also "TAX BASE FOR REPAYMENT OF BONDS – Assessed Valuations" herein regarding risks related to outbreaks of disease and other factors that may affect the assessed value of property within the District.

The District is governed by a five-member Board of Education (the "Board"), each member 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 management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations as well as the supervision of the District's other personnel. Dr. Scott Price currently serves as the District's Superintendent.

See "LENNOX SCHOOL DISTRICT" and "DISTRICT FINANCIAL INFORMATION" for information regarding the District generally and "TAX BASE FOR REPAYMENT OF BONDS" for information regarding the District's assessed valuation. The audited financial statements of the District for fiscal year ending June 30, 2019, are attached hereto as APPENDIX B, and should be read in their entirety.

Purpose of the Bonds

Series 2021 Bonds. The Series 2021 Bonds are being issued by the Board of Supervisors of Los Angeles County (the "County Board") on behalf of the District to finance the acquisition, construction, modernization and equipping of District sites and facilities, and to pay the costs of issuance of the Series 2021 Bonds.

Refunding Bonds. The Refunding Bonds are being issued to (i) refund all of the District's outstanding General Obligation Bonds, Election of 2007, Series 2012 (Bank Qualified) (the "Prior Bonds"), and (ii) pay the costs of issuing the Refunding Bonds. The Prior Bonds to be refunded with proceeds of the Refunding Bonds are collectively referred to herein as the "Refunded Bonds."

Authority for Issuance of the Bonds

The Bonds are being issued pursuant to certain provisions of the State of California Government Code and California Constitution and the Resolutions (defined herein). See "THE BONDS – Authority for Issuance" herein.

Sources of Payment for the Bonds

The Bonds are general obligations of the District payable solely from *ad valorem* taxes. The Board of Supervisors of the County is empowered and obligated to levy such *ad valorem* taxes, without limitation as to rate or amount, upon all property within the District subject to taxation by the District (except certain personal property which is taxable at limited rates), for the payment of principal and Accreted Value of and interest on the Bonds when due. See "THE BONDS – Security and Sources of Payment" and "TAX BASE FOR REPAYMENT OF BONDS" herein.

Description of the Bonds

Form and Registration. The Bonds will be issued in fully registered book-entry form only, without coupons. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. See "THE BONDS – General Provisions" and "— Book-Entry Only System" herein. Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds purchased, but will instead receive credit balances on the books of their respective nominees. In the event that the book-entry only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the applicable Resolution described herein. See "THE BONDS – Discontinuation of Book-Entry Only System; Payment to Beneficial Owners" herein.

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

Current Interest and Capital Appreciation Bonds. The Bonds will be issued as current interest bonds (the "Current Interest Bonds") and capital appreciation bonds (the "Capital Appreciation Bonds").

The Current Interest Bonds will bear periodic interest as further described herein. The Capital Appreciation Bonds are payable only at maturity and will not bear interest on a current basis. The maturity value of each Capital Appreciation Bond is equal to its Accreted Value (defined herein) upon the maturity thereof ("Maturity Value"), comprising its initial principal amount (the "Denominational Amount") and the interest accreting thereon between the date of initial delivery (the "Date of Delivery") and its respective maturity date.

Denominations. Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in the denominations of $5,000 principal amount or Maturity Value, as applicable, or any integral multiple thereof (except for one odd denomination of Capital Appreciation Bonds, if necessary).

Redemption. Certain of the Bonds are subject to optional and mandatory sinking fund redemption prior to maturity, as further described herein. See "THE BONDS – Redemption" herein.

Payments. The Bonds will be dated as of the Date of Delivery. Interest on the Current Interest Bonds accrues from the Date of Delivery, and is payable semiannually on each February 1 and August 1 (each a "Bond Payment Date"), commencing August 1, 2021. Principal of the Current Interest Bonds is payable on August 1 in the amounts and years as set forth on the inside cover page hereof.

Capital Appreciation Bonds will accrete in value from their Denominational Amounts on the Date of Delivery to their respective Maturity Values, at the Accretion Rates (defined herein) per annum set forth on the inside cover page hereof, compounded semiannually on February 1 and August 1 of each year commencing August 1, 2021. The Capital Appreciation Bonds are payable only at maturity (unless earlier redeemed) according to the amounts set forth in the Accreted Values table as shown in APPENDIX D hereto.

Payments of the principal and Accreted Value of and interest on the Bonds will be made by the designated paying agent, bond registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement through DTC Participants (defined herein) to the Beneficial Owners. U.S. Bank National Association, Los Angeles, California, has been appointed as agent of the Treasurer and Tax Collector of the County (the "Treasurer") to act as Paying Agent for the Bonds.

Bond Insurance. The scheduled payment of principal and Accreted Value of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued by Build America Mutual Assurance Company (as defined herein, "BAM"). See "THE BONDS – Bond Insurance" herein.

In the event of a default in the payment of principal or Accreted Value of or interest on the Bonds, when all or some becomes due, any Owner of such insured Bonds may have a claim under the Policy (as defined herein), expected to be issued by BAM and secured in connection with the Bonds. The Policy may not insure against redemption premium, if any, with respect to the Bonds.

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

The long-term ratings on the Bonds will be dependent in part on the financial strength of BAM and its claim paying ability. BAM'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

BAM and of the ratings on the Bonds insured by BAM will not be subject to downgrade, and such event could adversely affect the market price of the Bonds, or the marketability or liquidity for such Bonds.

Neither the District, Municipal Advisor, nor Underwriter have made independent investigations into the claims paying ability of any potential Insurer and no assurance or representation regarding the financial strength or projected financial strength of any such Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the County to levy and collect sufficient *ad valorem* property taxes to pay principal and Accreted Value of and interest on the Bonds, and the claims paying ability of any such Insurer, particularly over the life of the investment.

Tax Matters

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See "TAX MATTERS" herein.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York, on or about February 18, 2021.

Continuing Disclosure

The District has covenanted for the benefit of Owners and Beneficial Owners of the Bonds that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. "Continuing Disclosure Certificate" shall mean that certain Continuing Disclosure Certificate relating to disclosure of annual financial information and notices of certain events executed by the District as of the date of issuance and delivery of the Bonds, as it may be amended from time to time in accordance with the terms thereof. See "LEGAL MATTERS – Continuing Disclosure" herein. See also APPENDIX C – "FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto.

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. Montague DeRose and Associates, LLC, Westlake Village, California, is acting as Municipal Advisor to the District. Stradling Yocca Carlson & Rauth, a Professional Corporation, and Montague DeRose and Associates, LLC will receive compensation from the District contingent upon the sale and delivery of the Bonds. Certain matters will be passed on for the Underwriter (defined herein) by Kutak Rock LLP, Denver, Colorado. Causey Demgen & Moore P.C, will act as Verification Agent for the Refunded Bonds.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from the Lennox School District, 10319 Firmona Avenue, Lennox, California 90304, telephone: (310) 695-4000. The District may impose a charge for copying, mailing and handling.

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

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

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

THE BONDS

Authority for Issuance

Series 2021 Bonds. The Series 2021 Bonds are issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the "Act"), Article XIIIA of the California Constitution and pursuant to a resolution adopted by the Board on December 15, 2020 (the "Series 2021 District Resolution") and a resolution adopted by the County Board on January 26, 2021 (the "Series 2021 County Resolution" and together with the Series 2021 District Resolution, the "Series 2021 Resolutions").

The District received authorization at an election held on November 6, 2007 by more than fifty-five percent of the votes cast by eligible voters within the District to issue $10,700,000 aggregate principal amount of general obligation bonds (the "2007 Authorization"). The Bonds are the fourth issuance of bonds pursuant to the 2007 Authorization, and following the issuance thereof $$1,322,081.70 of the 2007 Authorization will remain unissued.

Refunding Bonds. The Refunding Bonds are issued pursuant to the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code, and pursuant to a resolution adopted by the Board on November 10, 2020 (the "Refunding Resolution," and together with the Series 2021 Resolutions, the "Resolutions").

Security and Sources of Payment

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* property taxes. The Board of Supervisors of the County is empowered and obligated to levy such *ad valorem* taxes, without limitation as to rate or amount, upon all property within the District subject to taxation thereby (except certain personal property which is taxable at limited rates), for the payment of principal and Accreted Value of and interest on the Bonds when due. Such *ad valorem* property taxes will be levied annually in addition to all other taxes in an amount sufficient to pay the principal and Accreted Value of and interest on the Bonds when due. The levies may include allowances for annual reserves, established for the purpose of avoiding fluctuating tax levies. The County, however, is not obligated to establish such reserves, and the District can make no representation that such reserves will be established by the County or that such reserves, if previously established by the County, will be maintained in the future.

Such taxes, when collected, will be placed by the County in the respective Debt Service Funds (defined herein) established by the Resolutions, which funds are required to be segregated and maintained by the County and which is designated for the payment of the series of Bonds to which such fund relates and interest thereon when due, and for no other purpose. Pursuant to the Resolutions, the District has pledged funds on deposit in the Debt Service Funds to the payment of the respective series of the Bonds to which such fund relates. Although the County is obligated to levy *ad valorem* property taxes for the payment of the Bonds as described above, and the County will maintain the Debt Service Funds, the Bonds are not a debt of the County.

Moneys in the Debt Service Funds, to the extent necessary to pay the principal and Accreted Value of and interest on the series of Bonds to which such fund relates as the same becomes due and payable, will be transferred by the County to the Paying Agent. The Paying Agent will in turn remit the funds to DTC for remittance of such principal and interest to its Participants (as defined herein) for subsequent disbursement to the respective Beneficial Owners of such Bonds.

The amount of the annual *ad valorem* property taxes levied by the County to repay the Bonds as described above will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds in any year. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rates to fluctuate. Economic and other factors beyond the District's control, such as general market decline in land values, outbreak of disease, disruption in financial markets that may reduce the availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State of California (the "State") and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood, wildfire, drought, outbreak of disease or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the respective annual tax rates. For further information regarding the District's assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" and "TAX BASE FOR REPAYMENT OF BONDS" herein.

Statutory Lien

Pursuant to Government Code Section 53515, the Bonds will be secured by a statutory lien on all revenues received pursuant to the levy and collection of *ad valorem* property taxes for the payment thereof. The lien automatically attaches, without further action or authorization by the Board, and is valid and binding from the time the Bonds are executed and delivered. The revenues received pursuant to the levy and collection of the *ad valorem* property tax will be immediately subject to the lien, and such lien will be enforceable against the District, its successor, transferees and creditors, and all other parties asserting rights therein, irrespective of whether such parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

This statutory lien, by its terms, secures not only the Bonds, but also any other bonds of the District issued after January 1, 2016 and payable, both as to principal and interest, from the proceeds of *ad valorem* taxes that may be levied pursuant to paragraphs (2) and (3) of subdivision (b) of Section 1 of Article XIII A of the California Constitution. The statutory lien provision does not specify the relative priority of obligations so secured or a method of allocation in the event that the revenues received pursuant to the levy and collection of such *ad valorem* property taxes are insufficient to pay all amounts then due and owing that are secured by the statutory lien.

Bond Insurance

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

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

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

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

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

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2020 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $505.3 million, $158.1 million and $347.2 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

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

General Provisions

The Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co. Beneficial Owners will not receive certificates representing their interests in the Bonds, but will instead receive credit balances on the books of their respective nominees.

Current Interest Bonds. Interest on the Current Interest Bonds accrues from the Date of Delivery, and is payable on each Bond Payment Date, commencing August 1, 2021. Interest on the Current Interest Bonds shall be computed on the basis of a 360-day year of twelve 30-day months. Each Current Interest Bond shall bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month immediately preceding any Bond Payment Date to and including such Bond Payment Date, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before the first Record Date (defined herein), in which event it will bear interest from the Date of Delivery. The Current Interest Bonds are issuable in denominations of $5,000 principal amount, or any integral multiple thereof, and mature on August 1, in the years and amounts set forth on the inside cover page hereof.

Capital Appreciation Bonds. Interest on each Capital Appreciation Bond is represented by the amount each such Bond accretes in value from its respective Denominational Amount on the Date of Delivery to the date for which Accreted Value is calculated. The value of a Capital Appreciation Bond as of any date (the "Accreted Value") is calculated by discounting, on a 30-day month, 360-day year basis, its Maturity Value on the basis of a constant rate (the "Accretion Rate") compounded semiannually on February 1 and August 1 of each year to the date for which an Accreted Value is calculated, and if the date for which Accreted Value is calculated is between February 1 and August 1, by pro-rating such Accreted Values to the closest prior or subsequent February 1 and August 1. The Capital Appreciation Bonds are issuable in denominations of $5,000 Maturity Value or any integral multiple thereof (except for one odd denomination, if necessary).

The Capital Appreciation Bonds will not pay interest on a periodic basis. The Capital Appreciation Bonds accrete in value from their Date of Delivery at the Accretion Rates per annum set forth on the inside cover page hereof, compounded semiannually on February 1 and August 1 of each year commencing on August 1, 2021. The Maturity Value of a Capital Appreciation Bond is equal to the Accreted Value thereof at its maturity date.

See also the maturity schedule on the inside cover page hereof, "— Annual Debt Service" herein and "APPENDIX D – ACCRETED VALUES TABLE" attached hereto.

Payments. Payment of interest on any Current Interest Bond on any Bond Payment Date will be made to the person appearing on the registration books of the Paying Agent as the registered Owner thereof as of the 15th day of the month immediately preceding such Bond Payment Date (the "Record Date"), such interest to be paid by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. The principal and Accreted Value of and redemption premiums, if any, payable on the Bonds shall be payable upon maturity upon surrender at the principal office of the Paying Agent. The principal and Accreted Value of, and interest, and redemption premiums, if any, on the Bonds shall be payable in lawful money of the United States of America. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof. So long as the Bonds are held in the book-entry system of DTC, all payments of principal and Accreted Value of and interest on the Bonds will be made by the Paying Agent to Cede & Co. (as a nominee of DTC), as the registered Owner of the Bonds.

Annual Debt Service

The following table displays the annual debt service requirements of the District for the Bonds (assuming no optional redemptions).

	Series 2021 Bonds				Refunding Bonds		
	Current Interest Bonds		Capital Appreciation Bonds				
Year Ending (August 1)	Annual Principal Payment	Annual Interest Payment(1)	Annual Principal Payment	Accreted Interest Payment(2)	Annual Principal Payment	Accreted Interest Payment(2)	Total
2021	--	$16,407.53	--	--	--	--	$16,407.53
2022	--	36,237.50	--	--	--	--	36,237.50
2023	--	36,237.50	--	--	--	--	36,237.50
2024	--	36,237.50	--	--	--	--	36,237.50
2025	--	36,237.50	--	--	--	--	36,237.50
2026	--	36,237.50	--	--	--	--	36,237.50
2027	--	36,237.50	--	--	--	--	36,237.50
2028	--	36,237.50	--	--	--	--	36,237.50
2029	--	36,237.50	$53,861.40	$17,463.60	$281,276.20	$91,198.80	480,037.50
2030	--	36,237.50	53,861.40	19,872.90	293,245.40	108,196.90	511,414.10
2031	--	36,237.50	53,861.40	22,364.10	290,253.10	120,517.65	523,233.75
2032	--	36,237.50	53,861.40	24,939.00	293,245.40	135,779.00	544,062.30
2033	--	36,237.50	53,861.40	27,600.30	299,230.00	153,335.00	570,264.20
2034	--	36,237.50	53,861.40	30,352.50	296,237.70	166,938.75	583,627.85
2035	--	36,237.50	56,853.70	35,041.70	302,222.30	186,274.30	616,629.50
2036	--	36,237.50	56,853.70	38,146.30	305,214.60	204,785.40	641,237.50
2037	--	36,237.50	3,983.20	3,416.40	--	--	43,637.10
2038	--	36,237.50	3,983.20	3,700.30	--	--	43,921.00
2039	--	36,237.50	3,983.20	3,995.00	--	--	44,215.70
2040	--	36,237.50	1,991.60	2,150.55	--	--	40,379.65
2041	--	36,237.50	7,966.40	9,237.80	--	--	53,441.70
2042	--	36,237.50	324,630.80	403,335.35	--	--	764,203.65
2043	--	36,237.50	322,639.20	428,611.50	--	--	787,488.20
2044	--	36,237.50	320,647.60	454,607.65	--	--	811,492.75
2045	--	36,237.50	318,656.00	481,344.00	--	--	836,237.50
2046	$825,000.00	36,237.50	--	--	--	--	861,237.50
2047	290,000.00	9,425.00	--	--	--	--	299,425.00
Total	$1,115,000.00	$931,770.03	$1,745,357.00	$2,006,178.95	$2,360,924.70	$1,167,025.80	$9,326,256.48

(1) Interest payments on the Current Interest Bonds will be made semiannually on February 1 and August 1 of each year, commencing August 1, 2021.

(2) The Capital Appreciation Bonds are payable only at maturity on August 1 of the years indicated on the inside cover page hereof, and interest on such Capital Appreciation Bonds is compounded semiannually on February 1 and August 1, commencing on August 1, 2021.

See “LENNOX SCHOOL DISTRICT– District Debt Structure” herein for a debt service schedule of all of the District’s outstanding general obligation bond debt.

Application and Investment of Bond Proceeds

Series 2021 Bonds. The Series 2021 Bonds are being issued to finance the acquisition, construction, modernization and equipping of District sites and facilities and to pay the costs of issuance thereof.

The net proceeds from the sale of the Series 2021 Bonds will be paid to the County to the credit of the “Lennox School District General Obligation Bonds, Election of 2007, Series 2021 Building Fund” (the “Building Fund”), and will be applied solely for the purposes for which the Series 2021 Bonds are being issued. Interest earnings in the Building Fund will be retained therein. Any excess proceeds of the Series 2021 Bonds not needed for the authorized purposes for which such Series 2021 Bonds are being issued, upon written notice from the District, will be transferred to the Series 2021 Debt Service Fund and applied to the payment of the principal and Accreted Value of and interest on the Series 2021 Bonds.

Any accrued interest or premium received by the County from the sale of the Series 2021 Bonds, as well as *ad valorem* property taxes levied by the County for the payment of the Series 2021 Bonds when collected, shall be kept separate and apart in the fund created by the Series 2021 Resolutions and designated as the “Lennox School District General Obligation Bonds, Election of 2007, Series 2021 Debt Service Fund” (the “Series 2021 Debt Service Fund”) for the Series 2021 Bonds and used only for payment of principal and Accreted Value of and interest on the Series 2021 Bonds. Any interest earnings on moneys held in the Series 2021 Debt Service Fund will be retained therein. If, after all of the Series 2021 Bonds have been redeemed or paid and otherwise cancelled, there are moneys remaining in the Series 2021 Debt Service Fund, said moneys will be transferred to the general fund of the District as provided and permitted by law.

Refunding Bonds. The proceeds from the sale of the Refunding Bonds will be used by the District to refund the Refunded Bonds and to pay the costs of issuance of the Refunding Bonds. The table on the following page reflects information on the maturities of the Prior Bonds expected to be refunded with proceeds of the Refunding Bonds.

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The table below shows information on the specific maturities of the Refunded Bonds to be refunded with proceeds of the Refunding Bonds.

REFUNDED BONDS

Lennox School District
(Los Angeles County, California
General Obligation Bonds, Election of 2007, Series 2012
(Bank Qualified)

Maturity Date (August 1)	CUSIP†	Initial Principal Amount	Outstanding Initial Principal to be Refunded	Date of Redemption	Accreted Value to be Redeemed	Redemption Price (% of Accreted Value)
2029	526084CW6	$166,235.25	$166,235.25	August 1, 2022	$295,517.25	100%
2030	526084CX4	165,168.00	165,168.00	August 1, 2022	296,604.90	100
2031	526084CY2	158,164.80	158,164.80	August 1, 2022	286,920.00	100
2032	526084CZ9	152,540.00	152,540.00	August 1, 2022	279,535.00	100
2033	526084DA3	148,008.00	148,008.00	August 1, 2022	273,992.25	100
2034	526084DB1	140,410.80	140,410.80	August 1, 2022	262,564.20	100
2035	526084DC9	137,056.50	137,056.50	August 1, 2022	258,369.60	100
3036	526084DD7	132,405.35	132,405.35	August 1, 2022	251,375.60	100

The net proceeds from the sale of the Refunding Bonds shall be deposited with U.S. Bank National Association, acting as escrow agent (the "Escrow Agent"), to the credit of the fund (the "Escrow Fund") held pursuant to an escrow agreement (the "Escrow Agreement") by and between the District and the Escrow Agent. A portion of the amount deposited in the Escrow Fund will be used to purchase certain non-callable direct and general obligations of the United States of America, or non-callable obligations the payment of which is unconditionally guaranteed by the United States of America, the principal of and interest on which will be sufficient, together with any monies deposited in the Escrow Fund and held as cash, to enable the Escrow Agent to pay the Accreted Value of the Refunded Bonds on the first optional redemption date therefor.

Any accrued interest received by the County from the sale of the Refunding Bonds, as well as *ad valorem* property taxes levied by the County for the payment of the Refunding Bonds when collected, shall be kept separate and apart in the fund created by the Refunding Resolution and designated as the "Lennox School District 2021 General Obligation Refunding Bonds Debt Service Fund" (the "Refunding Debt Service Fund" and, together with the Series 2021 Debt Service Fund, the "Debt Service Funds") for the Refunding Bonds and used only for payment of principal and interest on the Refunding Bonds. Any interest earnings on moneys held in the Refunding Debt Service Fund will be retained therein. If, after all of the Refunding Bonds have been redeemed or paid and otherwise cancelled, there are moneys remaining

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

in the Refunding Debt Service Fund, said moneys will be transferred to the general fund of the District as provided and permitted by law.

Verification. The sufficiency of the amounts on deposit in the Escrow Fund, together with realizable interest and earnings thereon, to refund the Refunded Bonds as described above will be verified by Causey Demgen & Moore P.C., as the verification agent (the "Verification Agent"). As a result of the deposit and application of funds so provided in the Escrow Agreement, and assuming the accuracy of the computations of the Underwriter and the Verification Agent, the Refunded Bonds will be defeased and the obligation of the County to levy *ad valorem* property taxes for payment of the Refunded Bonds will terminate. See "LEGAL MATTERS – Escrow Verification" herein.

Investment of Proceeds. Moneys in the Building Fund and the Debt Service Funds are expected to be invested through the County's pooled investment fund. See "APPENDIX F – LOS ANGELES COUNTY TREASURY POOL" attached hereto.

Redemption

Optional Redemption.

The Current Interest Bonds may be redeemed prior to their respective stated maturity dates at the option of the District, from any source of funds, in whole or in part, on August 1, 2030 or on any date thereafter, at a redemption price equal to the principal amount of such Current Interest Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

The Capital Appreciation Bonds may be redeemed prior to their respective stated maturity dates at the option of the District, from any source of funds, in whole or in part, on August 1, 2030 or on any date thereafter, at a redemption price equal to the Accreted Value of such Capital Appreciation Bonds as of the date fixed for redemption, without premium**.**

Mandatory Redemption. The Current Interest Bonds are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2046, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amount of such Current Interest Bonds to be so redeemed and the dates therefor and the final payment date is as indicated in the following table:

Year Ending August 1	**Principal To Be Redeemed**
2046	$825,000
2047[1]	290,000

(1) Maturity.

In the event that a portion of the Current Interest Bonds are optionally redeemed prior to maturity, the remaining mandatory sinking fund payments with respect thereto shall be reduced proportionately or as otherwise directed by the District, in integral multiples of $5,000 principal amount, in respect of the portion of such Current Interest Bonds optionally redeemed.

The Series 2021 Capital Appreciation Bonds maturing on August 1, 2036 (the "2036 Capital Appreciation Series 2021 Bonds") are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2029, at a redemption price equal to the Accreted Value thereof, as of the date fixed for redemption, without premium. The Accreted Value represented by such 2036 Capital Appreciation Series 2021 Bonds to be so redeemed and the redemption dates therefor, and the final Accreted Value payment date is as indicated in the following table:

Redemption Date (August 1)	Accreted Value
2029	$71,325.00
2030	73,734.30
2031	76,225.50
2032	78,800.40
2033	81,461.70
2034	84,213.90
2035	91,895.40
2036[(1)]	95,000.00

(1) Maturity.

In the event that a portion of the 2036 Capital Appreciation Series 2021 Bonds are optionally redeemed prior to maturity, the remaining mandatory sinking fund payments with respect thereto shall be reduced proportionately or as otherwise directed by the District, in integral multiples of $5,000 Maturity Value, in respect of the portion of such 2036 Capital Appreciation Series 2021 Bonds optionally redeemed.

The Series 2021 Capital Appreciation Bonds maturing on August 1, 2045 (the "2045 Capital Appreciation Series 2021 Bonds") are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2037, at a redemption price equal to the Accreted Value thereof, as of the date fixed for redemption, without premium. The Accreted Value represented by such 2045 Capital Appreciation Series 2021 Bonds to be so redeemed and the redemption dates therefor, and the final Accreted Value payment date is as indicated in the following table:

Redemption Date (August 1)	Accreted Value
2037	$7,399.60
2038	7,683.50
2039	7,978.20
2040	4,142.15
2041	17,204.20
2042	727,966.15
2043	751,250.70
2044	775,255.25
2045[(1)]	800,000.00

(1) Maturity.

In the event that a portion of the 2045 Capital Appreciation Series 2021 Bonds are optionally redeemed prior to maturity, the remaining mandatory sinking fund payments with respect thereto shall be reduced proportionately or as otherwise directed by the District, in integral multiples of $5,000 Maturity Value, in respect of the portion of such 2045 Capital Appreciation Series 2021 Bonds optionally redeemed.

The Refunding Bonds are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2029, at a redemption price equal to the Accreted Value thereof, as of the date fixed for redemption, without premium. The Accreted Value represented by such Refunding Bonds to be so redeemed and the redemption dates therefor, and the final Accreted Value payment date is as indicated in the following table:

Redemption Date (August 1)	Accreted Value
2029	$372,475.00
2030	401,442.30
2031	410,770.75
2032	429,024.40
2033	452,565.00
2034	463,176.45
2035	488,496.60
2036(1)	510,000.00

(1) Maturity.

In the event that a portion of the Refunding Bonds are optionally redeemed prior to maturity, the remaining mandatory sinking fund payments with respect thereto shall be reduced proportionately or as otherwise directed by the District, in integral multiples of $5,000 Maturity Value, in respect of the portion of such Refunding Bonds optionally redeemed.

Selection of Bonds for Redemption. Whenever provision is made for the optional redemption of Bonds and less than all Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, will select Bonds for redemption as so directed and if not directed, in inverse order of maturity. Within a maturity, the Paying Agent will select Bonds for redemption as directed by the District, and if not so directed, by lot. Redemption by lot will be in such manner as the Paying Agent shall determine; provided, however, that with respect to redemption by lot, the portion of any (A) Current Interest Bond to be redeemed in part will be in the principal amount of $5,000 or any integral multiple thereof, and (B) the portion of any Capital Appreciation Bond to be redeemed in part shall be in integral multiples of the Accreted Value per $5,000 Maturity Value thereof.

Redemption Notice. When redemption is authorized or required pursuant to the applicable Resolution, the Paying Agent, upon written instruction from the District, will give notice (a "Redemption Notice") of the redemption of the Bonds to be redeemed. Each Redemption Notice will specify (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount or Accreted Value of such Bond to be redeemed, and (g) the original issue date, interest rate, Accretion Rate, and stated maturity date of each Bond to be redeemed in whole or in part.

The Paying Agent will take the following actions with respect to each such Redemption Notice: (a) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given to the respective Owners of Bonds designated for redemption by registered or certified mail, postage prepaid, at their addresses appearing on the bond register; (b) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given by registered or certified mail, postage prepaid, telephonically confirmed facsimile transmission, or overnight delivery service, to the

Securities Depository; (c) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice will be given by registered or certified mail, postage prepaid, or overnight delivery service, to one of the Information Services; and (d) provide a Redemption Notice to such other persons as may be required pursuant to the Continuing Disclosure Certificate.

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

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

A certificate of the Paying Agent or the District that a Redemption Notice has been given as provided in the applicable Resolution will be conclusive as against all parties. Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given will affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each transfer of funds made by the Paying Agent for the purpose of redeeming Bonds will bear or include the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Payment of Redeemed Bonds. When a Redemption Notice has been given substantially as described above, and, when the amount necessary for the redemption of the Bonds called for redemption (principal, Accreted Value, interest, and premium, if any) is irrevocably set aside in trust for that purpose, as described in "— Defeasance," the Bonds designated for redemption in such notice will become due and payable on the date fixed for redemption thereof and upon presentation and surrender of said Bonds at the place specified in the Redemption Notice, said Bonds will be redeemed and paid at the redemption price out of such funds. All unpaid interest payable at or prior to the redemption date will continue to be payable to the respective Owners, but without interest thereon.

Partial Redemption of Bonds. Upon the surrender of any Bond redeemed in part only, the Paying Agent will authenticate and deliver to the Owner thereof a new Bond or Bonds of like series, tenor and maturity and of authorized denominations equal in principal amounts to the unredeemed portion of the Bond surrendered. Such partial redemption is valid upon payment of the amount required to be paid to such Owner, and the County and the District will be released and discharged thereupon from all liability to the extent of such payment.

Effect of Redemption Notice. If on the applicable designated redemption date, money for the redemption of the Bonds to be redeemed, together with interest accrued or accreted to such redemption date, is held by an independent escrow agent selected by the District so as to be available therefor on such redemption date as described in "—Defeasance," and if a Redemption Notice thereof will have been given substantially as described above, then from and after such redemption date, interest on the Bonds to be redeemed shall cease to accrue or accreted and become payable.

Rescission of Redemption Notice. With respect to any Redemption Notice in connection with the optional redemption of Bonds (or portions thereof) as described above, unless upon the giving of such notice such Bonds or portions thereof shall be deemed to have been defeased as described in "—Defeasance," such Redemption Notice will state that such redemption will be conditional upon the receipt by an independent escrow agent selected by the District, on or prior to the date fixed for such redemption, of the moneys necessary and sufficient to pay the principal, Accreted Value, premium, if any, and interest on, such Bonds (or portions thereof) to be redeemed, and that if such moneys shall not have been so received said Redemption Notice will be of no force and effect, no portion of the Bonds will be subject to redemption on such date and such Bonds will not be required to be redeemed on such date. In the event that such Redemption Notice contains such a condition and such moneys are not so received, the redemption will not be made and the Paying Agent will within a reasonable time thereafter (but in no event later than the date originally set for redemption) give notice to the persons to whom and in the manner in which the Redemption Notice was given that such moneys were not so received. In addition, the District will have the right to rescind any Redemption Notice, for any reason, by written notice to the Paying Agent, on or prior to the date fixed for such redemption. The Paying Agent will distribute a notice of the rescission of such Redemption Notice in the same manner as such notice was originally provided.

Bonds No Longer Outstanding. When any Bonds (or portions thereof), which have been duly called for redemption prior to maturity, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, in form satisfactory to it, and sufficient moneys shall be held irrevocably in trust for the payment of the redemption price of such Bonds or portions thereof, and, in the case of Current Interest Bonds, accrued interest thereon to the date fixed for redemption, then such Bonds will no longer be deemed outstanding and shall be surrendered to the Paying Agent for cancellation.

Book-Entry Only System

The information under this caption concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but neither the District nor the Underwriter takes any responsibility for the accuracy or completeness thereof. The District and the Underwriter cannot and do not give any assurances that DTC, Direct Participants or Indirect Participants (as defined herein) (collectively, the "DTC Participants") will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each of maturity of the Bonds of each series, each in the aggregate principal amount of such bond, and will be deposited with DTC.

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

DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. However, the information presented on such website is not incorporated herein by any reference to such website.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The Beneficial Owner is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds 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 Bonds 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds or distributions on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct

Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds or distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

So long as any of the Bonds remain outstanding, the District will cause the Paying Agent to maintain at its principal office all books and records necessary for the registration, exchange and transfer of such Bonds, which shall at all times be open to inspection by the District, and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register, exchange or transfer or cause to be registered, exchanged or transferred, on said books, Bonds as provided in the Resolutions.

In the event that the book-entry only system as described herein is no longer used with respect to the Bonds, the following provisions will govern the registration, transfer, and exchange of the Bonds.

The principal and Accreted Value of, premium, if any, and interest on the Bonds upon the redemption thereof will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the principal trust office of the Paying Agent. Interest on the Bonds will be paid by the Paying Agent by wire to a bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for Bonds of like series, tenor, maturity and Transfer Amount (which with respect to any outstanding Bonds means the principal amount or Maturity Value thereof, as applicable) upon presentation and surrender at the designated office of the Paying Agent, together with a request for exchange signed by the registered Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred only on the Bond Register only upon presentation and surrender of the Bond at the designated office of the Paying Agent, together with an assignment executed by the Owner or by a person empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall register, authenticate and deliver a new Bond or Bonds of like series and tenor and of any authorized denomination or denominations requested by the Owner equal to the Transfer Amount of the Bond surrendered and bearing or accruing interest at the same rate and maturing on the same date. Current Interest Bonds and Capital Appreciation Bonds may not be exchanged for one another

Neither the District, the County, nor the Paying Agent will be required (a) to issue or transfer any Bonds during a period beginning with the opening of business on the 16th day next preceding any Bond

Payment Date, or any date of selection of Bonds to be redeemed and ending with the close of business on the applicable Bond Payment Date, or any day on which the applicable notice of redemption is given or (b) to transfer any Bonds which have been selected or called for redemption in whole or in part.

Defeasance

All or any portion of the outstanding maturities of the Bonds of each series may be defeased prior to maturity in the following ways:

> (a) Cash: by irrevocably depositing with an independent escrow agent selected by the District an amount of cash which together with amounts transferred from the applicable Debt Service Fund (if any) is sufficient to pay and discharge all such Bonds outstanding and designated for defeasance (including all principal and Accreted Value thereof, interest thereon and redemption premium, if any) at or before their maturity date; or
>
> (b) Government Obligations: by irrevocably depositing with an independent escrow agent selected by the District noncallable Government Obligations together with cash and amounts transferred from the applicable Debt Service Fund (if any), in such amount as will, together with the interest to accrue thereon, in the opinion of an independent certified public accountant, be fully sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all principal and Accreted Value thereof, interest thereon and redemption premium, if any) at or before their maturity date;

then, notwithstanding that any Bonds shall not have been surrendered for payment, all obligations of the District with respect to all outstanding Bonds being defeased shall cease and terminate, except only the obligation of the independent escrow agent selected by the District to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) above, to the Owners of the Bonds not so surrendered and paid all sums due with respect thereto.

"Government Obligations" means direct and general obligations of the United States of America, obligations that are unconditionally guaranteed as to principal and interest by the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips), and obligations or otherwise guaranteed, directly or indirectly, as to principal and interest by a pledge of the full faith and credit of the United States of America. In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that all such obligations are rated or assessed by S&P Global Ratings ("S&P") or Moody's Investors Service ("Moody's") at least as high as direct and general obligations of the United States of America.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Bonds are expected to be applied as follows:

	Series 2021 Bonds	Refunding Bonds
Sources of Funds		
Principal Amount of Bonds	$2,860,357.00	$2,360,924.70
Total Sources	$2,860,357.00	$2,360,924.70
Uses of Funds		
Deposit to Building Fund	$2,672,076.43	--
Deposit to Escrow Fund	--	$2,202,318.75
Bond Insurance Premium	64,941.03	39,513.05
Costs of Issuance(1)	101,886.86	101,385.96
Underwriter's Discount	21,452.68	17,706.94
Total Uses	$2,860,357.00	$2,360,924.70

(1) Represents costs of issuance to be paid from proceeds of the Bonds, including municipal advisory and legal fees, printing costs, the costs and fees of the Paying Agent, fees of the Escrow Agent and other costs of issuance of the Bonds.

TAX BASE FOR REPAYMENT OF BONDS

The information in this section describes ad valorem *property taxation, assessed valuation, and other measures of the tax base of the District. The Bonds are payable solely from* ad valorem *taxes levied and collected by the County on taxable property in the District. The District's general fund is not a source for the repayment of the Bonds.*

Ad Valorem Property Taxation

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

Taxes are levied for each fiscal year on taxable real and personal property which is located within the boundaries of the District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Property not attached to land, such as personal or business property, is assessed on the "unsecured roll." A supplemental roll is developed when property changes hands or new construction is completed. The County levies and collects all property taxes for property falling within their respective taxing boundaries.

The valuation of secured property is established as of January 1 and is subsequently enrolled in August. Property taxes on the secured roll are payable in two installments, due November 1 and February 1 of the calendar year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent installment plus any additional amount determined by the Treasurer. After the second installment of taxes on the secured roll is delinquent, the tax collector shall collect a cost of $10 for preparing the delinquent tax records and giving notice of delinquency. Property on the secured roll with delinquent taxes is declared tax-defaulted on July 1 of the calendar year. Such property may thereafter be redeemed, until the right of redemption is terminated, by payment of the delinquent taxes and the delinquency penalty, plus a $15 redemption fee and a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the Treasurer.

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

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

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

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

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Assessed Valuations

The assessed valuation of property in the District is established by the tax assessing authority for the County, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the "full cash value" of the property, as defined in Article XIIIA of the California Constitution. For a discussion of how properties currently are assessed, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" herein. Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls.

The following table shows the District's assessed valuation for fiscal years 2011-12 through 2020-21. Property within the District has a total assessed valuation for fiscal year 2020-21 of $1,407,928,206.

ASSESSED VALUATIONS
Fiscal Years 2011-12 through 2020-21
Lennox School District

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2011-12	$963,186,664	--	$19,659,681	$982,846,345	--
2012-13	971,952,751	--	22,062,543	994,015,294	1.14%
2013-14	994,750,817	--	23,923,697	1,018,674,514	2.48
2014-15	1,032,943,843	--	21,916,678	1,054,860,521	3.55
2015-16	1,077,014,150	--	20,951,148	1,097,965,298	4.09
2016-17	1,118,603,985	--	20,384,090	1,138,988,075	3.74
2017-18	1,187,959,569	--	19,942,538	1,207,902,107	6.05
2018-19	1,254,070,461	--	19,608,077	1,273,678,538	5.45
2019-20	1,323,314,361	--	22,884,728	1,346,199,089	5.69
2020-21	1,386,053,042	--	21,875,164	1,407,928,206	4.59

Source: California Municipal Statistics, Inc.

Economic and other factors beyond the District's control, such as general market decline in property values, the outbreak of disease, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, drought, flood, fire, wildfire, outbreak of disease or toxic contamination, could cause a reduction in the assessed value of taxable property within the boundaries of the District. Any such reduction would result in a corresponding increase in the annual tax rates levied by the County to pay the debt service with respect to the Bonds. See "THE BONDS – Security and Sources of Payment" and "DISTRICT FINANCIAL INFORMATION –Considerations Regarding COVID-19" herein.

Appeals and Adjustments of Assessed Valuation

Under State law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization (the "SBE"), with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. Such reductions are subject to yearly reappraisals and may be adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" herein.

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

In addition to the above-described taxpayer appeals, county assessors may independently reduce assessed valuations based on changes in the market value of property, or for other factors such as the complete or partial destruction of taxable property caused by natural or man-made disasters such as earthquakes, floods, fire, drought or toxic contamination pursuant to relevant provisions of the State Constitution. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution" herein. Such reductions are subject to yearly reappraisals by the county assessor and may be adjusted back to their original values when real estate market conditions improve. Once property has regained its prior assessed value, adjusted for inflation, it once again is subject to the annual inflationary growth rate factor allowed under Article XIIIA.

No assurance can be given that property tax appeals, actions by a county assessor, or other factors in the future will not significantly reduce the assessed valuation of property within the District.

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

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Assessed Valuation of Single Family Homes

The following table shows a per-parcel analysis of single family residences within the District, in terms of their fiscal year 2020-21 assessed valuation.

ASSESSED VALUATION OF SINGLE FAMILY HOMES
Fiscal Year 2020-21
Lennox School District

	No. of Parcels	2020-21 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	1,560	$387,124,226	$248,157	$225,709

2020-21 Assessed Valuation	No. of Parcels [1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	12	0.769%	0.769%	$145,348	0.038%	0.038%
25,000 -49,999	56	3.590	4.359	2,205,757	0.570	0.607
50,000 - 74,999	64	4.103	8.462	3,846,424	0.994	1.601
75,000 - 99,999	40	2.564	11.026	3,449,139	0.891	2.492
100,000 - 124,999	68	4.359	15.385	7,708,933	1.991	4.483
125,000 - 149,999	88	5.641	21.026	12,247,288	3.164	7.647
150,000 - 174,999	131	8.397	29.423	21,251,797	5.490	13.137
175,000 - 199,999	178	11.410	40.833	33,333,725	8.611	21.747
200,000 - 224,999	140	8.974	49.808	29,704,634	7.673	29.420
225,000 - 249,999	158	10.128	59.936	37,487,478	9.684	39.104
250,000 - 274,999	115	7.372	67.308	30,100,715	7.775	46.879
275,000 - 299,999	78	5.000	72.308	22,428,087	5.794	52.673
300,000 - 324,999	67	4.295	76.603	20,898,120	5.398	58.071
325,000 - 349,999	49	3.141	79.744	16,566,123	4.279	62.350
350,000 - 374,999	39	2.500	82.244	14,112,151	3.645	65.996
375,000 - 399,999	57	3.654	85.897	22,047,633	5.695	71.691
400,000 - 424,999	50	3.205	89.103	20,656,186	5.336	77.027
425,000 - 449,999	23	1.474	90.577	10,057,495	2.598	79.625
450,000 - 474,999	34	2.179	92.756	15,705,839	4.057	83.682
475,000 - 499,999	24	1.538	94.295	11,647,015	3.009	86.690
500,000 and greater	89	5.705	100.000	51,524,339	13.310	100.000
	1,560	100.000%		$387,124,226	100.000%	

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

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Assessed Valuations and Parcels by Land Use

The following table shows an analysis of the distribution of taxable property within the District by principal land use, and the number of parcels and the secured assessed valuation of such parcels for fiscal year 2020-21.

ASSESSED VALUATION AND PARCELS BY LAND USE
Fiscal Year 2020-21
Lennox School District

Non-Residential:	**2020-21 Assessed Valuation** [1]	**% of Total**	**No. of Parcels**	**% of Total**
Commercial/Office Building	$319,027,269	23.02%	288	8.30%
Vacant Commercial	12,505,198	0.90	39	1.12
Industrial	46,194,385	3.33	31	0.89
Vacant Industrial	1,035,300	0.07	2	0.06
Recreational	173,742	0.01	1	0.03
Government/Social/Institutional	6,712,250	0.48	8	0.23
Subtotal Non-Residential	$385,648,144	27.82%	369	10.63%
Residential:				
Single Family Residence	$387,124,226	27.93%	1,560	44.94%
Condominium/Townhouse	33,997,598	2.45	98	2.82
Mobile Home Park	974,097	0.07	4	0.12
2-4 Residential Units	414,835,762	29.93	1,202	34.63
5+ Residential Units/Apartments	158,323,538	11.42	183	5.27
Vacant Residential	5,149,677	0.37	55	1.58
Subtotal Residential	$1,000,404,898	72.18%	3,102	89.37%
Total	$1,386,053,042	100.00%	3,471	100.00%

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

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Assessed Valuation by Jurisdiction

The following table shows the District's assessed valuation by jurisdiction for fiscal year 2020-21.

ASSESSED VALUATION AND PARCELS BY JURISDICTION
Fiscal Year 2020-21
Lennox School District

Jurisdiction:	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Hawthorne	$109,396,069	7.77%	$9,176,580,892	1.19%
City of Inglewood	414,430,259	29.44	13,460,370,332	3.08
Unincorporated Los Angeles County	884,101,878	62.79	117,499,724,109	0.75
Total District	$1,407,928,206	100.00%		
Los Angeles County	$1,407,928,206	100.00%	$1,708,923,809,032	0.08%

Source: California Municipal Statistics, Inc.

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Secured Tax Charges and Delinquencies

The following table shows secured *ad valorem* property tax levies within the District, and amounts delinquent as of June 30, for fiscal years 2010-11 through 2019-20.

SECURED TAX CHARGES AND DELINQUENCY RATES
Lennox School District
Fiscal Years 2010-11 through 2019-20

Fiscal Year	Secured Tax Charge [1]	Amount Delinquent June 30	% Delinquent June 30
2010-11	$610,140.72	$14,602.75	2.39%
2011-12	604,028.61	12,564.46	2.08
2012-13	613,894.29	11,002.61	1.79
2013-14	630,823.21	9,275.33	1.47
2014-15	655,107.12	9,417.45	1.44
2015-16	683,837.52	9,678.58	1.42
2016-17	707,931.22	8,389.76	1.19
2017-18	755,783.44	9,369.99	1.24
2018-19	795,540.78	10,845.83	1.36
2019-20	844,110.44	18,994.80	2.25

	Secured Tax Charge [2]	Amount Delinquent June 30	% Delinquent June 30
2010-11	$603,846.53	$24,028.93	3.98%
2011-12	636,515.89	18,225.05	2.86
2012-13	773,655.25	18,667.92	2.41
2013-14	798,532.94	13,884.88	1.74
2014-15	870,254.47	14,274.58	1.64
2015-16	902,999.90	7,869.24	0.87
2016-17	1,008,158.78	11,577.03	1.15
2017-18	1,980,688.61	16,835.92	0.85
2018-19	2,067,724.13	37,676.11	1.82
2019-20	2,259,271.88	63,378.97	2.81

(1) 1% General Fund apportionment. Excludes redevelopment agency impounds. Reflects countywide delinquency rate.
(2) District's general obligation bond debt service levy.
Source: California Municipal Statistics, Inc..

Pursuant to Revenue and Taxation Code Section 4985.2, the County Treasurer-Tax Collector may cancel any penalty, costs or other charges resulting from tax delinquency upon a finding that the late payment is due to reasonable cause and circumstances beyond the taxpayer's control, and occurred notwithstanding the exercise of ordinary care in the absence of willful neglect, provided the property taxes are paid within four fiscal years of such taxes coming due.

In addition, on May 6, 2020, the Governor signed Executive Order N-61-20 ("Order N-61-20"). Under Order N-61-20, certain provisions of the State Revenue and Taxation Code are suspended until May 6, 2021 to the extent said provisions require a tax collector to impose penalties, costs or interest for the failure to pay secured or unsecured property taxes, or to pay a supplemental bill, before the date that such taxes become delinquent, subject to certain conditions set forth in Order N-61-20. See "--

Alternative Method of Tax Apportionment – "Teeter Plan" below and "DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19" herein.

Alternative Method of Tax Apportionment - "Teeter Plan"

Certain counties in the State of California 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 Section 6516.6 of the Government Code of the State of California. 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. Thus, the District's participation in CSDTFA's program does not ensure that the District will receive the timely payment of *ad valorem* property taxes levied to secure the Bonds. See also "—*Ad Valorem* Property Taxation" herein.

Property tax delinquencies may be impacted by economic and other factors beyond the District's or the County'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 could 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 the spread of COVID-19 or other outbreak of disease or natural or manmade disaster. See "DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19" herein. However, State law requires the County to levy *ad valorem* property taxes sufficient to pay the principal and Accreted Value of and interest on the Bonds when due.

Tax Rates

A representative tax rate area ("TRA") located within the District is TRA 5237. The table below shows the total *ad valorem* property tax rates, as a percentage of assessed valuation, levied by all taxing entities in this TRA during the five-year period from fiscal years 2016-17 through 2020-21.

SUMMARY OF *AD VALOREM* PROPERTY TAX RATES (TRA 5237)[(1)]
Fiscal Years 2016-17 through 2020-21
Lennox School District

	2016-17	2017-18	2018-19	2019-20	2020-21
General Tax Rate	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
Lennox School District	0.090777	0.163371	0.165218	0.172023	0.170620
Centinela Valley Union High School District	0.082963	0.065309	0.101112	0.091059	0.116963
El Camino Community College District	0.022942	0.021199	0.022229	0.021555	0.023624
Metropolitan Water District	0.003500	0.003500	0.003500	0.003500	0.003500
Total Tax Rate	1.200182%	1.253379%	1.292059%	1.288137%	1.314707%

(1) The fiscal year 2020-21 assessed valuation of TRA 5237 is $884,101,878, which is 62.79% of the District's total assessed valuation.
Source: California Municipal Statistics, Inc.

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Principal Taxpayers

The more property (by assessed value) which is owned by a single taxpayer within the District, the greater amount of tax collections that are exposed to weaknesses in such a taxpayer's financial situation and ability or willingness to pay property taxes. The following table lists the 20 largest local secured taxpayers in the District in terms of their fiscal year 2020-21 secured assessed valuations. Each taxpayer listed below is a name listed on the tax rolls. The District cannot make any representations as to whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below.

LARGEST LOCAL SECURED TAXPAYERS
Fiscal Year 2020-21
Lennox School District

	Property Owner	Primary Land Use	2020-21 Assessed Valuation	% of Total [1]
1.	9800 La Cienega LLC	Office Building	$28,991,177	2.09%
2.	G6 Hospitality Property LLC	Hotel	20,477,201	1.48
3.	Arnel Investments LLC	Office Building	19,550,678	1.41
4.	Public Storage Properties XVIII	Industrial	18,272,322	1.32
5.	LAX Hotel Investment Co. LLC	Hotel	16,713,037	1.21
6.	HIA Development LLC	Office Building	16,360,532	1.18
7.	405 Century Plaza LLC, Lessor	Shopping Center	10,307,832	0.74
8.	3 Hollywood Inc.	Undeveloped	8,510,694	0.61
9.	PV 2014 LLC	Shopping Center	7,587,636	0.55
10.	Century Associates Inc.	Hotel	7,489,790	0.54
11.	105 Housing Management LLC	Commercial	6,810,291	0.49
12.	Lennar Car Wash Properties LLC	Commercial	6,222,000	0.45
13.	Amusement Six Apartments LLC	Apartments	6,132,964	0.44
14.	Vinod K. & Rajehwari Singhal	Apartments	5,614,594	0.41
15.	La Cienega Partners LLC	Office Building	5,502,029	0.40
16.	Dahya Investments Inc.	Hotel	5,366,290	0.39
17.	Green Leaf LP	Commercial	5,236,962	0.38
18.	Daniel L. Gardner Trust	Commercial	4,998,267	0.36
19.	PS Inglewood Prairie Ave. Inc.	Industrial	4,920,188	0.35
20.	SAI LAX Investments Inc.	Hotel	4,823,710	0.35
			$209,888,194	15.14%

[1] The fiscal year 2020-21 local secured assessed valuation of the District is $1,386,053,042.
Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. effective as of November 1, 2020, for debt issued as of November 1, 2020. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

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

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

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STATEMENT OF DIRECT AND OVERLAPPING DEBT
Lennox School District

2020-21 Assessed Valuation: $1,407,928,206

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	**% Applicable**	**Debt 11/1/20**
Metropolitan Water District	0.043%	$13,859
El Camino Community College District	1.109	4,978,193
Centinela Valley Union High School District	6.187	14,180,663
Centinela Valley Union High School District School Facilities Improvement District 2016-1	6.980	12,743,037
Lennox School District	**100.000**	**33,600,466** (1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$65,516,218
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Los Angeles County General Fund Obligations	0.082%	$1,887,614
Los Angeles Superintendent of Schools Certificates of Participation	0.082	3,744
Centinela Valley Union High School District Certificates of Participation	12.006	802,601
Lennox School District Certificates of Participation	**100.000**	**3,985,000**
City of Hawthorne General Fund and Pension Obligation Bonds	1.192	1,751,933
City of Inglewood General Fund Obligations	3.079	855,808
City of Inglewood Pension Obligation Bonds	3.079	5,793,794
Los Angeles County Sanitation District No. 5 Authority	1.152	47,234
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$15,127,728
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):		$4,673,795
COMBINED TOTAL DEBT		$85,317,741 (2)

Ratios to 2020-21 Assessed Valuation:

Direct Debt ($33,600,466)..**2.39%**
Total Direct and Overlapping Tax and Assessment Debt 4.65%
Combined Direct Debt ($37,585,466) **2.67%**
Combined Total Debt..6.06%

Ratios to Redevelopment Incremental Valuation ($244,053,669):

Total Overlapping Tax Increment Debt 1.92%

(1) Excludes the Series 2021 Bonds and the Refunding Bonds and includes the Refunded Bonds.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The principal and Accreted Value of and interest on the Bonds are payable from the proceeds of an ad valorem *property tax levied by the County for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein. Articles XIIIA, XIIIB, XIIIC and XIIID of the Constitution, Propositions 98 and 111, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the County to levy taxes and the District spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County to levy* ad valorem *property taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with Article XIIIA, Article XIIIC, and all applicable laws.*

Article XIIIA of the California Constitution

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

Article XIIIA has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the adjusted base year value described above. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value, adjusted for inflation. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the County to pay debt service on the Bonds. See "THE BONDS – Security and Sources of Payment" and "TAX BASE FOR REPAYMENT OF BONDS" herein.

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

Proposition 19

On November 3, 2020, California voters approved Proposition 19, a legislatively referred constitutional amendment ("Proposition 19"), which amends Article XIIIA to: (i) expand special rules that give property tax savings to homeowners that are over the age of 55, severely disabled, or whose property has been impacted by wildfire or natural disaster, when they buy a different home; (ii) narrow existing special rules for inherited properties; and (iii) dedicate most of the potential new State revenue generated from Proposition 19 toward fire protection. The District cannot make any assurance as to what effect the implementation of Proposition 19 will have on District revenues or the assessed valuation of real property in the District.

Legislation Implementing Article XIIIA

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

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

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

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

Proposition 50 and Proposition 171

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

Under Proposition 50, the base year value of the replacement property (the "Replacement Base Year Value") depends on the relation of the full cash value of the replacement property (the "Replacement Cash Value") to the Original Cash Value: if the Replacement Cash Value <u>exceeds 120</u>

percent of the Original Cash Value, then the Replacement Base Year Value is calculated by combining the Original Base Year Value with such excessive Replacement Cash Value; if the Replacement Cash Value does not exceed 120 percent of the Original Cash Value, then the Replacement Base Year Value equals the Original Base Year Value; if the Replacement Cash Value is less than the Original Cash Value, then the Replacement Base Year Value equals the Replacement Cash Value. The replacement property must be comparable in size, utility, and function to the Damaged Property.

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

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

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

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions ("unitary property"). Under the State Constitution, such property is assessed by the SBE as part of a "going concern" rather than as individual pieces of real or personal property. Such State-assessed unitary and certain other property is allocated to the counties by the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year. So long as the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State's school financing formula. See also "DISTRICT FINANCIAL INFORMATION" herein.

Article XIIIB of the California Constitution

Article XIIIB ("Article XIIIB") of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. As amended, Article XIIIB defines:

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

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

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

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

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

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

Article XIIIB also includes a requirement that fifty percent of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See "— Propositions 98 and 111" herein.

Proposition 26

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

Article XIIIC and Article XIIID of the California Constitution

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

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

Propositions 98 and 111

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

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

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

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

The most significant provisions of Proposition 111 are summarized as follows:

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

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

c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIIIB spending limit" (i) for "qualified capital outlay projects" as defined by the Legislature, and (ii) any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the

Governor, which was expected to raise over $15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

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

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

Proposition 39

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

The 55% vote requirement authorized by Proposition 39 applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that such bonds may be issued only if the tax rate per $100,000 of taxable property value projected to be levied as the result of any single election will not exceed $60 (for a unified school district), $30 (for a high school or elementary school district, such as the District), or $25 (for a community college district), when assessed valuation is projected to increase in accordance with Article XIIIA of the State Constitution. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the Legislature and approval by the Governor. See "- Article XIIIA of the California Constitution" herein.

Proposition 1A and Proposition 22

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

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

Proposition 55

The California Children's Education and Health Care Protection Act of 2016 (also known as "Proposition 55") is a constitutional amendment approved by the voters of the State on November 8, 2016. Proposition 55 extends, through 2030, the increases to personal income tax rates for high-income taxpayers that were approved as part of Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"). Proposition 30 increased the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,001 for single filers (over $500,000 but less than $600,001 for joint filers and over $340,000 but less than $408,001 for head-of-household filers), (ii) 2% for taxable income over $300,000 but less than $500,001 for single filers (over $600,000 but less than $1,000,001 for joint filers and over $408,000 but less than $680,001 for head-of-household filers), and (iii) 3% for taxable income over $500,000 for single filers (over $1,000,000 for joint filers and over $680,000 for head-of-household filers).

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

Jarvis vs. Connell

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

Proposition 2

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

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

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

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

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

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 PSSSA, 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 ADA of less than 400,000, is not more than two times the amount of the reserve for economic uncertainties mandated by the California Education Code, or (b) for school districts with an ADA that is more than 400,000, is not more than three times the amount of the reserve for economic uncertainties mandated by the California 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 ADA 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 immediately after a fiscal year in which the amount of moneys in the PSSSA 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.

The Bonds are payable from *ad valorem* property taxes to be levied within the District pursuant to the State Constitution and other State law. Accordingly, the District does not expect SB 858 or SB 751 to adversely affect its ability to pay the principal and Accreted Value of and interest on the Bonds as and when due.

Proposition 51

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

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

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

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

Future Initiatives

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

DISTRICT FINANCIAL INFORMATION

The information in this section concerning the District's general fund finances and State funding of public education is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal and Accreted Value of and interest on the Bonds is payable from the general fund of the District. The Bonds are payable solely from the proceeds of an ad valorem *property tax required to be levied by the County within the boundaries of the District in an amount sufficient for the payment thereof. See "THE BONDS – Security and Sources of Payment" herein.*

State Funding of Education

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

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

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

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

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

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

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

The table on the following page shows a breakdown of the District's ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment for fiscal years 2013-14 through 2019-20, and budgeted amounts for fiscal year 2020-21. The District's ADA and enrollment for fiscal year 2020-21 are expected to be impacted by COVID-19. See "- Considerations Regarding COVID-19" herein.

ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Fiscal Years 2013-14 through 2020-21
Lennox School District

	Average Daily Attendance[1]				Enrollment[2]	
Fiscal Year	K-3	4-6	7-8	Total ADA	Total Enrollment	% of EL/LI Enrollment[3]
2013-14	2,320.38	1,584.61	1,059.31	4,964.30	5,136	96.96%
2014-15	2,326.84	1,550.39	1,036.77	4,914.00	5,097	95.77
2015-16	2,328.33	1,618.64	946.64	4,893.61	5,053	96.31
2016-17	2,417.48	1,836.70	1,025.14	5,279.32	5,310	96.20
2017-18	2,420.68	1,660.98	982.58	5,064.24	5,331	96.41
2018-19	2,451.21	1,655.03	1,003.92	5,110.16	5,302	95.37
2019-20	2,270.16	1,531.92	962.44	4,764.52	4,918	94.95
2020-21	2,174.90[4]	1,560.41[4]	927.83[4]	4,663.14[4]	4,728	96.70

Note: ADA figures rounded to the nearest whole number.
(1) Except for fiscal year 2020-21, reflects ADA as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school year. An attendance month is equal to each four-week period of instruction beginning with the first day of school for a particular school district. For the 2019-20 school year, due to the outbreak of COVID-19, P-2 ADA only reflects full school months from July 1, 2019 through February 29, 2020. See "-Considerations Regarding COVID-19" herein. Excludes County operated programs.
(2) Enrollment reflects certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System ("CALPADS") in each school year and used to calculate each school district's unduplicated EL/LI student enrollment. Adjustments may be made to the certified EL/LI counts by the California Department of Education. CALPADS figures exclude preschool and adult transitional students.
(3) For purposes of calculating Supplemental and Concentration Grants, a school district's fiscal year 2013-14 percentage of unduplicated EL/LI students was expressed solely as a percentage of its total fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment was based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district's percentage of unduplicated EL/LI students has been based on a rolling average of such district's EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years.
(4) Reflects projected ADA included in the 2020-21 Adopted Budgeted, approved on June 18, 2020. Pursuant to SB 98, the District's funded ADA for fiscal year 2020-21 will be based on the District's 2019-20 ADA.
Source: Lennox School District.

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

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

Certain school districts, known as "Community Funded" districts, have allocable local property tax collections that equal or exceed such districts' total LCFF allocation, and result in the receipt of no

State apportionment aid. Community Funded school districts receive certain other non LCFF state funding, which is deemed to satisfy the "basic aid" requirement of $120 per student per year guaranteed by Article IX, Section 6 of the State Constitution. The implication for Community Funded districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The District does not currently qualify as a Community Funded district.

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

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

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

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

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

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

Other Revenue Sources

Federal and Local Sources. The federal government provides funding for several school district programs, including special education programs, programs under the Every Student Succeeds Act, and specialized programs such as Drug Free Schools, Innovative Strategies, and Vocational & Applied Technology. In addition, school districts may receive additional local revenues beyond local property tax collections, such as leases and rentals, interest earnings, interagency services, developer fees, redevelopment revenues, lottery funds and other local sources.

Developer Fees. The District maintains a fund, separate and apart from the general fund, to account for developer fees collected by the District. For fiscal years 2011-12 through 2019-20, the District received $11,054, $14,306, $67,687, $11,252, $24,751, $12,355, $36,313, $17,528, and $100,857, respectively, and the District projects that it will receive $17,528 of such revenues in fiscal year 2020-21.

Redevelopment Revenue*.* The District receives pass-through tax increment revenue (the "Redevelopment Revenues") from the former redevelopment agencies within the District's boundaries. The Redevelopment Revenues received by the District are deposited into the District's Restricted General Fund, and used for facilities improvements. The Pass-Through Revenues do not offset the State apportionment received by the District. For fiscal years 2011-12 through 2019-20, the District received $11,238, $37,831, $55,902, $24,754, $56,002, $53,957, $76,727, $78,665, and $82,418, respectively, and the District projects that it will receive $41,162 of such revenues in fiscal year 2020-21,

State Dissolution of Redevelopment Agencies

On December 30, 2011, the State Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos* ("*Matosantos*"), finding ABX1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all redevelopment agencies in the State ceased to exist as a matter of law on February 1, 2012. The Court in *Matosantos* also found that ABX1 27, a companion bill to ABX1 26, violated the State Constitution, as amended by Proposition 22. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 1A and Proposition 22" herein. ABX1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to school districts and county offices of education, totaling $1.7 billion statewide.

ABX1 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12) ("AB 1484"), which, together with ABx1 26, is referred to herein as the "Dissolution Act." The Dissolution Act provides that all rights, powers, duties and obligations of a redevelopment agency under the California Community Redevelopment Law that have not been repealed, restricted or revised pursuant to ABx1 26 will be vested in a successor agency, generally the county or city that authorized the creation of the redevelopment agency (each, a "Successor Agency"). All property tax revenues that would have been allocated to a redevelopment agency, less the corresponding county auditor-controller's cost to administer the allocation of property tax revenues, are now allocated to a corresponding Redevelopment Property Tax Trust Fund ("Trust Fund"), to be used for the payment of pass-through payments to local taxing entities, and thereafter to bonds of the former redevelopment agency and any "enforceable obligations" of the Successor Agency, as well as to pay certain administrative costs. The Dissolution Act defines "enforceable obligations" to include bonds, loans, legally required payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations.

Among the various types of enforceable obligations, the first priority for payment is tax allocation bonds issued by the former redevelopment agency; second is revenue bonds, which may have been issued by the host city, but only where the tax increment revenues were pledged for repayment and only where other pledged revenues are insufficient to make scheduled debt service payments; third is administrative costs of the Successor Agency, not to exceed $250,000 in any year, to the extent such costs have been approved in an administrative budget; then, fourth tax revenues in the Trust Fund in excess of such amounts, if any, will be allocated as residual distributions to local taxing entities in the same proportions as other tax revenues. Moreover, all unencumbered cash and other assets of former redevelopment agencies will also be allocated to local taxing entities in the same proportions as tax revenues. Notwithstanding the foregoing portion of this paragraph, the order of payment is subject to modification in the event a Successor Agency timely reports to the State Controller and the State Department of Finance that application of the foregoing will leave the Successor Agency with amounts insufficient to make scheduled payments on enforceable obligations. If the county auditor-controller verifies that the Successor Agency will have insufficient amounts to make scheduled payments on enforceable obligations, it shall report its findings to the State Controller. If the State Controller agrees there are insufficient funds to pay scheduled payments on enforceable obligations, the amount of such deficiency shall be deducted from the amount remaining to be distributed to taxing agencies, as described as the fourth distribution above, then from amounts available to the Successor Agency to defray administrative costs. In addition, if a taxing agency entered into an agreement pursuant to Health and Safety Code Section 33401 for payments from a redevelopment agency under which the payments were to be subordinated to certain obligations of the redevelopment agency, such subordination provisions shall continue to be given effect.

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

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

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

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

Considerations Regarding COVID-19

An outbreak of disease or similar public health threat, such as the novel coronavirus ("COVID-19") outbreak, or fear of such an event, could have an adverse impact on the District's financial condition and operating results.

The spread of COVID-19 is having significant negative impacts throughout the world, including in the District. The World Health Organization has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the State and the United States. The purpose behind these declarations are to coordinate and formalize emergency actions and across federal, State and local governmental agencies, and to proactively prepare for a wider spread of the virus. On March 27, 2020 the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed by the President of the United States. The CARES Act appropriates over $2 trillion to, among other things, (i) provide cash payments to individuals, (ii) expand unemployment assistance and eligibility, (iii) provide emergency grants and loans for small businesses, (iv) provide loans and other assistance to corporations, including the airline industry, (v) provide funding for hospitals and community health centers, (vi) expand funding for safety net programs, including child nutrition programs, and (vii) provide aid to state and local governments. On December 27, 2020, the President of the United States signed the Consolidated Appropriations Act, 2021, which includes approximately $900 billion worth of provisions for additional COVID-related relief, including extension of or additional funding for various relief programs implemented by the CARES Act. The Consolidated Appropriations Act, 2021 provides approximately $82 billion of COVID-19 related relief for education, including $54.3 billion for K-12 schools (largely through Title I funding), $22.7 billion for higher education and $4 billion for state governors to spend at their discretion.

State law allows school districts to apply for a waiver to hold them harmless from the loss of LCFF funding based on attendance and state instructional time penalties when they are forced to close schools due to emergency conditions. In addition, the Governor of the State has enacted Executive Order N-26-20 ("Executive Order N-26-20"), which (i) generally streamlines the process of applying for such waivers for closures related to COVID-19 and (ii) directs school districts to use LCFF apportionment to fund distance learning and high quality educational opportunities, provide school meals and, as practicable, arrange for the supervision of students during school hours.

On March 17, 2020, Senate Bill 89 ("SB 89") and Senate Bill 117 ("SB 117") were signed by the Governor, both of which took effect immediately. SB 89 amends the Budget Act of 2019 by appropriating $500,000,000 from the State general fund for any purpose related to the Governor's March 4, 2020 emergency proclamation. SB 117, among other things, (i) specifies that for school districts that comply with Executive Order N–26–20, the ADA reported to the State Department of Education for the second period and the annual period for apportionment purposes for the 2019-20 school year only includes all full school months from July 1, 2019 through February 29, 2020, (ii) prevents the loss of funding related to an instructional time penalty because of a school closed due to the COVID–19 by deeming the instructional days and minutes requirements to have been met during the period of time the school was closed due to COVID–19, (iii) requires a school district to be credited with the ADA it would have received had it been able to operate its After School Education and Safety Program during the time the school was closed due to COVID–19, and (iv) appropriates $100,000,000 from the State general fund to the State Superintendent to be apportioned to certain local educational agencies for purposes of purchasing personal protective equipment, or paying for supplies and labor related to cleaning school sites.

The District received $88,811 pursuant to SB 117 for personal protective equipment and currently expects to receive $5,165,714 pursuant to the CARES Act based on the District's LCFF Supplemental and Concentration Grant funding for learning loss mitigation; the receipt of which is contingent on a Board adopting a new Learning Continuity and Attendance Plan by September 30, 2020, which the District approved prior to the deadline. The District also expects to receive $1,719,269 in CARES Act and Elementary and Secondary School Emergency Relief (ESSER) funding based on Title I status, $1,260,661 in federal and Governor's Emergency Education Relief (GEER) funding related to students with disabilities and $497,893 in additional Proposition 98 funding based on the District's 2019-20 LCFF allocation.

On March 19, 2020, the Governor ordered all California residents to stay home or at their place of residence to protect the general health and well-being, except as needed to maintain continuity of 16 critical infrastructure sectors described therein (the "Stay Home Order").

To date there have been a number of confirmed cases of COVID-19 in the County and health officials are expecting the number of confirmed cases to grow. The COVID-19 outbreak has resulted in the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools (including the District's schools). The U.S. is restricting certain non-US citizens and permanent residents from entering the country. In addition, stock markets in the U.S. and globally have been volatile, with significant declines attributed to coronavirus concerns.

On May 4, 2020, the Governor enacted Executive Order N-60-20 ("Executive Order N-60-20"), which directs the State Public Health Officer to establish criteria to determine whether and how particular local jurisdictions may implement public health measures that are less restrictive than statewide directives, as the State transitions from Stage 1 to Stage 2, and then Stage 3 of reopening. The order provided that stages would be phased in gradually, and counties which met readiness criteria and worked with the State Department of Public Health could open more public spaces and workplaces, as outlined by the State, with variances allowed by county. Pursuant to Executive Order N-60-20, local jurisdictions may issue their own public health measures to slow the spread of COVID-19.

On June 29, 2020, Senate Bill 98 ("SB 98"), the education omnibus bill to the 2020-21 State Budget, was signed by the Governor, which takes effect immediately. SB 98 provides that distance learning may be offered by a school district during the 2020-21 academic year on a local educational agency or schoolwide level as a result of an order or guidance from a State public health officer or a local public health officer or for pupils who are medically fragile or would be put at risk by in-person instruction, or who are self-quarantining because of exposure to COVID-19. SB 98 provides requirements for distance learning, including, but not limited to: (i) confirmation or provision of access for all pupils to connectivity and devices adequate to participate in the educational program and complete assigned work, (ii) content aligned to grade level standards that is provided at a level of quality and intellectual challenge substantially equivalent to in-person instruction, (iii) support for pupils who are not performing at grade level or need support in other areas, (iv) special education services, (v) designated and integrated instruction in English language development for English learners, and (vi) daily live interaction with certificated employees and peers. For additional information about the provisions of SB 98, see "- State Budget – 2020-21 State Budget" herein.

On August 28, 2020, the Governor released a new system, Blueprint for a Safer California (the "Blueprint"), which places the State's 58 counties into four color-coded tiers – purple, red, orange and yellow, in descending order of severity – based on the number of new daily cases of COVID-19 and the percentage of positive tests, and establishes criteria for loosening and tightening restrictions on activities. Counties must spend at least three weeks in each tier before advancing to the next one. Schools can reopen for limited in-person instruction with local health official approval in counties that have been in the red tier (a daily new case of 4 to 7 per 100,000 people and 5-8% of positive tests) or a lower tier for two weeks. Counties in the purple tier can reopen elementary schools if the local health department provides a waiver. Schools that are not authorized to reopen, including TK-6 schools that have not received a waiver, may provide structured, in-person supervision and services to students under the State's guidance for small cohorts/groups of children and youth. The County is currently assigned to the purple tier, and in-person instruction is not permitted.

On November 19, 2020, the California Department of Public Health issued a limited Stay at Home order (the "Limited Stay at Home order"), effective November 21, 2020 for those counties under Tier One (Purple) of the Blueprint for a Safer Economy, requiring that all gatherings with members of other households and all activities conducted outside the residence, lodging, or temporary accommodation with members of other households cease between 10:00 p.m. PST and 5:00 a.m. PST, except for those activities associated with the operation, maintenance, or usage of critical infrastructure or required by law.

On December 3, 2020, the California Department of Public Health announced a Regional Stay at Home Order (the "Regional Stay at Home Order"), and a supplemental order, signed December 6, 2020, which divides the State into four regions (Norther California, Bay Area, Greater Sacramento, San Joaquin Valley, and Southern California), which will go into effect at 11:59 PM the day after a region has been announced to have less than 15% ICU availability. The supplemental order clarifies retail operations and goes into effect immediately. The orders prohibit private gatherings of any size, close sector operations except for critical infrastructure and retail, and require 100% masking and physical distancing in all others. Guidance related to schools remains in effect and unchanged. Schools that have reopened for in-person instruction may remain open, and schools may continue to bring students back for in-person instruction under the existing elementary school waiver process or cohort guidance provided by the California Department of Public Health. The Regional Stay at Home Order went into effect in the County on December 6, 2020.

On January 25, 2021 the Regional Stay at Home Order was lifted for all regions statewide, because 4-week ICU capacity projections in all regions under the order had reached 15% or higher. The Limited Stay At Home Order was also ended. All counties returned to restrictions according to their respective tiers under the Blueprint.

As a result of the outbreak of COVID-19, the District closed its schools for in-person learning for the remainder of the 2019-20 school year effective March 16, 2020 and began instruction through distance learning. Since the County is currently assigned to the purple tier, the District opened the 2020-21 school year in an all distance learning environment. The District may not reopen for in-person learning until such time as the County is out of the purple tier for two weeks. The District will continue to evaluate the State's school reopening guidelines and will consult with local health officials and the State's school reopening guidelines in implementing the District's plans for the 2020-21 academic year.

Other potential impacts to the District associated with the COVID-19 outbreak include, but are not limited to, increasing costs and challenges relating to establishing distance learning programs or other measures to permit instruction while schools remain closed, 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 volatility 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 STRS Defined Benefit Program and PERS Schools Pool, which, in turn, could result in material changes to the District's required contribution rates in future fiscal years. See "LENNOX SCHOOL DISTRICT – District Retirement Systems" herein.

The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak, and the economic and other of actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. Additional information with respect to events surrounding the outbreak of COVID-19 and responses thereto can be found on State and local government websites, including but not limited to: the Los Angeles County Department of Health (http://publichealth.lacounty.gov/), the Governor's office (http://www.gov.ca.gov) and the California Department of Public Health (https://covid19.ca.gov/). The District has not incorporated by reference the information on such websites, and the District does not assume any responsibility for the accuracy of the information on such websites.

The ultimate impact of COVID-19 on the District's operations and finances is unknown. There can be no assurances that the spread of COVID-19, or the responses thereto by local, State, or the federal government, will not materially adversely impact the local, state and national economies or the assessed valuation of property within the District, or adversely impact enrollment or ADA within the District and, notwithstanding SB 117 or the Blueprint, materially adversely impact the financial condition or operations of the District. See also "TAX BASE FOR REPAYMENT OF BONDS –Assessed Valuations" herein.

Budget Process

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

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

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

A school district whose budget has been disapproved must revise and readopt its budget by October 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final school district budgets and not later than November 8, must approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1. The budget review committee is composed of three persons selected by the governing board of a school district from a list of candidates provided to the governing board of the school district by the State Superintendent. The list of candidates is composed of persons who have expertise in the management of a school district or county office of education. On or before November 30, the budget review committee will review the proposed budget of the District and the underlying fiscal policies of the school district and transmit to the State Superintendent, the County Superintendent and the governing board of the school district (i) the recommendation that the school district budget be approved or (ii) a report disapproving the school district budget and setting forth recommendations for revisions to the budget. If the budget review committee recommends approval of the school district budget, the County Superintendent will accept the recommendation of the budget review committee and approve the budget. If the budget review committee disapproves of the school district budget, the State Superintendent will either approve or disapprove of the school district budget, and if disapproved, the State Superintendent will notify the governing board of a school district in writing the reasons for the disapproval, and until the County Superintendent certifies the school district's first interim report, the County Superintendent is authorized to among other things, (i) cancel purchase orders, prohibit the issuance of non-salary warrants and otherwise stay and rescind certain actions, (ii) monitor and review the operation of the school district, (iii) require the school district to encumber all contracts and other obligations, to prepare appropriate cash flow analyses and monthly or quarterly budget revisions, and to appropriately record all receivables and payables, and (iv) determine whether there are any financial problem areas and may employ, subject to approval by the State Superintendent, a certified public accounting firm to investigate financial problem areas. The governing board of a school district and the County Superintendent may agree to waive the requirement for a budget review committee, and if approved by the California Department of Education, the County Superintendent would immediately have authority and responsibility to undertake the actions discussed in the immediately preceding sentence. No later than November 8, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget has been disapproved. No later than December 31, the County Superintendent, in consultation with the governing board of the school district and the State Superintendent, must develop and adopt a fiscal plan and budget for school districts with disapproved budgets. Until a school district's budget is approved, the school district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

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

The District has never received a "negative" certification of an Interim Financial Report pursuant to AB 1200. In the last ten years, the District had a "qualified" certification in its First and Second Interim Financial Reports for fiscal years 2012-13 and 2019-20, and the First Interim Financial Report for Fiscal Year 2020-21.

2019-20 Budget. In a letter dated May 31, 2019, as a result of the District's fiscal condition, the Los Angeles County Office of Education (the "County Office") assigned a fiscal advisor with stay and rescind authority to advise the District on its financial condition. On July 12, 2019, a Fiscal Health Risk Analysis was requested of the District pursuant to an agreement that was entered into by the District and the Fiscal Crisis and Management Assistance Team ("FCMAT"). See "LENNOX SCHOOL DISTRICT—FCMAT Analysis" herein. On September 5, 2019, the County Office disapproved the District's Adopted Budget for Fiscal Year 2019-20, pending implementation of a Board-adopted fiscal stabilization plan, that when fully implemented, would allow the District to maintain a positive general fund ending balance and increase reserves in the then-current fiscal year and two subsequent fiscal years. The County required that the District adopt and submit a revised Budget to the County, along with a Fiscal Stabilization and Budget Reduction Plan, which the District approved on October 8, 2019. By a letter dated October 30, 2019, the County approved the District's revised Adopted Budget for fiscal year 2019-20.

2019-20 Budget Stabilization Plan. On October 8, 2019, the Board approved a Budget Stabilization Plan (the "2019-20 Budget Stabilization Plan") effective July 1, 2019, in accordance with the requirement of the County Board, discussed above. Prior to the approval of the 2019-20 Budget Stabilization Plan, the District had implemented two phases of budget reductions prior to and concurrently with the approval of the District's Adopted Budget for fiscal year 2019-20, which was approved on June 28, 2019. The first phase included $2,023,018 of budget reductions, which were implemented to restore the negative ending balance for fiscal year 2018-19, through the closure of the District's virtual academy, the elimination of the District's School of Dentistry Program, the elimination of certain positions and the reduction of certain expenditure. Phase 2 of the budget reductions identified $1,104,459 of expenditure reductions, which were approved in conjunction with the adoption of the District's 2019-20 Adopted Budget on June 28, 2019, which included furlough days for certain management employees, elimination of certain positions, and the elimination of certain contracts. The 2019-20 Budget Stabilization Plan identified an additional $2,320,054 of budget reductions, including the elimination of certain contracts and positions, as well as the incorporation of certain rebates from the District's insurance provider.

2020-21 Budget. In conjunction with the development of the District's 2020-21 Budget, the District developed a budget stabilization plan for fiscal year 2020-21 (the "2020-21 Budget Stabilization Plan"). The 2020-21 Budget Stabilization Plan identified $3,597,000 in general fund budget reductions, including reduction of certificated, classified and management personnel and various other non-personal item expenditure reductions. In a letter dated September 15, 2020, the County Office approved the District's 2020-21 Adopted Budget and that the County Office appointed a fiscal advisor will continue to assist the District in implementing fiscal stabilization plan to maintain the minimum required reserves in all three out-years and to restore adequate cash reserves.

Budgeting Trends. The following table summarizes the District's adopted general fund budgets for fiscal years 2016-17 through 2020-21, audited actual results for fiscal years 2016-17 through 2018-19, unaudited actual results for fiscal year 2019-20 and projected totals for fiscal year 2020-21.

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GENERAL FUND BUDGETING
Lennox School District
Fiscal Years 2016-17 through 2020-21

	Fiscal Year 2016-17		Fiscal Year 2017-18		Fiscal Year 2018-19		Fiscal Year 2019-20		Fiscal Year 2020-21	
REVENUES:	Budgeted[1]	Audited[1]	Budgeted[1]	Audited[1]	Budgeted[1]	Audited[1]	Budgeted[2]	Unaudited[3]	Adopted Budget[3]	Projected Totals[4]
LCFF Sources:	$49,605,240	$53,010,800	$57,762,303	$54,770,741	$57,402,510	$56,828,940	$58,020,807	$58,185,932	$54,422,175	$54,887,361
Federal sources	4,588,552	5,321,210	5,070,232	5,329,521	5,543,546	5,381,112	5,542,838	4,936,189	5,115,715	13,804,520
Other State sources	6,639,922	5,678,002	4,529,673	5,798,737	8,144,900	11,580,285	10,218,833	9,274,180	10,110,123	12,176,251
Other local sources	1,662,809	2,330,051	1,518,421	2,228,255	1,687,383	1,943,286	2,359,613	2,498,731	1,360,278	2,403,302
TOTAL REVENUES	62,496,523	66,340,063	68,880,629	68,127,254	72,778,339	75,733,623	76,142,091	74,895,032	71,008,291	83,271,434
EXPENDITURES:										
Certificated salaries	28,920,730	30,937,402	30,147,254	31,395,839	30,827,365	32,029,127	30,673,803	30,012,075	29,161,434	29,908,761
Classified salaries	9,994,077	11,047,494	10,859,206	11,646,308	12,012,052	11,997,145	10,928,815	10,493,014	9,804,343	9,914,620
Employee benefits	11,479,602	11,950,031	13,017,466	13,401,089	16,784,729	19,852,761	19,473,647	17,991,930	19,094,084	18,615,791
Books and supplies	2,497,356	2,926,664	3,029,340	2,467,098	2,061,710	1,541,533	1,636,394	1,213,499	1,811,790	6,983,149
Services and other operating expenditures	7,886,232	9,683,929	9,128,573	9,761,312	7,353,207	7,719,345	6,390,857	6,272,043	5,866,739	7,982,262
Capital outlay	1,219,480	127,781	97,431	131,122	88,667	--	--	19,156	--	25,000
Other Outgo										
Excluding transfers of indirect costs	1,133,600	1,326,748	1,286,998	1,788,680	2,064,293	1,568,448	1,981,430	1,455,521	1,817,815	1,819,815
Transfers of indirect costs	(419,138)	(408,908)	(414,987)	(514,213)	(496,369)	(503,396)	(408,999)	(375,821)	(350,883)	(315,147)
TOTAL EXPENDITURES	62,711,939	67,591,141	67,151,281	70,077,235	70,695,654	74,204,963	70,675,947	67,081,418	67,205,322	74,934,251
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(215,416)	(1,251,078)	1,729,348	(1,949,981)	2,082,685	1,528,660	5,466,144	7,813,613	3,802,969	8,337,183
OTHER FINANCING SOURCES (USES)										
Operating Transfers In	--	--	--	--	--	--	--	--	--	--
Operating Transfers Out	(279,576)	(307,203)	(219,088)	--	(239,567)	(495,722)	(914,575)	(2,514,882)[7]	(2,125,643)	(3,285,802)[8]
TOTAL OTHER FINANCING SOURCES (USES)	(279,576)	(307,203)	(219,088)	--	(239,567)	(495,722)	(914,575)	(2,514,882)	(2,125,643)	(3,285,802)
NET CHANGE IN FUND BALANCE	(494,992)	(1,558,282)	1,510,260	(1,949,981)	1,843,118	1,032,938	4,551,569	5,298,732	1,677,326	5,051,381
AS OF JULY 1 - AUDITED	4,378,256	4,378,256	3,593,414	3,593,414[5]	(3,335,234)	(3,335,234)[6]	(2,302,294)	(2,302,294)	2,996,438	2,996,437
Other Restatements	--	--	--	--	--	--	--	--	--	--
ENDING BALANCE - JUNE 30	$3,883,264	$2,819,974	$5,103,674	$1,643,433	$(1,492,116)	$(2,302,296)	$2,249,275	$2,996,438	$4,673,764	$8,047,818

(1) From the District's Audited Financial Statements for fiscal years 2016-17 through 2018-19, respectively.
(2) From the District's 2019-20 Second Interim Financial Report approved by the Board on March 10, 2020.
(3) From the District's Fiscal Year 2019-20 Unaudited Actuals approved by the Board on September 19, 2020.
(4) From the District's First Interim Financial Report for Fiscal Year 2020-21 approved by the Board on December 15, 2020.
(5) Includes net restatements of $773,440, including corrections of certain charges and restatements of certain charges and payments from the general fund to other funds of the District.
(6) Includes net restatements of ($4,978,667), including correcting overstatements of LCFF apportionment revenue and other revenue, contributions from the general fund to the Child Development Fund and Cafeteria Fund, and certain write offs.
(7) Includes a transfer to the Child Development Fund of $171,126.69, a transfer to the School Facilities Fund for Jefferson Elementary Overcrowding Relief Grant construction project of $394,753, a transfer to the Cafeteria Special Reserve Fund for salary costs related to staffing needs related to COVID-19 of $465,474, a transfer to the Building Fund for a gymnasium renovation project of $706,641.77, and a transfer to the Building Fund for new construction of $776,885.78.
(8) Includes a transfer to the Child Development Fund of $22,937, which program has since been eliminated by the 2020-21 Budget Stabilization Plan, a transfer to the School Facilities Fund of $150,000, a transfer of CARES Act funding utilized to mitigate the staffing requirements under SB 98 to the Cafeteria Special Reserve Fund of $1,183,595, and a transfer to the Building Fund of $1,929,270.

Note: Amounts reported in this table are for the general fund only, and do not agree with the amounts reported in the section "-Comparative Financial Statements" because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund, Special Reserve Fund for Other Than Capital Outlay Projects, and the Special Reserve Fund for Postemployment Benefits, in accordance with the fund type definitions promulgated by GASB 54.
Source: Lennox School District.

Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Education Code Section 41010, is to be followed by all California school districts. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

Comparative Financial Statements

Audited financial statements for the District for the fiscal year ended June 30, 2019, and prior fiscal years are on file with the District and available for public inspection at the Office of the Director of Business Services of the District, Lennox School District, 10319 Firmona Avenue, Lennox, California 90304, telephone: (310) 695-4000. The District's audited financial statements for the year ended June 30, 2019 are attached hereto as APPENDIX B. The table on the following page reflects the District's general fund revenues, expenditures and changes in fund balance for fiscal years 2014-15 through 2018-19.

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AUDITED GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCES[1]
Fiscal Years 2014-15 through 2018-19
Lennox School District

	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19
REVENUES:					
LCFF Sources	$40,783,274	$49,977,463	$53,010,800	$54,770,741	$56,828,940
Federal Sources	4,945,508	4,728,728	5,321,210	5,329,521	5,381,112
Other State Sources	11,192,558	10,707,961	7,450,876	7,967,282	11,580,285
Other Local Sources	1,688,341	1,665,669	2,330,104	2,251,020	2,376,270
TOTAL REVENUES	58,609,681	67,079,821	68,112,990	70,318,564	76,166,607
EXPENDITURES:					
Current Expenses:					
Instruction	39,283,029	42,531,851	43,515,733	44,546,660	47,616,874
Instruction Related Activities:					
Supervision of Instruction	1,753,030	2,741,878	3,218,299	3,535,743	3,604,404
Instructional Library, Media & Technology	461,389	488,068	371,922	728,182	719,538
School Site Administration	3,881,005	4,500,916	4,434,730	4,587,498	4,897,484
Pupil Services:					
Home-to-School Transportation	561,257	500,607	494,308	528,744	630,037
Food Services	--	(122,023)	--	--	419
All Other Pupil Services	2,559,296	2,627,580	3,676,004	4,298,362	4,327,397
General Administration					
Data Processing	271,938	432,182	408,524	818,559	840,306
All Other Administration	4,646,254	5,496,495	5,421,220	4,558,355	3,969,569
Plant Services	6,863,845	7,137,976	6,778,644	6,598,235	5,745,908
Facility Acquisition & Construction	3,551,036	852,504	64,165	131,122	7,191
Community Services	4,810	32,224	--	--	--
Enterprise Activities	--	--	--	--	--
Transfers to Other Agencies	1,133,533	1,477,132	1,326,748	1,492,721	1,272,488
Debt Service					
Principal	--	125,505	--	194,012	200,547
Interest and Other	--	293,976	72,744	238,153	372,801
TOTAL EXPENDITURES	64,970,422	69,116,871	69,783,041	72,256,346	74,204,963
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources and Uses	(6,360,741)	(2,037,050)	(1,670,051)	(1,937,782)	1,961,644
OTHER FINANCING SOURCES (USES):					
Other Sources	3,413,593	--	--	--	750,000
Transfers In	--	--	--	1,057,275[4]	504,044[6]
Transfers Out	(560,078)[2]	(545,324)[3]	(307,203)[3]	(295,959)[5]	(983,123)[7]
NET OTHER FINANCING SOURCES (USES)	2,853,515	(545,324)	(307,203)	761,316	270,921
NET CHANGE IN FUND BALANCES	(3,507,226)	(2,582,374)	(1,977,254)	(1,176,466)	2,232,565
FUND BALANCE, JULY 1	10,891,620	7,384,394	4,802,020	2,824,766	(3,347,010)
FUND BALANCE, JUNE 30	$7,384,394	$4,802,020	$2,824,766	$1,648,300	$(1,114,445)[8]

(1) From the District's comprehensive audited financial statements for fiscal years 2014-15 through 2018-19, respectively. Reflects combined unrestricted and restricted general fund. All amounts rounded to nearest whole number.
(2) Includes a transfer from the general fund to the Child Development Fund to cover operating expenses as well as a transfer from the general fund to the Charter School Fund for prior year Common Core State Standards funding, in the amounts of $444,725 and $115,353, respectively.
(3) Includes a transfer from the general fund to the Non-Major Child Development Fund to cover budgeted expenses.
(4) Includes transfers from the Non-Major Special Reserve Fund for Capital Outlay Projects, Building Fund, the Non-Major Capital Facilities Fund, and the Non-Major County Schools Facilities Fund to the General Fund to reclass incorrectly charged expenditures in an amounts of $72,508, $299,847, $251,583, and $433,337, respectively.
(5) Includes a transfer from the general fund to the Building Fund to reclass incorrectly charged expenditures.
(6) Includes a transfer from the Building Fund to the general fund for incorrectly charged expenditures from prior years and a transfer from the Child Development Fund to the general fund for incorrectly charged expenditures from prior years in the amounts of $471,699 and $32,345, respectively.
(7) Includes a transfer from the general fund to the Child Development Fund for incorrectly charged expenditures from prior years and a transfer from the general fund to the Cafeteria Fund for incorrectly charged expenditures from prior years.
(8) Includes net audit restatements of $1,187,851, reflecting a fund balance transfer of $4,969 pursuant to GASB 54, a reclassification of prepaid rent as other financing sources in an amount of $750,000, and an adjustment for reclassified expenditures of $432,882.

Source: Lennox School District.

State Budget

The following information concerning the State's budget has been obtained from publicly available information which the District believes to be reliable; however, neither the District nor the Underwriter guarantees the accuracy or completeness of this information and neither has independently verified such information. Furthermore, it should not be inferred from the inclusion of this information in this Official Statement that the principal and Accreted Value of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable from the proceeds of an ad valorem *property tax required to be levied by the County on taxable property within the boundaries of the District in an amount sufficient for the payment thereof.*

2020-21 State Budget. On June 29, 2020, the Governor signed into law the State budget for fiscal year 2020-21 (the "2020-21 Budget"). The following information is drawn from the DOF's and LAO's summaries of the 2020-21 Budget.

As with the Governor's May revision (the "May Revision") to the proposed State budget, the 2020-21 Budget acknowledged that the rapid onset of COVID-19 had an immediate and severe impact on the State's economy. The ensuing recession caused significant job losses, precipitous drops in family and business income, and exacerbated inequality. The 2020-21 Budget included a number of measures intended to address a projected deficit of $54.3 billion identified by the May Revision, and occasioned principally by declines in the State's three main tax revenues (personal income, sales and use, and corporate). The measures included in the 2020-21 Budget, and described below, were intended to close this deficit and set aside $2.6 billion in the State's traditional general fund reserve, including $716 million for the State to respond to the changing conditions of the COVID-19 pandemic:

- *Draw Down of Reserves* – The 2020-21 Budget drew down $8.8 billion in total State reserves, including $7.8 billion from the BSA, $450 million from the Safety Net Reserve and all funds in the PSSSA.

- *Triggers* – The 2020-21 Budget included $11.1 billion in reductions and deferrals that would have been restored if at least $14 billion in federal funds were received by October 15, 2020. If the State had received less than this amount, reductions and deferrals were to be partially restored. The triggers included $6.6 billion in deferred spending on education, $970 million in funding for the California State University and University of California systems, $2.8 billion in State employee compensation and $150 million for courts, as well as funding for various other State programs. The triggers would also have funded an additional $250 million for county programs to backfill revenue losses. Such federal funds, however, were not received by the October 15 date identified in the 2020-21 Budget. The District can make no representation as to whether such federal funds will be received or in what amount. See "—Future Actions and Events" herein.

- *Federal Funds* – The 2020-21 Budget relied on $10.1 billion in federal funds allocated to the State, including $8.1 billion of which had already been received as of the passage of the 2020-21 Budget. This relief included a temporary increase in the federal government's share of Medicaid costs, a portion of the State's Coronavirus Relief Fund allocation pursuant to the CARES Act and federal funds provided for childcare programs.

- *Borrowing/Transfers/Deferrals* – The 2020-21 Budget relied on $9.3 billion in special fund borrowing and transfers, as well as deferrals to K-14 education discussed further herein. Approximately $900 million of special fund borrowing was associated with reductions to State employee compensation and was to be subject to the triggers discussed above.

- *Increased Revenues* – The 2020-21 Budget temporarily suspended for three years net operating loss tax deductions for medium and large businesses and limited business tax credits, with an estimated increase in tax revenues of $4.3 billion in fiscal year 2020-21.

- *Cancelled Expansions, Updated Assumptions and Other Measures* – The 2020-21 Budget included an additional $10.6 billion of measures, including cancelling multiple programmatic expansions, anticipated governmental efficiencies, higher ongoing revenues above the forecast included in the May Revision, and lower health and human services caseload costs than assumed by the May Revision.

For fiscal year 2019-20, the 2020-21 Budget projected total general fund revenues and transfers of $137.6 billion and authorized expenditures of $146.9 billion. The State was projected to end the 2019-20 fiscal year with total available general fund reserves of $17 billion, including $16.1 billion in the BSA and $900 million in the Safety Net Reserve Fund. For fiscal year 2020-21, the 2020-21 Budget projected total general fund revenues and transfers of $137.7 billion and authorized expenditures of $133.9 billion. The State was projected to end the 2020-21 fiscal year with total available general fund reserves of $11.4 billion, including $2.6 billion in the traditional general fund reserve (of which $716 million is earmarked for COVID-related responses), $8.3 billion in the BSA and $450 million in the Safety Net Reserve Fund.

As a result of the projected reduction of State revenues occasioned by the COVID-19 pandemic, the 2020-21 Budget estimated that the Proposition 98 minimum funding guarantee for fiscal year 2020-21 would be $70.1 billion, approximately $10 billion below the revised prior-year funding level. For K-12 school districts, this would have resulted in per-pupil spending in fiscal year 2020-21 of $10,654, a reduction of $1,339 from the prior year.

The 2020-21 Budget proposed several measures intended to ameliorate the immediate impact of State revenue declines, and avoid a permanent decline in education funding:

- *Local Control Funding Formula* – The 2020-21 Budget provided for $1.9 billion in LCFF apportionment deferrals for fiscal year 2019-20. The deferrals increased to $11 billion in fiscal year 2020-21, which was to result in LCFF funding remaining at 2019-20 levels in both years. The 2020-21 Budget also suspended the statutory COLA in fiscal 2020-21. Of the total deferrals, $5.8 billion were to be triggered off in fiscal year 2020-21 if sufficient federal funding for this purpose was received. Such federal funds, however, were not received by the October 15 date identified in the 2020-21 Budget. The District can make no representation as to whether such federal funds will be received or in what amount. See "—Future Actions and Events" herein.

- *Learning Loss Mitigation* – The 2020-21 Budget included a one-time investment of $5.3 billion ($4.75 billion in CARES Act funding and $539.9 million in Proposition 98 funding) to local educational agencies to address learning losses related to COVID-19 school closures. Of these funds, $2.9 billion was to be allocated based on LCFF supplemental and concentration grant allocations, $1.5 billion based on the number of students with exceptional needs, and $979.8 million based on total LCFF allocations.

- *Supplemental Appropriations* – The 2020-21 Budget provided for a new, multi-year payment obligation to supplement K-14 education funding. The total obligation would equal approximately $12.4 billion, and reflected the administration's estimate of the additional funding K-14 school districts would have received in the absence of COVID-19-related reductions. Under this proposal the State will make annual payments toward this obligation beginning in fiscal year 2021-22. These payments would equal 1.5% of State general fund revenue. The 2020-21 Budget also increased the share of State general fund revenue required to be spent on K-14 school districts from 38% to 40% by fiscal year 2023-24.

- *CalSTRS/CalPERS* – The 2020-21 Budget redirected $2.3 billion in funds previously appropriated for prefunding CalSTRS and CalPERS liabilities, and instead applied them to further reduce local educational agency contribution rates for such programs in fiscal years 2020-21 and 2021-22. This reduced CalSTRS employer rates to 16.15% in fiscal year 2020-21 and 16.02% in fiscal year 2021-22. CalPERS employer rates would be reduced to 20.7% in fiscal year 2020-21 and 22.84% in fiscal year 2021-22. See also "LENNOX SCHOOL DISTRICT – District Retirement Systems" herein.

- *Federal Funds* – In addition to the CARES Act funding previously discussed, the 2020-21 Budget appropriated $1.6 billion in federal Elementary and Secondary School Emergency Relief funds awarded to the State. Of this amount, approximately $1.5 billion was to be allocated to local educational agencies in proportion to the amount of federal Title I-A funding such agencies receive, to be used for COVID-19 related costs. The remaining amount was to be allocated to state-level activities.

- *Temporary Revenue Increases* – As discussed above, as part of closing the State's projected deficit, the 2020-21 Budget provided for a temporary revenue increase of approximately $4.3 billion in fiscal year 2020-21, of which approximately $1.6 billion counted towards the Proposition 98 funding guarantee.

Other significant features of K-12 education funding in the 2020-21 Budget included the following:

- *Special Education* – The 2020-21 Budget increased special education base rates to $625 per pupil, and provided $100 million to increase funding for students with low-incidence disabilities.

- *Average Daily Attendance* – The 2020-21 Budget provided for a hold-harmless for calculating apportionments in fiscal year 2020-21. ADA will be based on the 2019-20 year, except for new charter schools commencing instruction in fiscal year 2020-21. The 2020-21 Budget also provided an exemption for local educational agencies from certain annual minimum instructional minute requirements, and included requirements for distance learning to ensure that, in the absence of in-person instruction, students continue to receive access to quality education.

- *LCAPs* – In April of 2020, the Governor issued an executive order allowing local educational agencies to submit their LCAP (as defined herein) for fiscal year 2020-21 in December, in lieu of the usual July 1 deadline. Recognizing that federal relief funds needed to be expended on an accelerated timeline, and to ensure transparency, the 2020-21 Budget replaced the December LCAP with a Learning Continuity and Attendance Plan to be completed by September 30, 2020. The 2020-21 Budget required the State Superintendent of Public Instruction to develop a template of this plan for use by local educational agencies which included a description of how such agencies would provide continuity of learning during the pandemic, expenditures related to addressing the impacts of the pandemic, and how such agencies increased or improved services in proportion to concentration funding received under the LCFF.

- *Employee Protections* – The 2020-21 Budget suspended school districts' window to lay off teachers and other non-administrative certificated staff, which typically runs from the time the budget is approved by the State Legislature to August 15. The 2020-21 Budget also suspended layoffs of classified staff working in transportation, nutrition and custodial services from July 1, 2020 through June 30, 2021.

For additional information regarding the 2020-21 Budget, see the DOF website at www.dof.ca.gov and the LAO website at www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

Proposed Fiscal Year 2021-22 Budget. On January 8, 2021, the Governor released his proposed State budget for fiscal year 2021-22 (the "Proposed 2021-22 Budget"). The information below is drawn from the DOF summary of the Proposed 2021-22 Budget.

The Proposed 2021-22 Budget indicates that, since the adoption of the 2020-21 Budget, the administration's economic forecast and revenue projections have significantly improved, driven in large part by a rebound in the stock market and an attendant growth in capital gains tax revenues. However, the Proposed 2021-22 Budget acknowledges that the risks to the revenue forecast remain higher than usual, and economic inequality has intensified since the beginning of the COVID-19 pandemic. The Proposed 2021-22 Budget acknowledges that the State is currently in the midst of a second and more serious wave of COVID-19 infections, but that federally-approved COVID-19 vaccines are arriving to assist the recovery from the pandemic.

The Proposed 2021-22 Budget indicates that the revenue forecast was finalized prior to the passage of the most recent federal stimulus bill. See "DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19" herein. Of the almost $900 billion in federal funding that was approved, the Proposed 2021-22 Budget identifies approximately $106 billion allocable to the State, including $42.4 billion in direct assistance to individuals and families (including $38.3 billion in unemployment benefits and direct payments), $2.2 billion for COVID-19 testing, tracing and vaccine distribution, $700 million for health and mental health services, $50.1 billion in business and transportation support, and $10.1 billion for education. The Governor's May revision to the Proposed 2021-22 Budget will include a revised revenue forecast that will reflect this federal assistance. The Proposed 2021-22 Budget also acknowledges that further federal relief will be critical to assisting individuals and businesses survive and recover from the pandemic.

For fiscal year 2020-21, the Proposed 2021-22 Budget projects total general fund revenues and transfers of $168.1 billion and expenditures of $156 billion. The State is projected to end the 2020-21 fiscal year with total available general fund reserves of approximately $22.7 billion, including $9 billion in the traditional State reserve, $12.5 billion in the BSA, $747 million in the PSSSA and $450 million in the Safety Net Reserve Fund. For fiscal year 2021-22, the Proposed 2021-22 Budget projects total general fund revenues and transfers of $170.6 billion and authorizes expenditures of $164.5 billion. The State is projected to end the 2021-22 fiscal year with total available general fund reserves of approximately $22 billion, including $2.9 billion in the traditional general fund reserve, $15.6 billion in the BSA, $3 billion in the PSSSA and $450 million in the Safety Net Reserve Fund. As a result of the projected year-end balance in the PSSSA, school district reserve caps would be triggered in fiscal year 2022-23 under the provisions of SB 858 and SB 751. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2" herein.

In recognition of the need to address the various impacts of the COVID-19 pandemic, the Proposed 2021-22 Budget includes a package of measures intended to be implemented through legislative action earlier than the traditional State budget timeline. For immediate action in January, this package includes \$3 billion in direct support for workers and small businesses and \$2 billion to support the re-opening of K-12 schools (as further described herein). For early action in the spring, the package includes \$4.7 billion in instructional support for K-14 school districts, \$973 million in jobs and workforce training, \$561 million in environmental sustainability measures and \$262 million in housing and homelessness-related measures.

As a result of the expected increases in State general fund revenues, the Proposed 2021-22 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2021-22 at \$85.8 billion. This represents a year-to-year increase of \$14.9 billion over the level included in the 2020-21 Budget. The Proposed 2021-22 Budget also makes retroactive increases to the minimum funding guarantee in fiscal years 2019-20 and 2020-21 of \$1.9 billion and \$11.9 billion, respectively, due almost exclusively to increases in allocable general fund revenues in those years. As a result of these revisions, total per-pupil expenditures for K-12 education are projected to be \$18,837 in fiscal year 2020-21 and \$18,000 in fiscal year 2021-22. The year-to-year decrease reflects a significant allocation of one-time federal funding in fiscal year 2020-21. Ongoing per-pupil spending from Proposition 98 funding is \$12,648 in fiscal year 2021-22, an increase of \$1,994 from the level provided in the 2020-21 Budget.

Other significant features of K-12 education funding include the following:

- *Re-opening Schools* – \$2 billion in one-time Proposition 98 funding available beginning in February, 2021 to augment resources for local educational agencies to resume safe, in-person instruction. Funding will be available on a per-pupil basis for all county schools, school districts and charter schools (with the exception of non-classroom based charter schools and independent study programs) that continue or commence in-person instruction by set dates. Specifically, all such educational agencies that continue or resume instruction (i) by February 16, for all transitional Kindergarten through 2nd grade students, disabled students, foster and homeless youth, and students without access to technology or high-speed internet, and (ii) by March 15 for all 3rd grade students, will be eligible for base grants starting at \$450 and increasing to more than \$700 per pupil for schools with higher enrollments of EL/LI students. Schools with later start dates will qualify for proportionally lower base grants, except those schools in counties with high rates of COVID-19 community spread. Schools in counties with high rates of community spread will be eligible for the full February grant amount if they re-open for instruction pursuant to State and local health guidance. Funds may be used for any purpose that supports instruction, including enhancing and expanding COVID-19 testing, personal protective equipment, improving ventilation and the safety of indoor and outdoor spaces, teacher and staff salaries for those providing and supporting in-person instruction, and social and mental health supportive services.

- *Local Control Funding Formula* – \$64.5 billion in total LCFF funding, including an allocation to fund a combined COLA of 3.84%. This reflects both the 2.31% COLA that would have been due in fiscal year 2020-21, and which was suspended by the 2020-21 Budget, and a 1.5% adjustment for fiscal year 2021-22. With few exceptions, the Proposed 2021-22 Budget assumes in-person instruction in fiscal year 2021-22, and accordingly does not provide an ADA hold-harmless for purposes of calculating apportionments. However, because of the hold-harmless provided for fiscal year 2020-21 by the prior year's budgetary legislation, local educational agencies that experience enrollment declines in fiscal year 2021-22 will retain the ability to receive apportionments based on the higher of their 2019-20 or 2020-21 ADA. The Proposed 2021-22 Budget also provides an increase of \$10.2 million in ongoing Proposition 98 funding to reflect a 1.5% COLA for county offices of education.

- *Categorical Programs* – An increase of $85.7 million in ongoing Proposition 98 funding to reflect a 1.5% COLA for categorical programs which remain outside of the LCFF.

- *Deferrals* – The Proposed 2021-22 Budget pays off LCFF apportionment deferrals for fiscal year 2019-20 that were provided for by the 2020-21 Budget, as well as $7.3 billion of the LCFF deferral for fiscal year 2020-21. This leaves an ongoing deferral balance of $3.7 billion due in fiscal year 2021-22.

- *Supplemental Payment* – The 2020-21 Budget provided for a new, multi-year payment obligation to avoid a permanent decline in K-14 education funding as a result of then-projected reductions in available revenues. The Proposed 2021-22 Budget would eliminate this supplemental payment obligation in its entirety. However, in recognition of the extraordinary needs of students and the public school system related to the COVID-19 pandemic, the Proposed 2021-22 Budget provides a one-time supplemental payment to K-14 education of $2.3 billion.

- *Educator and Professional Development* – $315.3 million to develop quality training in high-need areas and provide timely access to training. The Proposed 2021-22 Budget also includes $225 million to improve the State's teacher pipeline, including providing grants to students enrolled in teacher preparation programs, support for clinical teacher preparation programs and grants to recruit non-certificated school employees.

- *Community Schools* - $264.9 million in one-time Proposition 98 funding to expand networks of community schools and establish new community schools, which typically integrate health, mental health and other services for students and families and provide these services directly on school campuses.

- *Learning Loss Mitigation* - $4.6 billion in one-time Proposition 98 funding to facilitate targeted interventions by local educational agencies that focus on student achievement and well-being most affected by COVID-19 related disruptions to educational learning, including interventions with low-income families, English-learners and foster and homeless youth.

- *Federal Funds* – As a result of recent federal stimulus legislation, the Proposed 2021-22 Budget estimates that the State could receive more than $6 billion for the Elementary and Secondary Schools Emergency Relief Fund and $400 million for the Governor's Emergency Education Relief Fund. These funds are expected to assist schools in reopening and remaining open for in-person instruction.

- *Proposition 51* – The Kindergarten Through Community College Public Education Facilities Bond Act of 2016 (also known as Proposition 51) is a voter initiative approved at the November 8, 2016 election that authorizes the sale and issuance of $9 billion in State general obligation bonds for the new construction and modernization of K-14 facilities. The Proposed 2021-22 Budget allocates $1.5 billion of such bond funds for K-12 school facility projects.

For additional information regarding the Proposed 2021-22 Budget, see the DOF website at www.dof.ca.gov. However, the information presented on such website is not incorporated herein by reference.

Future Actions and Events. The District cannot predict what actions will be taken in the future by the State legislature and the Governor to address changing State revenues and expenditures. The District also cannot predict the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State's ability to fund schools. The COVID-19 pandemic has already resulted in significant negative economic effects at State and federal levels, and additional negative economic effects are possible, each of which could negatively impact anticipated State revenue levels. In addition, the pandemic could also result in higher State expenditures, of both a direct nature (such as those related to managing the outbreak) and an indirect nature (such as higher public usage of need-based programs resulting from unemployment or disability). See "DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19" herein. The District also cannot predict whether the federal government will provide additional funding in amounts sufficient to offset any of the fiscal impacts of the COVID-19 pandemic described above. State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the District. However, the obligation to levy *ad valorem* property taxes upon all taxable property within the District for the payment of principal and Accreted Value of and interest on the Bonds would not be impaired.

LENNOX SCHOOL DISTRICT

The information in this section concerning the operations of the District and the District's finances are provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal and Accreted Value of or interest on the Bonds is payable from the General Fund of the District. The Bonds are payable only from the revenues generated by an ad valorem *tax levied by the County on properties within the District for the payment thereof. See "THE BONDS — Security and Sources of Payment" herein.*

Introduction

The District, an elementary school district formed in 1910, serves the community of Lennox, which is an unincorporated, 1.3 square-mile area of metropolitan Los Angeles situated between the cities of Hawthorne and Inglewood and the Los Angeles International Airport. The District operates a preschool, five elementary schools, and one middle school. The District has budgeted average daily attendance ("ADA") for fiscal year 2020-21 of 4,663 students and the total fiscal year 2020-21 assessed value of property within the District is $1,407,928,206.

As a result of the COVID-19 (as defined herein) pandemic, the District transitioned to distance learning for a portion of the 2019-20 school year, and has continued distanced instruction for the 2020-21 school year, consistent with State mandates. See "DISTRICT FINANCIAL INFORMATION– Considerations Regarding COVID-19" herein. See also "TAX BASE FOR REPAYMENT OF BONDS – Assessed Valuations" herein regarding risks related to outbreaks of disease and other factors that may affect the assessed value of property within the District.

Administration

The District is governed by a five-member Board, each member 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. Current members of the Board, together with their office and the date their terms expire, are listed below.

Name	Office	Term Expires
Angeles Gonzalez	President	December 2022
Dr. Angela Fajardo	Vice President	December 2024
Karen Rodriguez-Garcia	Clerk	December 2024
Alexis Aceves	Member	December 2022
Sergio Hernández Jr.	Member	December 2022

The Superintendent of the District, appointed by the Board, is responsible for management of the day-to-day operations and supervises the work of the other District administrators. Following are brief biographies of the Superintendent and the Business Manager.

Dr. Scott Price, Superintendent. Dr. Price joined the District a Superintendent effective September 2019. Prior thereto he served as the Chief Financial Officer for the Los Angeles Unified School District and prior to that as the Chief Financial Officer of the Los Angeles County Office of Education (LACOE). Prior thereto he served as the Assistant Superintendent of Business Services of the South Pasadena Unified School District, and the Administrator of Business Services and Administrator, Education Technology and Information Services at the Glendale Unified School District. In his 26 year career in education he has held numerous positions including: Director of Technology for Fullerton Joint Union High School District; Manager, Instructional Technology at the Los Angeles County Office of Education; Title VII Grant Manager for the Palos Verdes School District; and Teacher for Chaffey Joint Union High School District. Dr. Price received his Doctorate degree from the University of Southern California in Education Administration.

Victor Herrera, Business Manager. Mr. Herrera currently serves as Business Manager of the District, and has been a part of the District's management team since August 2017. Mr. Herrera joined the District as a Teacher Assistant in 2008, and, prior to his current role, has held the positions of Accounting Technician and State and Federal Categorical Program Assistant. Mr. Herrera earned his Bachelor of Science in Business Finance from the California State University, Northridge. He is currently a participant in the Fiscal Crisis and Management Assistance Team (FCMAT) Chief Business Official Mentor Program and is working towards his California Association of School Business Officials (CASBO) Certification.

FCMAT Analysis

Fiscal Health Risk Analysis. On March 3, 2020, FCMAT delivered to the District a report (the "FCMAT Fiscal Health Risk Analysis") summarizing the results of study (the "FCMAT Analysis"), the purpose of which was to analyze and identify the District's specific risk rating for fiscal solvency using the 20 factors in FCMAT's Fiscal Health Risk Analysis. The Fiscal Health Risk Analysis was requested of the District pursuant to an agreement that was entered into by the District and FCMAT on July 12, 2019.

As part of the study process, FCMAT visited the District on December 3 and 4, 2019 to conduct interviews, collect data, and review documents. FCMAT's 20 factor analysis produces a risk factor score: 24% or lower is considered "low risk", 25-39% is considered "moderate risk", and 40% or more is considered “high risk”. The Fiscal Health Risk Analysis identified a total risk score of 53% for the District in all areas reviewed.

FCMAT identified several areas of concern, including significant deficit spending, negative cash and turnover in the District’s administration. FCMAT noted that (i) the District did not reconcile and clear balance sheet accounts for several years, which resulted in an overstatement of general fund balance greater than the fund balance itself, which resulted in a negative fund balance when the accounts were reconciled, (ii) while the District obtained a temporary cash loan from the County Treasurer which prevented insolvency in fiscal year 2019-20, the District must monitor cash borrowing and needs in the coming fiscal years, (iii) the District does not have a properly functioning position control system, (iv) there was no evidence of a pre-settlement analysis being performed as part of the collective bargaining process, (v) the District has significant risk due to lack of internal controls in almost every area of exposure, and (v) the District has a $2 million shortfall in a planned capital facility project.

The full FCMAT Fiscal Health Risk Analysis and FCMAT Organizational Report are available www. https://www.fcmat.org/fcmat-reports. However, the information presented on such website is not incorporated herein by any reference.

The recommendations provided by FCMAT have been reviewed and discussed by the Board, the District cabinet, and division and department staff, and the District has implemented over 75% of the recommendations.

District Enrollment

On average throughout the District, the regular education pupil-teacher ratio is approximately 21.2:1 for grades TK-3, 26.2:1 in grades 4-5 and approximately 26.6:1 in grades 6-8. The following table shows enrollment figures for the District for fiscal years 2013-14 through 2020-21.

HISTORICAL ENROLLMENT
Fiscal Years 2013-14 through 2020-21
Lennox School District

Fiscal Year	Enrollment[(1)]	% Change in Enrollment
2013-14	5,136	--
2014-15	5,097	(0.76)%
2015-16	5,053	(0.86)
2016-17	5,310	5.09
2017-18	5,331	0.40
2018-19	5,302	(0.54)
2019-20	4,918	(7.24)
2020-21[(2)]	4,728	(3.86)

(1) Budgeted. For fiscal years 2021-22 and 2022-23, the District has budgeted enrollment of 4,522 and 4,402, respectively.
Source: Lennox School District.

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 State 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 or a county board of education.

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

The District has certain fiscal oversight and other responsibilities with respect to both independent and dependent charter schools established within its boundaries. However, independent charter schools receive funding directly from the State, and such funding would not be reported in the District's audited financial statements. Dependent charter schools receive their funding from the District, and their funding would be reflected in the District's audited financial statements.

There are three independent charter schools currently operating within the District, one serving grades 6-8 and two serving grades 9-12, which collectively had enrollment for fiscal year 2019-20 of 1,665.

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

Employee Relations

The District currently employs 337.75 full-time equivalent ("FTE") certificated employees and 250 FTE classified employees. These employees, except management and some part-time employees, are represented by the two bargaining units as noted below:

BARGAINING UNITS
Lennox School District

Labor Organization	Number of Employees In Bargaining Unit	Contract Expiration Date
Lennox Teachers Association	259	June 30, 2023
California School Employees Association, Lennox Chapter 575	214	June 30, 2023

Source: Lennox School District.

District Retirement Systems

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

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

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

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

MEMBER CONTRIBUTION RATES
STRS (Defined Benefit Program)

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

Source: AB 1469.

Pursuant to the Reform Act (defined below), the contribution rates for members hired after the Implementation Date (defined below) will be adjusted if the normal cost increases by more than 1% since the last time the member contribution was set. The contribution rate for employees hired after the Implementation Date (defined below) increased from 9.205% of creditable compensation for fiscal year commencing July 1, 2017 to 10.205% of creditable compensation effective July 1, 2018. For fiscal year commencing July 1, 2019, the contribution rate was 10.250% for employees hired before the Implementation Date and 10.205% for employees hired after the Implementation Date. For fiscal year commencing July 1, 2020, the contribution rate will be 10.250% for employees hired before the Implementation Date and 10.205% employees hired after the Implementation Date.

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

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

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

Source: AB 1469.

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

On June 27, 2019, the Governor signed SB 90 ("SB 90") into law as a part of the 2019-20 Budget. Pursuant to SB 90, the State Legislature appropriated $2.246 billion to be transferred to the Teacher's Retirement Fund for the STRS Defined Benefit Program to pay in advance, on behalf of employers, part of the contributions required for fiscal years 2019-20 and 2020-21, resulting in K-14 school districts having to contribute 1.03% less in fiscal year 2019-20 and 0.70% less in fiscal year 2020-21, resulting in employer contribution rates of 17.1% in fiscal year 2019-20 and 18.4% in fiscal year 2020-21. In addition, the State made a contribution of $1.117 billion to be allocated to reduce the employer's share of the unfunded actuarial obligation determined by the STRS Board upon recommendation from its actuary. This additional payment will be reflected in the June 30, 2020 actuarial valuation. Subsequently, the State's 2020-21 Budget redirected $2.3 billion previously appropriated to STRS and PERS pursuant to SB 90 for long-term unfunded liabilities to further reduce the employer contribution rates in fiscal year 2020-21 and 2021-22. As a result, the effective employer contribution rate is 16.15% in fiscal year 2020-21 and is projected to be 16.02% in fiscal year 2021-22. See "DISTRICT FINANCIAL INFORMATION – State Budget" herein.

The District's contributions to STRS were $2,646,304 in fiscal year 2014-15, $3,357,384 in fiscal year 2015-16, $3,971,248 in fiscal year 2016-17, $4,626,878 for fiscal year 2017-18, $5,292,248 in fiscal year 2018-19, and $5,135,285 (unaudited) in fiscal year 2019-20. The District currently projects $5,037,166 for its contribution to STRS for fiscal year 2020-21.

The State also contributes to STRS, currently in an amount equal to 8.328% for fiscal year 2020-21. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990. The STRS Board approved State supplemental contribution rate for fiscal year 2020-21 reflects an increase of 0.5% of payroll, the maximum allowed under current law.

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

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2019 included 1,612 public agencies and 1,319 K-14 school districts and charter schools. PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the "Schools Pool").

Pursuant to SB 90, the State Legislature appropriated $144 million for fiscal year 2019-20 and $100 million for fiscal year 2020-21 to be transferred to the Public Employees' Retirement Fund, to pay in advance, on behalf of K-14 school district employers, part of the contributions required for K-14 school district employers for such fiscal years. In addition, the State Legislature appropriated $660 million to be applied toward certain unfunded liabilities for K-14 school district employers. As a result of the payments made by the State pursuant to SB 90, the employer contribution rate for fiscal year 2019-20 was 19.721%. See "DISTRICT FINANCIAL INFORMATION – State Budget" herein.

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The actuarial determined employer contribution rate for fiscal year 2020-21 is 20.7%, which reflects the redirection of funds by the State's 2020-21 Budget by AB 84 (defined below), that were previously appropriated pursuant to SB 90 for long-term unfunded liabilities (discussed above). See "DISTRICT FINANCIAL INFORMATION – State Budget" herein. Participants enrolled in PERS prior to January 1, 2013 contribute at a rate established by statute, which is 7% of their respective salaries in fiscal year 2020-21, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 7% in fiscal year 2020-21. See "—California Public Employees' Pension Reform Act of 2013" herein.

The District's contributions to PERS were $1,026,208 in fiscal year 2014-15, $1,195,679 in fiscal year 2015-16, $1,503,006 in fiscal year 2016-17, $1,780,752 for fiscal year 2017-18, $2,156,948 in fiscal year 2018-19, and $2,195,589 (unaudited) in fiscal year 2019-20. The District currently projects $2,120,653 for its contribution to PERS for fiscal year 2020-21.

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

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

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FUNDED STATUS
STRS (Defined Benefit Program) and PERS (Schools Pool)
(Dollar Amounts in Millions) [1]
Fiscal Years 2010-11 through 2018-19

STRS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)[2]	Unfunded Liability (MVA)[2]	Value of Trust Assets (AVA)[3]	Unfunded Liability (AVA)[3]
2010-11	$208,405	$147,140	$68,365	$143,930	$64,475
2011-12	215,189	143,118	80,354	144,232	70,957
2012-13	222,281	157,176	74,374	148,614	73,667
2013-14	231,213	179,749	61,807	158,495	72,718
2014-15	241,753	180,633	72,626	165,553	76,200
2015-16	266,704	177,914	101,586	169,976	96,728
2016-17	286,950	197,718	103,468	179,689	107,261
2017-18	297,603	211,367	101,992	190,451	107,152
2018-19	310,719	225,466	102,636	205,016	105,703

PERS

Fiscal Year	Accrued Liability	Value of Trust Assets (MVA)	Unfunded Liability (MVA)	Value of Trust Assets (AVA)[3]	Unfunded Liability (AVA)[3]
2010-11	$58,358	$45,901	$12,457	$51,547	$6,811
2011-12	59,439	44,854	14,585	53,791	5,648
2012-13	61,487	49,482	12,005	56,250	5,237
2013-14	65,600	56,838	8,761	--[4]	--[4]
2014-15	73,325	56,814	16,511	--[4]	--[4]
2015-16	77,544	55,785	21,759	--[4]	--[4]
2016-17	84,416	60,865	23,551	--[4]	--[4]
2017-18	92,071	64,846	27,225	--[4]	--[4]
2018-19	99,528	68,177	31,351	--[4]	--[4]

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

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

Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2015, through June 30, 2018) (the "2020 Experience Analysis"), on January 31, 2020, the STRS Board adopted a new set of actuarial assumptions that were first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2019 (the "2019 STRS Actuarial Valuation"). While no changes were made to the actuarial assumptions discussed above, which were established as a result of the 2017 Experience Analysis, certain demographic changes were made, including: (i) lowering the termination rates to reflect a continued trend of lower than expected teachers leaving their employment prior to retirement, and (ii) adopting changes to the retirement rates for both employees hire before the Implementation Date and after the Implementation Date to better reflect the anticipated impact of years of service on retirements. The 2019 STRS Actuarial Valuation continues using the Entry Age Normal Actuarial Cost Method.

Based on salary increases less than assumed, additional State contributions, and actuarial asset gains recognized from the current and prior years, the 2019 STRS Actuarial Valuation reports that the unfunded actuarial obligation decreased by $1.5 billion since the 2018 STRS Actuarial Valuation and the funded ratio increased by 2.0% to 66.0% over such time period.

According to the 2019 STRS Actuarial Valuation, the future revenues from contributions and appropriations for the STRS Defined Benefit Program are projected to be approximately sufficient to finance its obligations with a projected ending funded ratio in fiscal year ending June 30, 2046 of 99.9%, except for a small portion of the unfunded actuarial obligation related to service accrued on or after July 1, 2014 for member benefits adopted after 1990, for which AB 1469 provides no authority to the STRS Board to adjust rates to pay down that portion of the unfunded actuarial obligation. This finding reflects the scheduled contribution rate increases directed by statute, assumes additional increases in the scheduled contribution rates allowed under the current law will be made, and is based on the valuation assumptions and valuation policy adopted by the STRS Board, including a 7.00% investment rate of return assumption and includes the $1.117 billion State contribution made in July 2019 pursuant to SB 90.

The actuary for the STRS Defined Benefit Program notes in the 2019 STRS Actuarial Report that, since such report is dated as of June 30, 2019, the significant declines in the investment markets that have occurred in the first half the 2020 calendar year are not directly reflected in the 2019 STRS Actuarial Report. The actuary notes that such declines will almost certainly impact the future of the STRS Defined Benefit Program funding, and that, all things being equal, it is expected that the actuarial valuation for the fiscal year ending June 30, 2020 will show a greater increase in the projected State contribution rate (and possibly the employer rate) and a possible decline in the funded ratio. See "DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19" herein.

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

On March 14, 2012, the PERS Board voted to lower the PERS' rate of expected price inflation and its investment rate of return (net of administrative expenses) (the "PERS Discount Rate") from 7.75% to 7.5%. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points. On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over a three year phase-in period in accordance with the following schedule: 7.375% for the June 30, 2017 actuarial valuation, 7.25% for the June 30, 2018 actuarial valuation and 7.00% for the June 30, 2019 actuarial valuation. The new discount rate went into effect July 1, 2017 for the State and July 1, 2018 for K-14 school districts and other public agencies.

Lowering the PERS Discount Rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Reform Act (defined below) will also see their contribution rates rise.

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

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

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

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

The Schools Pool Actuarial Valuation as of June 30, 2019 (the "2019 PERS Actuarial Valuation"), reported that the contribution rate for 2021-22 is projected to be 23.0%, with annual increases thereafter, resulting in a projected 27.6% employer contribution rate for fiscal year 2026-27. The projected contribution rates reflect a 4.7% investment return reduced by estimated administrative expenses for fiscal year 2019-20 and the anticipated decrease in normal cost due to new hires entering lower benefit formulas under the Reform Act, as well as the additional $904 million contributed by the State in July 2019 pursuant to SB 90, which was subsequently amended by Assembly Bill 84/Senate Bill 111 ("AB 84"). Under AB 84, $144 million of the State contribution under SB 90 is deemed to satisfy a portion of the State's required contribution in fiscal year 2019-20, $430 million will satisfy a portion of the employer contribution rate in fiscal year 2020-21, and $330 million will satisfy a portion of the employer contribution rate in fiscal year 2021-22. See "DISTRICT FINANCIAL INFORMATION – State Budget" herein. The projected contribution rate also assumes that all other actuarial assumptions will be realized and that no further changes to assumptions, contributions, benefits, or funding will occur during the projection period. As reported in the 2019 PERS Actuarial Valuation, the funded status for the Schools Pool decreased by 1.9% (from 70.4% to 68.5%) from June 30, 2018 to June 30, 2019, primarily due to increases in liability resulting from the decrease in the discount rate, discussed above, and by the investment return in 2018-19 being less than expected.

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

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

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

The District's proportionate shares of the net pension liabilities, pension expense, deferred outflow of resources and deferred inflow of resources for STRS and PERS, as of June 30, 2019, are as shown in the following table.

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
STRS	$54,601,494	$14,999,786	$5,827,505	$6,052,412
PERS	22,965,191	6,747,919	--	5,703,579
Total	$77,566,685	$21,747,705	$5,827,505	$11,755,991

Source: Lennox School District.

For additional information, see "APPENDIX B – 2018-19 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 12" attached hereto.

Other Post-Employment Benefits

Benefits Plan and Funding Policy. The District administers a single-employer defined benefit healthcare plan (the "Plan") providing medical, dental, and vision insurance benefits to eligible retirees and their dependents. As of June 30, 2020, the Plan consisted of 31 retirees and beneficiaries currently receiving benefits and 552 active plan members.

The District's funding policy is based on the projected pay-as-you-go financing requirements, as determined annually through the agreements with the District. For fiscal year ending June 30, 2017, the District contributed $433,163 to the Plan, all of which was used for current premiums. For fiscal year ending June 30, 2018, the District contributed $590,336 to the Plan, all of which was used for current premiums. For fiscal year ending June 30, 2019, the District contributed $631,660 to the Plan, all of which was used for current premiums. For fiscal year ending June 30, 2020, the District contributed $286,868 to the Plan, all of which was used for current premiums. For fiscal year ending June 30, 2021, the District currently projects a contribution of $353,088 to the Plan, all of which is expected to be used for current premiums.

Accrued Liability. The District has implemented *Governmental Accounting Standards Board Statement #74, Financial Reporting for Postemployment Benefit Plans Other Than Pensions* ("GASB 74") and *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"), pursuant to which the District has commissioned and received an actuarial study of its liability with respect to the Plan. The new GASB statements No. 74 and No. 75 (discussed below) require biennial actuarial valuations for all plans. The most recent actuarial study, dated as of October 22, 2020, as supplemented by GASB Statement No. 75 Supplemental Schedules, dated October 22, 2020 (collectively, the "Study"), concluded that, as of a June 30, 2020, the Total OPEB Liability (the "TOL") with respect to the Plan, was $32,323,529. Because the District does not maintain a qualifying irrevocable trust, the District's Fiduciary Net Position ("FNP") was $0, and the Net OPEB Liability (the "NOL") is equal to the TOL. For more information regarding the District's other post-employment benefit liability, "APPENDIX B – 2018-19 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 11" attached hereto.

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

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

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

GASB No. 74 has an effective date for plan fiscal years beginning after June 15, 2016. GASB Statement No. 75 has an effective date for employer fiscal years beginning after June 15, 2017, and the District first recognized GASB No. 75 in their financial statements for fiscal year 2017-18.

Joint Powers Authorities

The District participates in one joint powers agreement ("JPA") entity, the Alliance of Schools for Cooperative Insurance Programs ("ASCIP"). The District pays an annual premium to such entity for its workers' compensation and property liability coverage. The District pays a premium commensurate with the level of coverage requested.

The JPA is governed by a board consisting of a representative from each member district. Each governing board controls the operations of the JPA independent of any influence by the District beyond the District's representation on the governing board.

The JPA is independently accountable for its fiscal matters. Budgets are not subject to any approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA.

See also "APPENDIX B – 2018-19 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Notes to Financial Statements – Note 14" attached hereto.

District Debt Structure

Short-Term Debt. On December 15, 2020, the Board approved a resolution authorizing the issuance and sale of the District's 2020-21 Tax and Revenue Anticipation Notes in an aggregate principal amount not-to-exceed $16,000,000 (the "2021 TRANs"), through the Los Angeles County Schools Pooled Financing Program, in part due to anticipated LCFF apportionment deferrals included in the 2020-21 State Budget. See "DISTRICT FINANCIAL INFORMATION – State Budget – 2020-21 State Budget" herein. The District anticipates issuing the 2021 TRANs in Spring 2021; however, the District makes no assurances that such 2021 TRANs will be issued, and if issued, the final principal amount of such 2021 TRANs.

Long-Term Obligations. A schedule of changes in long-term debt for the fiscal year ended June 30, 2019, is shown below:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Governmental Activities				
General obligation bonds	$35,553,001	--	$719,848	$34,833,153
Unamortized premium	1,287,030	--	53,139	1,233,891
Accreted interest	4,594,517	$996,316	510,152	5,080,681
Total General Obligation Bonds	41,434,548	996,316	1,283,139	41,147,725
Certificates of participation	4,560,000	--	185,000	4,375,000
Unamortized premium	444,737	--	26,161	418,576
Total certificates of participation	5,004,737	--	211,161	4,793,576
Capital Leases	2,906,385	--	200,547	2,705,838
Compensated absences	308,196	85,918	--	394,114
Total OPEB Liability	29,833,496	2,071,813	--	31,905,309
Net pension liability	74,889,040	2,677,645	--	77,566,685
TOTAL	$154,376,402	$5,831,692	$1,694,847	$158,513,247

Source: Lennox School District.

Certificates of Participation. On November 20, 2014, the District executed and delivered certificates of participation in the amount of $4,905,000 (the "2014 Certificates") for the purpose of financing construction at the Jefferson Elementary School. The 2014 Certificates are payable from lease payments made by the District pursuant to a lease-purchase agreement, by and between the District and the Public Property Financing Corporation of California, for use and possession of certain District real property.

The following table shows future lease payments due from the District in connection with the Certificates.

CERTIFICATES OF PARTICIPATION DEBT SERVICE
Lennox School District

Year Ending October 1	Principal	Interest	Total Payments
2021	$205,000.00	$197,200.00	$402,200.00
2022	215,000.00	189,000.00	404,000.00
2023	225,000.00	178,250.00	403,250.00
2024	235,000.00	167,000.00	402,000.00
2025	245,000.00	155,250.00	400,250.00
2026	260,000.00	143,000.00	403,000.00
2027	275,000.00	130,000.00	405,000.00
2028	285,000.00	116,250.00	401,250.00
2029	300,000.00	102,000.00	402,000.00
2030	315,000.00	87,000.00	402,000.00
2031	330,000.00	71,250.00	401,250.00
2032	345,000.00	54,750.00	399,750.00
2033	365,000.00	37,500.00	402,500.00
2034	385,000.00	19,250.00	404,250.00
Totals	$3,985,000.00	$1,647,700.00	$5,632,700.00

Source: Lennox School District.

Lease-Purchase Agreement. In July 2014, the District entered into an equipment lease/purchase agreement with Bank of America, National Association, in the aggregate principal amount of $3,413,593 to finance the acquisition and installation of certain heating, ventilation and air conditioning equipment, lighting systems, and associated controls. The agreement requires the District to make semiannual payments of $147,979.55 on July 11 and January 11 through January 11, 2030. The vendor/contractor for the installation of the energy efficiency retrofit project, Climatec, LLC.

County Loan. On August 20, 2019, the County Office approved a bridge loan to the District, which resulted in the District borrowing $8,000,000 that is required to be repaid by June 30, 2021 (the "Bridge Loan"). The District repaid $5,000,000 of the Bridge Loan on December 18, 2020, and anticipates repaying the balance of such loan in April 2021.

General Obligation Bonds. The District has issued general obligation bonds pursuant to three voter-approved authorizations to finance the construction, modernization and equipping of District sites and facilities. The District has also previously issued general obligation refunding bonds to refinance prior bonded indebtedness. The following table presents summary information on the District's currently outstanding general obligations bonds (not including the Bonds).

Issuance	Initial Principal Amount	Principal Outstanding[1]	Date of Delivery
Election of 1998 Series A Bonds	$5,503,266.20	$671,847.10	October 27, 1998
Election of 1998 Series 2002B Bonds	1,339,386.50	993,481.55	October 28, 2002
Election of 2007, Series 2007 Bonds	3,818,826.85	223,826.85	December 27, 2007
Election of 1998 Series 2012A Bonds	3,000,000.00	2,735,000.00	February 22, 2012
Election of 1998 Series 2012B Bonds	157,228.75	157,228.75	March 1, 2012
Election of 2007, Series 2012 Bonds[2]	1,199,988.70	1,199,988.70	March 1, 2012
Election of 2007, Series 2016	1,498,745.75	1,418,745.75	May 5, 2016
2016 Refunding Bonds	1,900,000	1,630,000.00	May 5, 2016
Election of 2016, Series 2017 Bonds	24,995,346.25	24,570,346.25	April 6, 2017
Total:	$43,412,789.00	$33,600,464.95	

(1) As of January 1, 2021.
(2) Includes the Refunded Bonds to be refunded with proceeds of the Refunding Bonds.
Source: Lennox School District.

The table on the following page shows the annual debt service requirements for all the District's outstanding bonded indebtedness, including the Bonds:

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GENERAL OBLIGATION BOND DEBT SERVICE(2)
Lennox School District

Year Ending August 1	1998 Series A Bonds	1998 Series 2002B Bonds	2007 Series 2007 Bonds	1998 Series 2012A Bonds(1)	1998 Series 2012B Bonds	2007 Series 2016 Bonds	2016 Refunding Bonds	2016 Series 2017 Bonds	Series 2021 Bonds	Refunding Bonds	Total Annual Debt Service
2021	$705,000.00	$195,000.00	--	$204,920.50	--	$33,750.00	$335,200.00	$737,926.19	$16,407.53	--	$2,228,204.22
2022	740,000.00	195,000.00	--	202,508.50	--	32,850.00	349,400.00	764,526.91	36,237.50	--	2,320,522.91
2023	780,000.00	200,000.00	--	200,096.50	--	26,950.00	367,600.00	789,126.95	36,237.50	--	2,400,010.95
2024	--	200,000.00	--	1,027,684.50	--	21,200.00	384,600.00	811,626.91	36,237.50	--	2,481,348.91
2025	--	1,125,000.00	--	160,223.50	--	20,600.00	400,400.00	842,027.11	36,237.50	--	2,584,488.11
2026	--	1,175,000.00	$435,000.00	156,907.00	--	--	--	435,027.62	36,237.50	--	2,238,172.12
2027	--	1,230,000.00	455,000.00	153,590.50	--	--	--	455,027.62	36,237.50	--	2,329,855.62
2028	--	--	470,000.00	995,274.00	--	--	--	470,027.70	36,237.50	--	1,971,539.20
2029	--	--	--	721,004.00	--	40,000.00	--	515,027.61	107,562.50	$372,475.00	1,756,069.11
2030	--	--	--	--	--	25,000.00	--	515,027.22	109,971.80	401,442.30	1,051,441.32
2031	--	--	--	--	$595,000.00	30,000.00	--	540,027.51	112,463.00	410,770.75	1,688,261.26
2032	--	--	--	--	595,000.00	25,000.00	--	550,027.49	115,037.90	429,024.40	1,714,089.79
2033	--	--	--	--	--	15,000.00	--	555,027.45	117,699.20	452,565.00	1,140,291.65
2034	--	--	--	--	--	20,000.00	--	580,027.64	120,451.40	463,176.45	1,183,655.49
2035	--	--	--	--	--	5,000.00	--	580,027.55	128,132.90	488,496.60	1,201,657.05
2036	--	--	--	--	--	--	--	595,027.68	131,237.50	510,000.00	1,236,265.18
2037	--	--	--	--	--	615,000.00	--	1,230,028.21	43,637.10	--	1,888,665.31
2038	--	--	--	--	--	635,000.00	--	1,270,027.85	43,921.00	--	1,948,948.85
2039	--	--	--	--	--	655,000.00	--	1,310,027.89	44,215.70	--	2,009,243.59
2040	--	--	--	--	--	680,000.00	--	1,360,028.11	40,379.65	--	2,080,407.76
2041	--	--	--	--	--	690,000.00	--	1,380,027.68	53,441.70	--	2,123,469.38
2042	--	--	--	--	--	--	--	--	764,203.65	--	764,203.65
2043	--	--	--	--	--	--	--	--	787,488.20	--	787,488.20
2044	--	--	--	--	--	--	--	--	811,492.75	--	811,492.75
2045	--	--	--	--	--	--	--	--	836,237.50	--	836,237.50
2046	--	--	--	--	--	--	--	--	861,237.50	--	861,237.50
2047	--	--	--	--	--	--	--	--	299,425.00	--	299,425.00
Totals	$2,225,000.00	$4,320,000.00	$1,360,000.00	$3,822,209.00	$1,190,000.00	$3,570,350.00	$1,837,200.00	$16,285,676.91	$5,798,305.98	$3,527,950.50	$43,936,692.38

(1) Reflects gross debt service on the 1998 Series 2012 B Bonds, which were designated as federally-taxable "Qualified School Construction Bonds" pursuant to an irrevocable election by the District to have Section 6431(f)(3)(B) of the Internal Revenue Code apply thereto. As a result, the District expects to receive, on or about each interest payment date, a cash subsidy (the "Subsidy Payment") from the United States Treasury (the "Treasury") equal to the lesser of (a) the interest payable on such 1998 Series 2012 B Bonds or (b) the amount of interest that would have been payable on each such interest payment date if such interest were determined at a federally-determined tax credit rate on the date of the sale of the 1998 Series 2012 B Bonds. The cash payment does not constitute a full faith and credit guarantee of the United States Government, but is required to be paid by the Treasury under the American Recovery and Reinvestment Act of 2009 (the "Recovery Act"). The Subsidy Payments are subject to reduction (the "Sequestration Reduction") pursuant to the federal Balanced Budget and Emergency Deficit Control Act of 1985, as amended, which currently includes provisions reducing the Subsidy Payments by 5.7% for the current federal fiscal year ending September 30, 2021 through the federal fiscal year ending September 30, 2030. The sequestration reduction rate will be applied unless and until a law is enacted that cancels or otherwise affects the sequester, at which time the Sequestration Reduction rate is subject to change. However, notwithstanding any such reduction, the County Board of Supervisors is empowered and obligated to levy *ad valorem* property taxes in an amount sufficient to pay the principal of and interest on the 1998 Series 2012 B Bonds.
(2) Does not include debt service on the Refunded Bonds to be refunded with proceeds of the Refunding Bonds.
Source: Lennox School District.

TAX MATTERS

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code but is exempt from State of California personal income tax.

Except for certain exceptions, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of the same maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by the Owner of a Bond will increase the Owner's basis in the Bond. Owners of Bonds should consult their own tax advisor with respect to taking into account any original issue discount on the Bonds.

The amount by which a Bond Owner's original basis for determining gain or loss on sale or exchange of the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which the Owner of a Bond may elect to amortize under Section 171 of the Code. Such amortizable bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of taxable interest received) and is deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in the Owner of a Bond realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. The Owners of the Bonds that have a basis in the Bonds that is greater than the principal amount of the Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

In the event of a legal defeasance of a Bond, such bond might be treated as retired and "reissued" for federal tax purposes as of the date of the defeasance, potentially resulting in recognition of taxable gain or loss to the applicable Bond Owner generally equal to the difference between the amount deemed realized from the deemed redemption and reissuance and the Bond Owner's adjusted tax basis in such bond.

The federal tax and State of California personal income tax discussion set forth above with respect to the Bonds is included for general information only and may not be applicable depending upon an Owner's particular situation. The ownership and disposal of the Bonds and the accrual or receipt of interest with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences.

Copies of the proposed forms of opinions of Bond Counsel for the Bonds are attached hereto as APPENDIX A.

LIMITATION ON REMEDIES; BANKRUPTCY

General. State law contains certain safeguards to protect the financial solvency of school districts. See "DISTRICT FINANCIAL INFORMATION – Budget Process" herein. If the safeguards are not successful in preventing a school district from becoming insolvent, the State Superintendent, operating through an administrator appointed by the State Superintendent, may be authorized under State law to file a petition under Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code") on behalf of the school district for the adjustment of its debts, assuming that the school district meets certain other requirements contained in the Bankruptcy Code necessary for filing a petition under Chapter 9.

School districts are not themselves authorized to file a bankruptcy proceeding, and they are not subject to involuntary bankruptcy.

Bankruptcy courts are courts of equity and as such have broad discretionary powers. If the District were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the automatic stay provisions of Bankruptcy Code Sections 362 and 922 generally would prohibit creditors from taking any action to collect amounts due from the District or to enforce any obligation of the District related to such amounts due, without consent of the District or authorization of the bankruptcy court (although such stays would not operate to block creditor application of pledged special revenues to payment of indebtedness secured by such revenues). In addition, as part of its plan of adjustment in a Chapter 9 bankruptcy case, the District may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Bonds and other transaction documents related to the Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable. There also may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on the Bonds. Moreover, regardless of any specific adverse determinations in any District bankruptcy proceeding, the fact of a District bankruptcy proceeding could have an adverse effect on the liquidity and market price of the Bonds.

Statutory Lien. Pursuant to Government Code Section 53515, the Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax, and such lien automatically arises, without the need for any action or authorization by the local agency or its governing board, and is valid and binding from the time the Bonds are executed and delivered. See "THE BONDS – Statutory Lien" herein. Although a statutory lien would not be automatically terminated by the filing of a Chapter 9 bankruptcy petition by the District, the automatic stay provisions of the Bankruptcy Code would apply and payments that become due and owing on the Bonds during the pendency of the Chapter 9 proceeding could be delayed, unless the Bonds are determined to be secured by a pledge of "special revenues" within the meaning of the Bankruptcy Code and the pledged *ad valorem* taxes are applied to pay the Bonds in a manner consistent with the Bankruptcy Code.

Special Revenues. If the *ad valorem* tax revenues that are pledged to the payment of the Bonds are determined to be "special revenues" within the meaning of the Bankruptcy Code, then the application in a manner consistent with the Bankruptcy Code of the pledged *ad valorem* revenues should not be subject to the automatic stay. "Special revenues" are defined to include, among others, taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. State law prohibits the use of the tax proceeds for any purpose other than payment of the Bonds and the Bond proceeds can only be used to fund the acquisition or improvement of real property and other capital expenditures included in the proposition, so such tax revenues appear to fit the definition of special revenues. However, there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of *ad valorem* tax revenues collected for the payments of bonds in the State, so no assurance can be given that a bankruptcy court would not hold otherwise.

Possession of Tax Revenues; Remedies. The County on behalf of the District is expected to be in possession of the annual *ad valorem* property taxes and certain funds to repay the Bonds and may invest these funds in the County Treasury Pool, as described in "THE BONDS – Application and Investment of Bond Proceeds" herein and "APPENDIX F – Los Angeles County Treasury Pool" attached hereto. If the County goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if the County does not voluntarily pay such tax revenues to the owners of the Bonds, it is not entirely clear what procedures the owners of the Bonds would have to follow to attempt to obtain possession of such tax revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful. Further, should those investments suffer any losses, there may be delays or reductions in payments on the Bonds.

Opinions of Bond Counsel Qualified by Reference to Bankruptcy, Insolvency and Other Laws Relating to or Affecting Creditor's Rights. The proposed forms of the approving opinions of Bond Counsel attached hereto as APPENDIX A are qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor's rights. Bankruptcy proceedings, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

LEGAL MATTERS

Legality for Investment in California

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

Expanded Reporting Requirements

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

Escrow Verification

Upon delivery of the Refunding Bonds, the Verification Agent will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to them by the Underwriter (defined herein) relating to the adequacy of the maturing principal of and interest on the Federal Securities in the Escrow Fund, together with any moneys held therein as cash, to pay the redemption price of and interest on the Refunded Bonds.

Continuing Disclosure

Current Undertaking. In connection with the issuance of the Bonds, the District has covenanted for the benefit of bondholders (including the Beneficial Owners of the Bonds) to provide certain financial information and operating data relating to the District (the "Annual Reports") by not later than nine months following the end of the District's fiscal year (which currently ends June 30), commencing with the report for the 2019-20 fiscal year, and to provide notices of the occurrence of certain listed events. The Annual Reports and notices of listed events will be filed by the District in accordance with the requirements of the Rule. The specific nature of the information to be contained in the Annual Reports or the notices of listed events is included in "APPENDIX C – FORM OF CONTINUING DISCLOSURE

CERTIFICATE" attached hereto. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Prior Undertakings. Within the past five years, the District failed to file certain portions of its annual reports, in a timely manner, for fiscal years 2014-15, 2015-16, and 2018-19, as required by its then-existing continuing disclosure obligations. Within the past five years, the District has also failed to timely file notices of certain listed events, as required by its then-existing continuing disclosure obligations. In connection with the annual reports described above, and within the last five years, the District has never filed a notice of a failure to provide annual financial information, on or before the date specified in its prior continuing disclosure undertakings.

The District has retained Montague DeRose and Associates, LLC, Westlake Village, California, as its dissemination agent to assist it in preparing and filing the annual reports and notices of listed events required under its existing continuing disclosure obligations with respect to the District's outstanding general obligation bonds, including the Bonds.

No Litigation

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished to purchasers at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to receive *ad valorem* taxes or to collect other revenues or contesting the District's ability to issue and retire the Bonds.

Legal Opinions

The legal opinions of Bond Counsel, approving the validity of the Bonds, will be supplied to the original purchasers of the Bonds without cost. Copies of the proposed forms of such legal opinion are attached to this Official Statement as APPENDIX A.

MISCELLANEOUS

Ratings

The Bonds are expected to be assigned a rating of "AA" by S&P, based upon the issuance of the Policy by BAM on the Date of Delivery of the Bonds. The Bonds have also been assigned an underlying rating of "Baa1" by Moody's. The ratings reflect only the views of the rating agencies, and any explanation of the significance of such ratings should be obtained from the rating agencies at the following addresses: Standard & Poor's, 55 Water Street, 45th Floor, New York, New York 10041; Moody's Investors Service, 7 World Trade Center at 250 Greenwich, New York, NY 10007. Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the District which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies. There is no assurance that the ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agencies if, in the judgment of the rating agencies, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the ratings obtained may have an adverse effect on the market price of the Bonds.

The District has covenanted in a Continuing Disclosure Certificate to file on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access website ("EMMA") notices of any ratings changes on the Bonds. See "APPENDIX C - FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. Notwithstanding such covenant, information relating to ratings changes on the Bonds may be publicly available from the rating agencies prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change on EMMA. Purchasers of the Bonds are directed to the rating agencies and their respective websites and official media outlets for the most current ratings changes with respect to the Bonds after the initial issuance of the Bonds.

Financial Statements

The financial statements with supplemental information for the year ended June 30, 2019, the independent auditor's report of the District, and the related statements of activities and of cash flows for the year then ended, and the report of Eide Bailly LLP (the "Auditor") dated December 15, 2019, are included in this Official Statement as APPENDIX B. In the notes to the District's 2018-19 Audit, the Auditor identified that the unaudited actuals show that the reserves for economic uncertainties are below the 3% minimum State requirement for the 2018-19 fiscal year and identified certain findings relating to the District's internal controls. For more information about the findings for 2018-19 Audit, and the District's status regarding previous audit findings as of the 2018-19 Audit, see "Schedule of Findings and Questioned Costs" in APPENDIX B attached hereto. In connection with the inclusion herein, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

Underwriting

Stifel, Nicolaus & Company, Incorporated (the "Underwriter") has agreed, pursuant to purchase contracts relating to each series of the Bonds, each by and between the District, the County, with respect to the Series 2021 Bonds, and the Underwriter, to purchase all of the Bonds. The Underwriter will purchase the Series 2021 Bonds for a purchase price of $2,838,904.32 (which is equal to the principal amount of such Bonds of $2,860,357.00 and less an underwriting discount of $21,452.68).

The Underwriter will purchase the Refunding Bonds for a purchase price of $2,343,217.76 (which is equal to the initial principal amount of the Bonds of $2,360,924.70, less the Underwriter's discount of $17,706.94).

The purchase contracts for the Bonds provide that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase contracts, the approval of certain legal matters by bond counsel and certain other conditions. The initial offering prices stated on the inside cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than such initial offering prices.

Municipal Advisor

Montague DeRose and Associates, LLC is employed as Municipal Advisor to the District in connection with the issuance of the Bonds. The Municipal Advisor's compensation for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Montague DeRose and Associates, LLC, in its capacity as Municipal Advisor, does not assume any responsibility for the information, covenants, and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds or the possible impact of any present, pending, or future actions taken by any legislative or judicial bodies. The Municipal Advisor to the District has provided the following sentence for inclusion in this Official Statement: The Municipal Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Municipal Advisor does not guarantee the accuracy or completeness of such information.

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Additional Information

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

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

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

LENNOX SCHOOL DISTRICT

By: /s/ Dr. Scott Price
Superintendent

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APPENDIX A

FORMS OF OPINIONS OF BOND COUNSEL

Upon issuance and delivery of the Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion with respect to the Series 2021 Bonds substantially in the following form:

February 18, 2021

Board of Trustees
Lennox School District

Members of the Board of Trustees:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of $2,860,357.00 Lennox School District General Obligation Bonds, Election of 2007, Series 2021 (Federally Taxable) (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code, a fifty-five percent vote of the qualified electors of the Lennox School District (the "District") voting at an election held on November 6, 2007, and a resolution of the Board of Trustee of the District (the "District Resolution") and a resolution of the Board of Supervisors of Los Angeles County (the "County Resolution", and together with the District Resolution, the "Resolutions").

2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* property taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

3. Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code").

4. Interest on the Bonds is exempt from State of California personal income tax.

5. Except for certain exceptions, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated payment price at maturity with respect to such Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by a Bond owner will increase the Bond owner's basis in the applicable Bond.

6. The amount by which a Bond owner's original basis for determining gain or loss on sale or exchange of the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which the owner of Bond may elect to amortize under Section 171 of the Code. Such amortizable bond premium reduces the Bond owner's basis in the applicable Bond (and the amount of taxable interest received) for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in the owner of a Bond realizing a taxable gain when a Bond is sold by the owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the owner. The owners of the Bonds that have a basis in the Bonds that is greater than the principal amount of the Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

Except as expressly set forth in paragraphs (3), (4), (5), and (6), we express no opinion regarding any tax consequences with respect to the Bonds.

The opinions expressed herein are based upon our analysis and interpretation of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement as bond counsel to the District terminates upon the issuance of the Bonds.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted

Upon issuance and delivery of the Refunding Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinions with respect to the Refunding Bonds substantially in the following forms:

February 18, 2021

Board of Trustees
Lennox School District

Members of the Board of Trustees:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of $2,360,924.70 Lennox School District 2021 General Obligation Refunding Bonds (Federally Taxable) (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code, and a resolution (the "Resolution") adopted by the Board of Trustees of the Lennox School District (the "District").

2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* property taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

3. Under existing statutes, regulations, rulings and judicial decisions, interest (and original issue discount) on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code").

4. Interest on the Bonds is exempt from State of California personal income tax.

5. Except for certain exceptions, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated payment price at maturity with respect to such Bond (to the extent the redemption price at maturity is greater than the issue price) constitutes original issue discount. Original issue discount accrues under a constant yield method. The amount of original issue discount deemed received by a Bond owner will increase the Bond owner's basis in the applicable Bond.

6. The amount by which a Bond owner's original basis for determining gain or loss on sale or exchange of the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which the owner of Bond may elect to amortize under Section 171 of the Code. Such amortizable bond premium reduces the Bond owner's basis in the applicable Bond (and the amount of taxable

interest received) for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in the owner of a Bond realizing a taxable gain when a Bond is sold by the owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the owner. The owners of the Bonds that have a basis in the Bonds that is greater than the principal amount of the Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code.

Except as expressly set forth in paragraphs (3), (4), (5), and (6), we express no opinion regarding any tax consequences with respect to the Bonds.

The opinions expressed herein are based upon our analysis and interpretation of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement as bond counsel to the District terminates upon the issuance of the Bonds.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted

APPENDIX B

2018-19 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

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LENNOX SCHOOL DISTRICT

AUDIT REPORT
JUNE 30, 2019

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FINANCIAL SECTION

CHRISTY WHITE
Certified Public Accountants serving
K-12 School Districts and Charter
Schools throughout California

INDEPENDENT AUDITORS' REPORT

Governing Board
Lennox School District
Lennox, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lennox School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Lennox School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lennox 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.

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christywhite.com

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, budgetary comparison information, schedule of changes in total OPEB liability and related ratios, schedules of proportionate share of net pension liability, and schedules of District contributions for pensions be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lennox School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2019 on our consideration of Lennox 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 Lennox 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 Lennox School District's internal control over financial reporting and compliance.

Christy White, Inc

San Diego, California
December 16, 2019

LENNOX SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

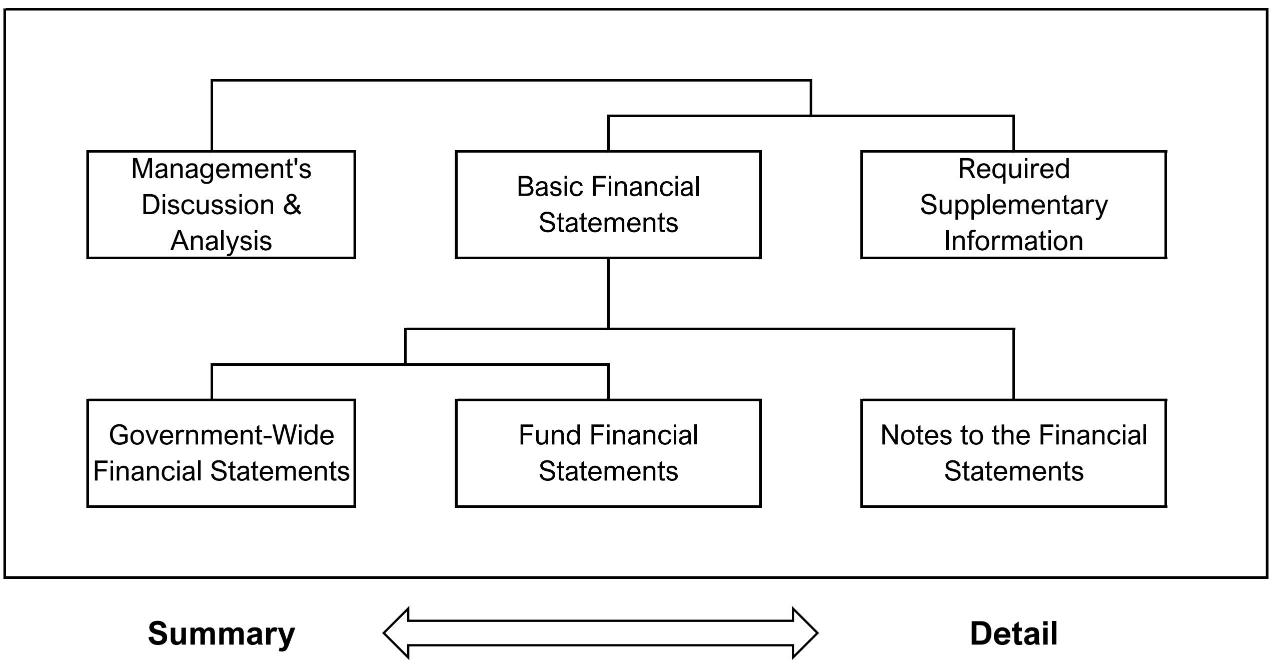
Our discussion and analysis of Lennox School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2019. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total net position was $60,314,389 at June 30, 2019. This was a decrease of $(9,601,860) from the prior year after restatement.
- Overall revenues were $83,511,998 which were exceeded expenses of $89,230,239.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financials Section



OVERVIEW OF FINANCIAL STATEMENTS (continued)

Components of the Financials Section (continued)

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.

- **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.

  - **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

  - **Fiduciary Funds** report balances for which the District is a custodian or *trustee* of the funds, such as Associated Student Bodies and pension funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The basic financial statements are followed by a section of required and other supplementary information that further explain and support the financial statements.

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Local control formula funding and federal and state grants finance most of these activities.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was $60,314,389 at June 30, 2019, as reflected in the table below. Of this amount, $(99,320,962) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities		
	2019	**2018**	**Net Change**
ASSETS			
Current and other assets	$ 37,065,364	$ 39,276,916	$ (2,211,552)
Capital assets	188,163,548	174,455,281	13,708,267
Total Assets	225,228,912	213,732,197	11,496,715
DEFERRED OUTFLOWS OF RESOURCES	24,036,786	24,288,865	(252,079)
LIABILITIES			
Current liabilities	24,874,326	8,665,764	16,208,562
Long-term liabilities	157,499,478	153,191,707	4,307,771
Total Liabilities	182,373,804	161,857,471	20,516,333
DEFERRED INFLOWS OF RESOURCES	6,577,505	6,247,342	330,163
NET POSITION			
Net investment in capital assets	155,654,435	153,333,374	2,321,061
Restricted	3,980,916	6,740,725	(2,759,809)
Unrestricted	(99,320,962)	(90,157,850)	(9,163,112)
Total Net Position	$ 60,314,389	$ 69,916,249	$ (9,601,860)

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The table below takes the information from the Statement, and rearranges it slightly, so you can see our total revenues and expenses for the year.

	Governmental Activities		
	2019	**2018**	**Net Change**
REVENUES			
Program revenues			
Charges for services	$ 161,186	$ 742,020	$ (580,834)
Operating grants and contributions	19,634,280	17,997,247	1,637,033
General revenues			
Property taxes	9,819,273	9,570,760	248,513
Unrestricted federal and state aid	52,159,987	50,100,246	2,059,741
Other	1,737,272	1,158,932	578,340
Total Revenues	83,511,998	79,569,205	3,942,793
EXPENSES			
Instruction	49,078,953	47,744,372	1,334,581
Instruction-related services	10,348,523	10,191,029	157,494
Pupil services	10,598,859	10,040,285	558,574
General administration	6,969,565	5,938,747	1,030,818
Plant services	6,555,183	6,761,468	(206,285)
Debt service	2,436,403	1,812,135	624,268
Other outgo	1,549,876	1,628,927	(79,051)
Depreciation	1,686,322	1,686,322	-
Other	6,555	11,434	(4,879)
Total Expenses	89,230,239	85,814,719	3,415,520
Change in net position	(5,718,241)	(6,245,514)	527,273
Net Position - Beginning, as Restated	66,032,630	76,161,763	(10,129,133)
Net Position - Ending	$ 60,314,389	$ 69,916,249	$ (9,601,860)

The cost of all our governmental activities this year was $89,230,239 and the net cost of those services was $69,434,773. The amount that our taxpayers ultimately financed for these activities through taxes was $9,819,273 because the majority of the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

In the table below, we have presented the net cost of each of the District's functions. 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.

	Net Cost of Services	
	2019	**2018**
Instruction	$ 37,554,383	$ 37,100,772
Instruction-related services	8,229,812	8,381,865
Pupil services	5,791,299	5,370,589
General administration	6,118,235	4,968,284
Plant services	6,491,433	6,659,478
Debt service	2,436,403	1,812,135
Transfers to other agencies	1,120,331	1,084,573
Depreciation	1,686,322	1,686,322
Other	6,555	11,434
Total Expenses	$ 69,434,773	$ 67,075,452

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of $13,492,575 which is less than last year's restated ending fund balance of $27,101,365. The District's General Fund had $1,961,644 more in operating revenues than expenditures for the year ended June 30, 2019. The District's Building Fund had $11,346,788 less in operating revenues than expenditures for the year ended June 30, 2019.

CURRENT YEAR BUDGET 2018-2019

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a periodic basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District's financial projections and current budget based on State and local financial information.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

By the end of 2018-2019 the District had invested $188,163,548 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2019	2018	Net Change
CAPITAL ASSETS			
Land	$ 57,917,794	$ 57,917,794	$ -
Construction in progress	75,107,471	59,712,882	15,394,589
Land improvements	2,487,076	2,487,076	-
Buildings & improvements	81,256,732	81,256,732	-
Furniture & equipment	8,279,107	8,279,107	-
Accumulated depreciation	(36,884,632)	(35,198,310)	(1,686,322)
Total Capital Assets	$ 188,163,548	$ 174,455,281	$ 13,708,267

Long-Term Liabilities

At year-end, the District had $157,499,478 long-term liabilities, an increase of $4,307,771 or 2.81% from the prior year. (More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities		
	2019	2018	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	$ 41,147,725	$ 41,434,548	$ (286,823)
Total certificates of participation	4,793,576	5,004,737	(211,161)
Capital leases	2,705,838	2,906,385	(200,547)
Compensated absences	394,114	308,196	85,918
Total OPEB liability	31,905,309	29,833,496	2,071,813
Net pension liability	77,566,685	74,889,040	2,677,645
Less: current portion of long-term liabilities	(1,013,769)	(1,184,695)	170,926
Total Long-term Liabilities	$ 157,499,478	$ 153,191,707	$ 4,307,771

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

The US economy continues to grow slowly, but the State economic growth is slowing down due to low levels of available employees. However, the State is still experiencing overall economic prosperity. The State Budget for Education contained an increase of 3.26% in fiscal year 2019-20, plus $3.15 billion in non-Proposition 98 funding for school employer pension relief.

The fiscal policy for the funding of public education changes annually, based on fluctuations in State revenues. The UCLA Anderson Forecast (June 2019) noted that the risk of recession is about 50% within the next 5-8 quarters depending on the model, the biggest economic threat being from the escalating trade war with China and Mexico. If a recession were to happen, State revenues for public education would be negatively impacted.

Landmark legislation passed in Year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low income brackets, those that are English language learners and foster youth.

Factors related to LCFF that the District is monitoring include: (1) estimates of funding in the next budget year and beyond; (2) the Local Control and Accountability Plan (LCAP) that aims to link student accountability measurements to funding allocations; (3) ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADs); and, (4) meeting annual compliance and audit requirements.

The District participates in state employee pensions plans, PERS and STRS, and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2019. The amount of the liability is material to the financial position of the District. To address the underfunding issues, the pension plans received a one-time funding allocation from the 2019-20 State Budget and continue to raise employer rates in future years. The projected increased pension costs to school employers remain a significant fiscal factor.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District's budget for the 2019-20 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Kevin Franklin, Chief Business Official at 10319 Firmona Ave, Lennox, CA 90304 or (310) 695-4000.

LENNOX SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

		Governmental Activities
ASSETS		
Cash and investments	$	30,678,144
Accounts receivable		5,004,221
Inventory		61,655
Other current assets		1,321,344
Capital assets, not depreciated		133,025,265
Capital assets, net of accumulated depreciation		55,138,283
Total Assets		225,228,912
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions		21,747,705
Deferred outflows related to OPEB		1,265,094
Deferred outflows related to prepaid subscription		926,209
Deferred amount on refunding		97,778
Total Deferred Outflows of Resources		24,036,786
LIABILITIES		
Deficit cash		823,862
Accrued liabilities		15,003,557
Current loans		7,325,000
Unearned revenue		708,138
Long-term liabilities, current portion		1,013,769
Long-term liabilities, non-current portion		157,499,478
Total Liabilities		182,373,804
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions		5,827,505
Deferred inflows related to prepaid expenses		750,000
Total Deferred Inflows of Resources		6,577,505
NET POSITION		
Net investment in capital assets		155,654,435
Restricted:		
Capital projects		793,640
Debt service		1,649,324
Educational programs		631,116
All others		906,836
Unrestricted		(99,320,962)
Total Net Position	$	60,314,389

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

LENNOX SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDEDJUNE 30, 2019

Function/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
GOVERNMENTAL ACTIVITIES				
Instruction	$ 49,078,953	$ 63,341	$ 11,461,229	$ (37,554,383)
Instruction-related services				
Instructional supervision and administration	4,452,310	18,756	1,391,834	(3,041,720)
Instructional library, media, and technology	860,111	-	4,150	(855,961)
School site administration	5,036,102	1,756	702,215	(4,332,131)
Pupil services				
Home-to-school transportation	645,047	-	59,476	(585,571)
Food services	5,703,406	64,427	4,394,632	(1,244,347)
All other pupil services	4,250,406	2,024	287,001	(3,961,381)
General administration				
Centralized data processing	957,726	-	-	(957,726)
All other general administration	6,011,839	10,402	840,928	(5,160,509)
Plant services	6,555,183	480	63,270	(6,491,433)
Enterprise activities	6,555	-	-	(6,555)
Interest on long-term debt	2,436,403	-	-	(2,436,403)
Other outgo	1,549,876	-	429,545	(1,120,331)
Depreciation (unallocated)	1,686,322	-	-	(1,686,322)
Total Governmental Activities	$ 89,230,239	$ 161,186	$ 19,634,280	(69,434,773)
General revenues				
Taxes and subventions				
Property taxes, levied for general purposes				6,759,219
Property taxes, levied for debt service				2,130,895
Property taxes, levied for other specific purposes				929,159
Federal and state aid not restricted for specific purposes				52,159,987
Interest and investment earnings				595,865
Miscellaneous				1,141,407
Subtotal, General Revenue				63,716,532
CHANGE IN NET POSITION				(5,718,241)
Net Position - Beginning, as Restated				66,032,630
Net Position - Ending				$ 60,314,389

LENNOX SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	$ 12,491,342	$ 15,962,055	$ 2,224,747	$ 30,678,144
Accounts receivable	4,016,774	95,695	891,752	5,004,221
Due from other funds	-	-	2,200,000	2,200,000
Stores inventory	37,136	-	24,519	61,655
Other current assets	1,321,344	-	-	1,321,344
Total Assets	$ 17,866,596	$ 16,057,750	$ 5,341,018	$ 39,265,364
LIABILITIES				
Deficit cash	$ -	$ -	$ 823,862	$ 823,862
Accrued liabilities	8,747,903	4,348,183	1,619,703	14,715,789
Due to other funds	2,200,000	-	-	2,200,000
Current loans	7,325,000	-	-	7,325,000
Unearned revenue	708,138	-	-	708,138
Total Liabilities	18,981,041	4,348,183	2,443,565	25,772,789
FUND BALANCES				
Nonspendable	67,136	-	119,967	187,103
Restricted	355,038	11,709,567	3,913,646	15,978,251
Assigned	14,888	-	83,806	98,694
Unassigned	(1,551,507)	-	(1,219,966)	(2,771,473)
Total Fund Balances	(1,114,445)	11,709,567	2,897,453	13,492,575
Total Liabilities and Fund Balances	$ 17,866,596	$ 16,057,750	$ 5,341,018	$ 39,265,364

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

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

Total Fund Balance - Governmental Funds		$ 13,492,575
Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:		
Capital assets:		
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:		
Capital assets	$ 225,048,180	
Accumulated depreciation	(36,884,632)	188,163,548
Deferred amount on refunding:		
In governmental funds, the net effect of refunding bonds is recognized when debt is issued, whereas this amount is deferred and amortized in the government-wide financial statements:		97,778
Deferred outflows and inflows of resources relating to prepaid expenses:		
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including prepaid expenses extending beyond one year.		176,209
Unmatured interest on long-term debt:		
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:		(287,768)
Long-term liabilities:		
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:		
Total general obligation bonds	$ 41,147,725	
Total certificates of participation	4,793,576	
Capital leases	2,705,838	
Compensated absences	394,114	
Total OPEB liability	31,905,309	
Net pension liability	77,566,685	(158,513,247)
Deferred outflows and inflows of resources relating to pensions:		
In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.		
Deferred outflows of resources related to pensions	$ 21,747,705	
Deferred inflows of resources related to pensions	(5,827,505)	15,920,200
Deferred outflows and inflows of resources relating to OPEB:		
In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported.		1,265,094
Total Net Position - Governmental Activities		$ 60,314,389

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

LENNOX SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	$ 56,828,940	$ -	$ -	$ 56,828,940
Federal sources	5,381,112	-	4,410,095	9,791,207
Other state sources	11,580,285	-	3,765,187	15,345,472
Other local sources	2,376,270	711,301	2,376,827	5,464,398
Total Revenues	76,166,607	711,301	10,552,109	87,430,017
EXPENDITURES				
Current				
Instruction	47,616,874	-	2,515,845	50,132,719
Instruction-related services				
Instructional supervision and administration	3,604,404	-	875,763	4,480,167
Instructional library, media, and technology	719,538	-	-	719,538
School site administration	4,897,484	-	60,150	4,957,634
Pupil services				
Home-to-school transportation	630,037	-	-	630,037
Food services	419	-	5,290,857	5,291,276
All other pupil services	4,327,397	-	69,324	4,396,721
General administration				
Centralized data processing	840,306	-	-	840,306
All other general administration	3,969,569	-	503,397	4,472,966
Plant services	5,745,908	-	17,108	5,763,016
Facilities acquisition and maintenance	7,191	12,058,089	3,338,413	15,403,693
Enterprise activities	-	-	6,478	6,478
Transfers to other agencies	1,272,488	-	-	1,272,488
Debt service				
Principal	200,547	-	904,848	1,105,395
Interest and other	372,801	-	1,943,572	2,316,373
Total Expenditures	74,204,963	12,058,089	15,525,755	101,788,807
Excess (Deficiency) of Revenues Over Expenditures	1,961,644	(11,346,788)	(4,973,646)	(14,358,790)
Other Financing Sources (Uses)				
Transfers in	504,044	-	983,123	1,487,167
Other sources	750,000	-	-	750,000
Transfers out	(983,123)	(471,699)	(32,345)	(1,487,167)
Net Financing Sources (Uses)	270,921	(471,699)	950,778	750,000
NET CHANGE IN FUND BALANCE	2,232,565	(11,818,487)	(4,022,868)	(13,608,790)
Fund Balance - Beginning, as Restated	(3,347,010)	23,528,054	6,920,321	27,101,365
Fund Balance - Ending	$ (1,114,445)	$ 11,709,567	$ 2,897,453	$ 13,492,575

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

LENNOX SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Net Change in Fund Balances - Governmental Funds			$ (13,608,790)
Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:			
Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:			
Expenditures for capital outlay:	$	15,394,589	
Depreciation expense:		(1,686,322)	13,708,267
Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:			1,615,547
Deferred amounts on refunding: In governmental funds, deferred amounts on refunding are recognized in the period they are incurred. In the government-wide statements, the deferred amounts on refunding are amortized over the life of the debt. The net effect of the deferred amounts on refunding during the period was:			(3,414)
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less			13,060
Accreted interest on long-term debt: In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current sources. In the government-wide statement of activities, however, this is recorded as interest expense for the period.			(996,316)
Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was:			(85,918)

(Continued on the following page)

Postemployment benefits other than pensions (OPEB):	
In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was:	(1,197,700)
Pensions:	
In governmental funds, pension costs are recognized when employer contributions are made, in the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was:	(4,306,795)
Prepaid expenses	
In govermental funds, prepaid expenses extending beyond one year are recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the prepaid expenses are recognized on the accrual basis. This net effect of the deferred amounts on prepaid expenses during the period was:	(185,482)
Other liabilities not normally liquidated with current financial resources:	
In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources. Examples include special termination benefits such as retirement incentives financed over time, and structured legal settlements. This year, expenses incurred for such obligations were:	(750,000)
Amortization of debt issuance premium or discount:	
In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is:	79,300
Change in Net Position of Governmental Activities	$ (5,718,241)

LENNOX SCHOOL DISTRICT
FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019

	Agency Funds	
	Warrant/Pass-through Fund	Student Body Fund
ASSETS		
Cash and investments	$ 36,336	$ 39,169
Total Assets	$ 36,336	$ 39,169
LIABILITIES		
Accrued liabilities	$ 36,336	$ -
Due to student groups	-	39,169
Total Liabilities	$ 36,336	$ 39,169

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The Lennox School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual.* The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The District operates under a locally elected Board form of government and provides educational services to grades K-8 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

B. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no such component units.

C. Basis of Presentation

Government-Wide Statements: The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Fund Financial Statements: The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

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

Major Governmental Funds

General Fund: The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

Building Fund: This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code Section* 15146) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section* 17462) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section* 41003).

Non-Major Governmental Funds

Special Revenue Funds: Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

Child Development Fund: This fund is used to account separately for federal, state, and local revenues to operate child development programs. All moneys received by the District for, or from the operation of, child development services covered under the Child Care and Development Services Act (*Education Code Section* 8200 *et seq*.) shall be deposited into this fund. The moneys may be used only for expenditures for the operation of child development programs. The costs incurred in the maintenance and operation of child development services shall be paid from this fund, with accounting to reflect specific funding sources (*Education Code Section* 8328).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Special Revenue Funds (continued)

Cafeteria Special Revenue Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections* 38090–38093). The Cafeteria Special Revenue Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code Sections* 38091 and 38100).

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

Capital Facilities Fund: This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections* 17620–17626). The authority for these levies may be county/city ordinances (*Government Code Sections* 65970–65981) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section* 66006).

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

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

Debt Service Funds: Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District (*Education Code Sections* 15125–15262). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Fiduciary Funds

Trust and Agency Funds: Trust and agency funds are used to account for assets held in a trustee or agent capacity for others that cannot be used to support the District's own programs. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Warrant/Pass-Through Fund: This fund exists primarily to account separately for amounts collected from employees for federal taxes, state taxes, transfers to credit unions, and other contributions.

Student Body Fund: The Student Body Fund is an agency fund and, therefore, consists only of accounts such as cash and balancing liability accounts, such as due to student groups. The student body itself maintains its own general fund, which accounts for the transactions of that entity in raising and expending money to promote the general welfare, morale, and educational experiences of the student body (*Education Code Sections* 48930–48938).

D. Basis of Accounting – Measurement Focus

Government-Wide and Fiduciary Financial Statements
The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Governmental Funds
Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Governmental funds use the modified accrual basis of accounting.

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue
Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Certain grants received that have not met eligibility requirements are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

Expenses/Expenditures
On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position

Cash and Cash Equivalents
The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments
Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Inventories
Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

Capital Assets
The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of $5,000. The District does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Life
Buildings and Improvements	25-50 years
Furniture and Equipment	5-20 years
Vehicles	8 years

Interfund Balances
On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Compensated Absences
Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

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

Postemployment Benefits Other Than Pensions (OPEB)
For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2019
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Premiums and Discounts
In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

Deferred Outflows/Deferred Inflows of Resources
In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the District will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Pensions
For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans (the Plans) of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, Fund Balance and Net Position (continued)

Fund Balance
Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

Assigned - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

Unassigned - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

G. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

H. Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For purposes of the budget, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

I. Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

J. New Accounting Pronouncements

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This standard's primary objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement is effective for periods beginning after December 15, 2018. The District has not yet determined the impact on the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements (continued)

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. This standard's primary objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement is effective for periods beginning after December 15, 2019. The District has not determined the impact on the financial statements.

GASB Statement No. 88 – In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This standard's primary objective is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement is effective for periods beginning after June 15, 2018. The District has implemented GASB Statement No. 88 for the year ended June 30, 2019.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Activities	Fiduciary Funds
Investment in county treasury*	$ 22,213,488	$ 36,336
Cash on hand and in banks	40,000	39,169
Cash with fiscal agent	7,570,794	-
Cash in revolving fund	30,000	-
Total cash and investments	$ 29,854,282	$ 75,505

* Investment in county treasury presented net of deficit cash

B. Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; collateralized mortgage obligations; and the County Investment Pool.

Investment in County Treasury – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section* 41001. The Los Angeles County Treasurer's pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County's investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District's investment in the pool is based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

NOTE 2 – CASH AND INVESTMENTS (continued)

B. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U. S. Treasury Obligations	5 years	None	None
U. S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

C. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately $22,192,181 and an amortized book value of $22,249,824. The average weighted maturity for this pool is 547 days.

D. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2019, the pooled investments in the County Treasury were 'Aa1' rated.

NOTE 2 – CASH AND INVESTMENTS (continued)

E. Custodial Credit Risk – Deposits

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

F. Fair Value

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

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

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

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

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

	Uncategorized
Investment in county treasury	$ 22,192,181
Total fair market value of investments	$ 22,192,181

NOTE 3 – ACCOUNTS RECEIVABLE

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

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Activities
Federal Government				
Categorical aid	$ 2,207,275	$ -	$ 471,517	$ 2,678,792
State Government				
Categorical aid	828,621	-	55,075	883,696
Lottery	253,670	-	-	253,670
Local Government				
Other local sources	727,208	95,695	365,160	1,188,063
Total	$ 4,016,774	$ 95,695	$ 891,752	$ 5,004,221

NOTE 4 – INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due From/Due To)

Individual interfund receivable and payable balances at June 30, 2019 were as follows:

	Due From Other Funds	
Due To Other Funds	**Non-Major Governmental Funds**	**Total**
General Fund	$ 2,200,000	$ 2,200,000
Total Due From Other Funds	$ 2,200,000	$ 2,200,000

The General Fund owes the Child Development Fund to cover expenses.	$ 852,000
The General Fund owes the Cafeteria Fund due to cashflow shortages at the end of the year.	711,500
The General Fund owes the County School Facilities Fund to cover construction project costs.	636,500
Total	$ 2,200,000

NOTE 4 – INTERFUND TRANSACTIONS (continued)

B. Operating Transfers

Interfund transfers for the year ended June 30, 2019 were as follows:

	Interfund Transfers In		
Interfund Transfers Out	**General Fund**	**Non-Major Governmental Funds**	**Total**
General Fund	$ -	$ 983,123	$ 983,123
Building Fund	471,699	-	471,699
Non-Major Governmental Funds	32,345	-	32,345
Total Interfund Transfers	$ 504,044	$ 983,123	$ 1,487,167

Transfer from the Child Development Fund to the General Fund for incorrectly charged expenditures from prior years.	$ 32,345
Transfer from the Building Fund to the General Fund for incorrectly charged expenditures from prior years.	471,699
Transfer from the General Fund to the Child Development Fund for incorrectly charged expenditures from prior years.	486,591
Transfer from the General Fund to the Cafeteria Fund for incorrectly charged expenditures from prior years.	496,532
Total	$ 1,487,167

NOTE 5 – CAPITAL ASSETS

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

	Balance July 01, 2018	Additions	Deletions	Balance June 30, 2019
Governmental Activities				
Capital assets not being depreciated				
Land	$ 57,917,794	$ -	$ -	$ 57,917,794
Construction in progress	59,712,882	15,394,589	-	75,107,471
Total Capital Assets not Being Depreciated	117,630,676	15,394,589	-	133,025,265
Capital assets being depreciated				
Land improvements	2,487,076	-	-	2,487,076
Buildings & improvements	81,256,732	-	-	81,256,732
Furniture & equipment	8,279,107	-	-	8,279,107
Total Capital Assets Being Depreciated	92,022,915	-	-	92,022,915
Less Accumulated Depreciation				
Land improvements	1,651,647	83,494	-	1,735,141
Buildings & improvements	28,363,662	1,571,074	-	29,934,736
Furniture & equipment	5,183,001	31,754	-	5,214,755
Total Accumulated Depreciation	35,198,310	1,686,322	-	36,884,632
Governmental Activities Capital Assets, net	$ 174,455,281	$ 13,708,267	$ -	$ 188,163,548

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2019 consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	District-Wide	Total Governmental Activities
Payroll	$ 4,301,646	$ -	$ 318,762	$ -	$ 4,620,408
Construction	-	4,348,183	894,234	-	5,242,417
Vendors payable	3,716,481	-	286,229	-	4,002,710
Unmatured interest	-	-	-	287,768	287,768
Due to grantor government	729,776	-	120,478	-	850,254
Total	$ 8,747,903	$ 4,348,183	$ 1,619,703	$ 287,768	$ 15,003,557

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2019 amounted to $287,943 from Federal funding sources, $170,195 from State funding sources and $250,000 in local source which amounted to a total of $708,138 within the General Fund.

NOTE 8 – TAX AND REVENUE ANTICIPATION NOTES (TRANS)

The District issued $7,325,000 of TRANs dated August 29, 2018 through the Los Angeles County Schools Pooled Financing Program as part of the 2018-19 Pooled TRAN Participation Certificates Series A-4 issuance. The notes matured on July 1, 2019 and yield a 4.00% interest rate. The notes were sold to supplement cash flow. As of June 30, 2019, the balance was not repaid. The balance was fully paid on July 3, 2019.

NOTE 9 – LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2019 consisted of the following:

	Balance July 01, 2018	Additions	Deductions	Balance June 30, 2019	Balance Due In One Year
Governmental Activities					
General obligation bonds	$ 35,553,001	$ -	$ 719,848	$ 34,833,153	$ 537,168
Unamortized premium	1,287,030	-	53,139	1,233,891	53,139
Accreted interest	4,594,517	996,316	510,152	5,080,681	-
Total general obligation bonds	41,434,548	996,316	1,283,139	41,147,725	590,307
Certificates of participation	4,560,000	-	185,000	4,375,000	190,000
Unamortized premium	444,737	-	26,161	418,576	26,161
Total certificates of participation	5,004,737	-	211,161	4,793,576	216,161
Capital leases	2,906,385	-	200,547	2,705,838	207,301
Compensated absences	308,196	85,918	-	394,114	-
Total OPEB liability	29,833,496	2,071,813	-	31,905,309	-
Net pension liability	74,889,040	2,677,645	-	77,566,685	-
Total	$ 154,376,402	$ 5,831,692	$ 1,694,847	$ 158,513,247	$ 1,013,769

NOTE 9 – LONG-TERM LIABILITIES (continued)

A. Bonded Debt

A summary of bonded debt including accreted interest is as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2018	Additions	Deductions	Bonds Outstanding June 30, 2019
Series 1998	10/1/1998	8/1/2023	3.00 - 5.10%	$ 5,503,266	$ 3,363,137	$ 63,423	$ 600,000	$ 2,826,560
Series 2002	10/22/2002	8/1/2027	5.00 - 5.85%	1,339,386	2,606,842	133,922	65,000	2,675,764
Series 2012A	2/22/2012	8/1/2029	3.50 - 5.00%	3,000,000	2,850,000	-	35,000	2,815,000
Series 2012B	3/1/2012	8/1/2032	6.03%	157,229	157,229	-	-	157,229
Series 2007	12/18/2007	8/1/2028	5.60 - 6.25%	3,818,826	958,018	48,030	215,000	791,048
Series 2012	3/1/2012	8/1/2036	2.40%	1,199,989	1,678,778	100,972	-	1,779,750
Series 2016	5/5/2016	5/1/2041	3.00 - 4.40%	1,498,746	1,581,492	552,524	20,000	2,114,016
Series 2016 Refunding	5/5/2016	8/1/2025	2.00 - 4.00%	1,900,000	1,880,000	-	-	1,880,000
Series 2017	3/23/2017	8/1/2047	3.00 - 5.25%	24,995,346	25,072,022	97,445	295,000	24,874,467
					$ 40,147,518	$ 996,316	$ 1,230,000	$ 39,913,834

Election 1998, Series 1998
The District issued Series A of the Election of 1998 General Obligation Bonds in the amount of $5,503,266. The bonds were authorized at a regularly scheduled election of the registered voters of the District held on June 2, 1998, at which more than 66% of the voters authorized the issuance and sale of $10 million of general obligation bonds to finance the construction of new facilities, such as multipurpose rooms, renovation and improvements of existing schools. The bonds consist of current interest and capital appreciation bonds of $5,503,266 with interest rates ranging from 3.00% to 5.10% and fully maturing on August 1, 2023. At June 30, 2019, the principal balance outstanding was $2,826,560, which includes $1,806,464 of accreted interest.

Election 1998, Series 2002
The District issued Series 2002B of the Election of 1998 General Obligation Bonds in the amount of $1,339,387. The bonds were authorized at a regularly scheduled election of the registered voters of the District held on June 2, 1998, at which more than 66% of the voters authorized the issuance and sale of $10 million of general obligation bonds to finance the construction of new facilities, such as multipurpose rooms, renovation and improvements of existing schools and to fund a portion of the cost of the construction of a new elementary school. The bonds consist of capital appreciation bonds of $1,339,387 with interest rates ranging from 5.00% to 5.85% and fully maturing on August 1, 2027. At June 30, 2019, the principal balance outstanding was $2,675,764 which includes $1,537,843 of accreted interest.

Election 2007, Series 2007
The District issued Series 2007 of the Election of 2007 General Obligation Bonds in the amount of $3,818,827. The bonds were authorized at a regularly scheduled election of the registered voters of the District held on November 6, 2007, at which more than 55% of the voters authorized the issuance and sale of $10.7 million of general obligation bonds to finance the construction of new facilities, such as multipurpose rooms, renovation and improvements of existing schools and to fund a portion of the cost of the construction of a new elementary school. The bonds consist of capital appreciation bonds of $3,818,827 with interest rates ranging from 3.50% to 5.00% and fully maturing on August 1, 2028. During 2015-16, a portion of the bonds were defeased through the issuance of the 2016 Refunding Bonds. At June 30, 2019, the principal balance outstanding was $791,048, which includes accreted interest of $327,222.

NOTE 9 – LONG-TERM LIABILITIES (continued)

A. Bonded Debt (continued)

Election 1998, Series 2012A
The District issued Series 2012A of the Election of 1998 General Obligation Bonds, which are Federally Taxable Qualified School Construction bonds with a direct subsidy from the federal government, in the amount of $3,000,000. The bonds were authorized at a regularly scheduled election of the registered voters of the District held on June 2, 1998, at which more than 66% of the voters authorized the issuance and sale of $10 million of general obligation bonds to finance the construction of new facilities, such as multipurpose rooms, renovation and improvements of existing schools. The bonds consist of current interest bonds of with an interest rate ranging from 3.50% to 5.00% and fully maturing on August 1, 2029. At June 30, 2019, the principal balance outstanding was $2,815,000.

Election 1998, Series 2012B
The District issued Series 2012B of the Election of 1998 General Obligation Bonds in the amount of $157,229. The bonds were authorized at a regularly scheduled election of the registered voters of the District held on June 2, 1998, at which more than 66% of the voters authorized the issuance and sale of $10 million of general obligation bonds to finance the construction of new facilities, such as multipurpose rooms, renovation and improvements of existing schools and to fund a portion of the cost of the construction of a new elementary school. The bonds consist of capital appreciation bonds of $157,229 with interest rates of 6.03% and fully maturing on August 1, 2032. At June 30, 2019, the principal balance outstanding was $157,229.

Election 2007, Series 2012
The District issued Series 2012 of the Election of 2007 General Obligation Bonds in the amount of $1,199,989. The bonds consist of capital appreciation bonds of $1,199,989 with interest rates of 2.40% and fully maturing on August 1, 2036. At June 30, 2019, the principal balance outstanding was $1,779,750, which includes accreted interest of $579,761.

Election 2007, Series 2016
On May 5, 2015, the District issued Series 2016 of the Election of 2007 General Obligation Bonds in the amount of $1,478,746. The bonds consist of capital appreciation bonds of $1,396,491 with interest rates ranging from 3.00% to 4.40% and fully maturing on August 1, 2041. At June 30, 2019, the principal balance outstanding was $2,114,016, which includes accreted interest of $655,270.

2016 Refunding Bonds
The District issued $1,900,000 of 2016 General Obligation Refunding Bonds on May 5, 2016. The bonds were issued to refund a portion of the Election of 2007, Series 2007 General Obligation Bonds. The bonds consist of current interest bonds of $1,900,000 with interest rates of 2.00% to 4.00% and fully maturing on August 1, 2025. At June 30, 2019, the principal balance outstanding was $1,880,000.

Election 2016, Series 2017
On March 23, 2017, the District issued Series 2017 of the Election of 2016 General Obligation Bonds in the amount of $24,995,346. The bonds included capital appreciation bonds of $2,060,346 with interest rates ranging from 3.00% to 5.25% and fully maturing on August 1, 2047. At June 30, 2019, the principal balance outstanding was $24,874,467 remained outstanding, which included accreted interest of $174,121.

NOTE 9 – LONG-TERM LIABILITIES (continued)

A. Bonded Debt (continued)

Bonded Debt Service Requirements to Maturity

Payments for bonds associated with general obligation bonds are made in the Bond Interest and Redemption Fund. The annual requirements to amortize the general obligation bonds payable outstanding at June 30, 2019 are as follows:

Year Ended June 30,		Principal		Interest		Total
2020	$	537,168	$	1,817,601	$	2,354,769
2021		695,520		1,745,087		2,440,607
2022		752,009		1,777,111		2,529,120
2023		817,377		1,796,431		2,613,808
2024		885,555		1,821,166		2,706,721
2025 - 2029		5,539,214		9,045,618		14,584,832
2030 - 2034		4,642,092		6,850,988		11,493,080
2035 - 2039		3,700,311		8,713,252		12,413,563
2040 - 2045		8,408,907		4,072,408		12,481,315
2045 - 2048		8,855,000		732,500		9,587,500
Acceretion		5,080,681		(5,080,681)		-
Total	$	39,913,834	$	38,372,162	$	73,205,315

B. Certificates of Participation (COPs)

On November 5, 2014, the District issued a certificate of participation in the amount of $4,905,000 for the Jefferson Elementary Project. The COPs were issued at a premium of $523,220, which will be amortized over the life of the COPs. The certificates bear interest from 3.00% to 5.00% and mature October 1, 2034. Interest on the certificates is payable annually each October 1 commencing on October 1, 2015. Annual principal payments are also due annually on October 1 commencing on October 1, 2016. Payments on certificates of participation are made in the Special Reserve for Capital Outlay Projects Fund with future repayment obligations as follows:

Year Ended June 30,		Principal		Interest		Total
2020	$	190,000	$	212,800	$	402,800
2021		200,000		205,200		405,200
2022		205,000		197,200		402,200
2023		215,000		189,000		404,000
2024		225,000		178,250		403,250
2025 - 2029		1,300,000		711,500		2,011,500
2030 - 2034		1,655,000		352,500		2,007,500
2035		385,000		19,250		404,250
Total	$	4,375,000	$	2,065,700	$	6,440,700

NOTE 9 – LONG-TERM LIABILITIES (continued)

C. Capital Lease

On July 11, 2014, the District entered into an equipment lease-purchase agreement for the purpose of installing and acquiring certain equipment valued at $3,413,593. The agreement calls for interest at 3.34% per annum. Semi-annual payments of $147,979.55 are due annually on January 11 and July 11 commencing on July 11, 2015. The debt associated with this capital lease is expected to be fully repaid in January 2030. Payments for capital lease obligations are made in the General Fund. Future minimum lease payments are as follows:

Year Ended June 30,	Lease Payment
2020	$ 295,959
2021	295,959
2022	295,959
2023	295,959
2024	295,959
2025 - 2029	1,479,796
2030	295,959
Total minimum lease payments	3,255,550
Less: amount representing interest	(549,712)
Present value of minimum lease payments	$ 2,705,838

D. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2019 amounted to $394,114. This amount is included as part of long-term liabilities in the government-wide financial statements. Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

E. Other Postemployment Benefits

The District's beginning total OPEB liability was $29,833,496 and increased by $2,071,813 during the year ended June 30, 2019. The ending total OPEB liability at June 30, 2019 was $31,905,309. See Note 11 for additional information regarding the total OPEB liability.

F. Net Pension Liability

The District's beginning net pension liability was $74,889,040 and increased by $2,677,645 during the year ended June 30, 2019. The ending net pension liability at June 30, 2019 was $77,566,685. See Note 12 for additional information regarding the net pension liability.

NOTE 10 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2019:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable				
Revolving cash	$ 30,000	$ -	$ -	$ 30,000
Stores inventory	37,136	-	119,967	157,103
Total non-spendable	67,136	-	119,967	187,103
Restricted				
Educational programs	355,038	-	276,078	631,116
Capital projects	-	11,709,567	793,640	12,503,207
Debt service	-	-	1,937,092	1,937,092
All others	-	-	906,836	906,836
Total restricted	355,038	11,709,567	3,913,646	15,978,251
Assigned				
Other assignments	14,888	-	83,806	98,694
Total assigned	14,888	-	83,806	98,694
Unassigned				
Remaining unassigned	(1,551,507)	-	(1,219,966)	(2,771,473)
Total unassigned	(1,551,507)	-	(1,219,966)	(2,771,473)
Total	$ (1,114,445)	$ 11,709,567	$ 2,897,453	$ 13,492,575

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than 3 percent of General Fund expenditures and other financing uses. The District did not meet the required reserve amount for 2018-19.

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

The Lennox School District's defined benefit OPEB plan, Lennox School District Retiree Benefit Plan (the Plan) is described below. The Plan is a single employer defined benefit plan administered by the district. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

B. Benefits Provided

The eligibility requirements and benefits provided by the Plan are described below.

Eligibility

- Retire from active service
- Age 55 or older
- 15 or more years of service

Dependent Eligibility Yes (Spouse Only)

Survivor Eligibility No

Benefits

Certificated & Classified

- Retirees are offered a subsidy by the District for medical, dental and vision coverage up to the cost of the Employee Plus One Rate
- Part-time employees do not receive benefits
- Benefits cease at age 65
- Board Members appointed after January 1, 1995 have acces to the District's health and welfare benefits; however, there is no direct subsidy from the District

Special Arrangements

Three retired superintendents are offered lifetime medical, dental, and vision benefits for themselves and their spouse.

C. Contributions

The contribution requirements of Plan members and the Lennox School District are established and may be amended by the Lennox School District and the local Teachers' Association and the local California Service Employees Association. For fiscal year 2018-19, the District contributed $631,660 to the Plan, all of which was used for current premiums.

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

D. Plan Membership

Membership of the Plan consisted of the following:

	Number of participants
Inactive employees receiving benefits	33
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	575
Total number of participants**	608

*Information not provided
**As of the June 30, 2018 valuation date

E. Total OPEB Liability

The Lennox School District's total OPEB liability of $31,905,309 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

F. Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Economic assumptions:	
Salary increases	2.75%
Discount rate	2.98%
Healthcare cost trend rates	7.00%

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

F. Actuarial Assumptions and Other Inputs (continued)

Non-economic assumptions:

Mortality:	
Certificated	2015 CalSTRS Mortality Table
Classified	2017 CalPERS Active Mortality for Miscellaneous Employees Table
Retirement rates:	
Certificated	2015 CalSTRS Retirement Rates Table
Classified	2017 CalPERS Retirement Rates for School Employees Table
Vesting rates:	
Certificated	2015 CalSTRS experience study
Classified	2017 CalPERS experience study

The actuarial assumptions used in the June 30, 2019 valuation were based on a review of plan experience during the period July 1, 2018 to June 30, 2019.

The discount rate was based on the Bond Buyer 20 Bond Index. The actuary assumed contributions would be sufficient to fully fund the obligation over a period not to exceed thirty years.

G. Changes in Total OPEB Liability

	June 30, 2019
Total OPEB Liability	
Service Cost	$ 1,207,325
Interest on total OPEB liability	915,674
Changes of assumptions	580,474
Benefits payments	(631,660)
Net change in total OPEB liability	2,071,813
Total OPEB liability - beginning	29,833,496
Total OPEB liability - ending	$ 31,905,309
Covered-employee payroll	$ 45,457,039
District's total OPEB liability as a percentage of covered-employee payroll	70%

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

H. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Lennox School District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.98 percent) or one percentage point higher (3.98 percent) than the current discount rate:

	1% Decrease (1.98%)	Valuation Discount Rate (2.98%)	1% Increase (3.98%)
Total OPEB liability	$ 35,132,717	$ 31,905,309	$ 28,974,382

I. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the Lennox School District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current healthcare cost trend rate:

	1% Decrease (6.0%)	Valuation Trend Rate (7.0%)	1% Increase (8.0%)
Total OPEB liability	$ 27,909,933	$ 31,905,309	$ 36,657,664

J. OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the fiscal year ended June 30, 2019, the Lennox School District recognized OPEB expense of $2,121,811. At June 30, 2019, the Lennox School District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Changes in assumptions	$ 874,113
	$ 874,113

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

Year Ended June 30,	Deferred Outflows of Resources
2020	$ 97,342
2021	97,342
2022	97,342
2023	97,342
2024	97,342
2025	387,403
	$ 874,113

NOTE 12 – PENSION PLANS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
STRS Pension	$ 54,601,494	$ 14,999,786	$ 5,827,505	$ 6,052,412
PERS Pension	22,965,191	6,747,919	-	5,703,579
Total	$ 77,566,685	$ 21,747,705	$ 5,827,505	$ 11,755,991

A. <u>California State Teachers' Retirement System (CalSTRS)</u>

Plan Description
The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

Benefits Provided
The CalSTRS defined benefit plan has two benefit formulas:

1. CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

2. CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

NOTE 12 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 10.205% of their salary for fiscal year 2019, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2019 was 16.28% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were $5,292,248 for the year ended June 30, 2019.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately $4,984,046 to CalSTRS, which included a supplemental contribution for fiscal year 2019 due to California Senate Bill No. 90.

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:

District's proportionate share of the net pension liability	$	54,601,494
State's proportionate share of the net pension liability associated with the District		31,262,063
Total	$	85,863,557

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2017 and rolling forward the total pension liability to 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. At June 30, 2018, the District's proportion was 0.059 percent, which did not change from its proportion measured as of June 30, 2017.

NOTE 12 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)
For the year ended June 30, 2019, the District recognized pension expense of $6,052,412. In addition, the District recognized pension expense and revenue of $1,066,027 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
Differences between projected and actual earnings on plan investments	$ -	$ 2,102,502
Differences between expected and actual experience	169,318	793,117
Changes in assumptions	8,482,193	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,056,027	2,931,886
District contributions subsequent to the measurement date	5,292,248	-
	$ 14,999,786	$ 5,827,505

The $5,292,248 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2020	$ 2,034,822	$ 433,266
2021	2,034,822	1,222,551
2022	2,034,819	2,656,770
2023	1,777,791	1,242,109
2024	1,777,797	264,691
2025	47,487	8,118
	$ 9,707,538	$ 5,827,505

NOTE 12 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Rate of Return*	7.10%
Wage Inflation	3.50%

* Net of investment expenses, but gross of administrative expenses.

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on MP-2016 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010−June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance–PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 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%
Risk Mitigating Strategies	9%	2.90%
Inflation Sensitive	4%	3.80%
Cash/Liquidity	2%	-1.00%
	100%	

*20-year geometric average

NOTE 12 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS) (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	$ 79,984,800	$ 54,601,494	$ 33,556,271

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

NOTE 12 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS)

Plan Description
The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Benefits Provided
The benefits for the defined benefit plan are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

Contributions
Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 7.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2019 was 18.062% of annual payroll. Contributions to the plan from the District were $2,156,948 for the year ended June 30, 2019.

On-Behalf Payments
The District was the recipient of on-behalf payments made by the State of California to CalPERS for K-12 education. These payments consisted of state general fund contributions of approximately $778,621 to CalPERS for fiscal year 2019 due to California Senate Bill No. 90.

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 of $22,965,191 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2017 and rolling forward the total pension liability to 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. At June 30, 2018, the District's proportion was 0.086 percent, which was an increase of 0.001 percent from its proportion measured as of June 30, 2017.

NOTE 12 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS) (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)
For the year ended June 30, 2019, the District recognized pension expense of $5,703,579. At June 30, 2019, the District reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences between projected and actual earnings on plan investments	$ 188,366
Differences between expected and actual experience	1,505,514
Changes in assumptions	2,292,973
Changes in proportion and differences between District contributions and proportionate share of contributions	604,118
District contributions subsequent to the measurement date	2,156,948
	$ 6,747,919

The $2,156,948 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2020	$ 2,851,266
2021	1,843,294
2022	31,962
2023	(135,551)
	$ 4,590,971

NOTE 12 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS) (continued)

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Discount Rate	7.15%
Salary Increases	Varies by Entry Age and Service

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS' membership data for all funds. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period from 1997 to 2015.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10*	Real Return Years 11+**
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.0%	-0.92%
	100.0%		

*An expected inflation of 2.00% used for this period.
**An expected inflation of 2.92% used for this period.

NOTE 12 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS) (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS' website.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	$ 33,436,220	$ 22,965,191	$ 14,277,974

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

A. Grants

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

B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2019.

C. Construction Commitments

As of June 30, 2019, the District had outstanding construction commitments relating to the Measure A & L bond program, LAWA grant projects, etc.

NOTE 14 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District participates in one joint powers agreement (JPA) entity, the Alliance of Schools for Cooperative Insurance Programs (ASCIP). The District pays an annual premium to each entity for its health, workers' compensation, and property liability coverage. The Lennox School District pays a premium commensurate with the level of coverage requested.

The JPA is governed by a board consisting of a representative from each member district. Each governing board controls the operations of its JPA independent of any influence by the Lennox School District beyond the District's representation on the governing boards.

The JPA is independently accountable for its fiscal matters. Budgets are not subject to any approval other than that of the respective governing boards. Member districts share surpluses and deficits proportionately to their participation in the JPA. The audited financial statements are generally available from the JPA.

NOTE 15 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A. Refunded Debt

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* the District recognized deferred outflows or inflows of resources in the District-wide financial statements. The deferred outflow of resources pertains to the difference in the carrying value of the refunded debt and its reacquisition price (deferred amount on refunding). Previous financial reporting standards require this to be presented as part of the District's long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. At June 30, 2019, the deferred amount on refunding was $97,779.

B. Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 12. At June 30, 2019, total deferred outflows related to pensions was $21,747,705 and total deferred inflows related to pensions was $5,827,505.

C. Other Postemployment Benefits

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* the District recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 11. At June 30, 2019, total deferred outflows related to other postemployment benefits was $1,265,094.

D. Prepaid Expenses

The District recognized deferred outflows or inflows of resources in the District-wide financial statements. The deferred inflows of resources pertain to long-term prepaid rental and subscription payments. At June 30, 2019, total deferred outflows related to prepaid subscription was $926,209 and total deferred outflows related to prepaid expenses was $750.000.

NOTE 16 – RESTATEMENT OF NET POSITION

The beginning net position of Governmental Activities has been restated for the reasons listed below. The effect on beginning net position is presented as follows:

	Governmental Activities
Net Position - Beginning, as Previously Reported	$ 69,916,249
Overstatement of revenue/receivable for LCFF sources	(2,604,039)
Write-off erroneous accrual related to cell phone tower sale	(550,000)
Reconciliation of payroll-related liability and clearing accounts	(431,122)
Overstatement of federal and state revenues/receivables	(255,982)
Reduction of amount recorded as inventory/stores	(49,931)
Write-off of miscellaneous expenses/payables	7,455
Net Position - Beginning, as Restated	$ 66,032,630

REQUIRED SUPPLEMENTARY INFORMATION

LENNOX SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual*	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
REVENUES				
LCFF sources	$ 57,402,510	$ 56,828,939	$ 56,828,940	$ 1
Federal sources	5,543,546	5,381,112	5,381,112	-
Other state sources	8,144,900	11,580,285	11,580,285	-
Other local sources	1,687,383	1,943,289	1,943,286	(3)
Total Revenues	72,778,339	75,733,625	75,733,623	(2)
EXPENDITURES				
Certificated salaries	30,827,365	32,029,126	32,029,127	(1)
Classified salaries	12,012,052	11,997,147	11,997,145	2
Employee benefits	16,784,729	19,852,764	19,852,761	3
Books and supplies	2,061,710	1,541,532	1,541,533	(1)
Services and other operating expenditures	7,353,207	7,719,342	7,719,345	(3)
Capital outlay	88,667	-	-	-
Other outgo				
Excluding transfers of indirect costs	2,064,293	1,568,448	1,568,448	-
Transfers of indirect costs	(496,369)	(503,396)	(503,396)	-
Total Expenditures	70,695,654	74,204,963	74,204,963	-
Excess (Deficiency) of Revenues Over Expenditures	2,082,685	1,528,662	1,528,660	(2)
Other Financing Sources (Uses)				
Transfers out	(239,567)	(495,722)	(495,722)	-
Net Financing Sources (Uses)	(239,567)	(495,722)	(495,722)	-
NET CHANGE IN FUND BALANCE	1,843,118	1,032,940	1,032,938	(2)
Fund Balance - Beginning	(3,335,234)	(3,335,234)	(3,335,234)	-
Fund Balance - Ending	$ (1,492,116)	$ (2,302,294)	$ (2,302,296)	$ (2)

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

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

- Audit adjustments are not included in this schedule.

See accompanying note to required supplementary information.

LENNOX SCHOOL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDEDJUNE 30, 2019

	June 30, 2019	June 30, 2018
Total OPEB Liability		
Service Cost	$ 1,207,325	$ 1,181,214
Interest on total OPEB liability	915,674	901,420
Changes of assumptions	580,474	430,158
Benefits payments	(631,660)	(590,336)
Net change in total OPEB liability	2,071,813	1,922,456
Total OPEB liability - beginning	29,833,496	27,911,040
Total OPEB liability - ending	$ 31,905,309	$ 29,833,496
Covered-employee payroll	$ 45,457,039	$ 41,812,393
District's total OPEB liability as a percentage of covered-employee payroll	70.2%	71.4%

See accompanying note to required supplementary information.

LENNOX SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2019

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.059%	0.059%	0.061%	0.065%	0.063%
District's proportionate share of the net pension liability	$ 54,601,494	$ 54,639,850	$ 49,731,370	$ 44,095,612	$ 36,797,865
State's proportionate share of the net pension liability associated with the District	31,262,063	32,324,737	28,315,351	23,321,655	22,248,119
Total	$ 85,863,557	$ 86,964,587	$ 78,046,721	$ 67,417,267	$ 59,045,984
District's covered payroll	$ 33,354,723	$ 31,555,658	$ 32,497,761	$ 29,800,721	$ 28,047,079
District's proportionate share of the net pension liability as a percentage of its covered payroll	163.7%	173.2%	153.0%	148.0%	131.2%
Plan fiduciary net position as a percentage of the total pension liability	71.0%	69.5%	70.0%	74.0%	76.5%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

See accompanying note to required supplementary information.

LENNOX SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
FOR THE YEAR ENDED JUNE 30, 2019

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.086%	0.085%	0.084%	0.081%	0.071%
District's proportionate share of the net pension liability	$ 22,965,191	$ 20,249,190	$ 16,556,863	$ 11,892,787	$ 16,556,863
District's covered payroll	$ 13,599,367	$ 10,814,360	$ 11,957,031	$ 8,718,104	$ 7,454,562
District's proportionate share of the net pension liability as a percentage of its covered payroll	168.9%	187.2%	138.5%	136.4%	222.1%
Plan fiduciary net position as a percentage of the total pension liability	70.8%	71.9%	73.9%	79.4%	83.4%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

See accompanying note to required supplementary information.

LENNOX SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2019

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	$ 5,292,248	$ 4,626,878	$ 3,971,248	$ 3,357,384	$ 2,646,304
Contributions in relation to the contractually required contribution*	(5,292,248)	(4,626,878)	(3,971,248)	(3,357,384)	(2,646,304)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 34,020,284	$ 33,354,723	$ 31,555,658	$ 32,497,761	$ 29,800,721
Contributions as a percentage of covered payroll	15.56%	13.87%	12.58%	10.33%	8.88%

*Amounts do not include on-behalf contributions

See accompanying note to required supplementary information.

LENNOX SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2019

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	$ 2,156,948	$ 1,780,752	$ 1,503,006	$ 1,195,679	$ 1,026,208
Contributions in relation to the contractually required contribution*	(2,156,948)	(1,780,752)	(1,503,006)	(1,195,679)	(1,026,208)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 14,141,019	$ 13,599,367	$ 10,814,360	$ 11,957,031	$ 8,718,104
Contributions as a percentage of covered payroll	15.25%	13.09%	13.90%	10.00%	11.77%

*Amounts do not include on-behalf contributions

See accompanying note to required supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Changes in Total OPEB Liability and Related Ratios

This 10-year schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 75 was applicable. The schedule presents the sources of change in the total OPEB liability, and the components of the total OPEB liability and related ratios, including the total OPEB liability as a percentage of covered-employee payroll.

Changes in Benefit Terms

There were no changes in the benefit terms since the previous valuations for OPEB.

Changes in Assumptions

The discount rate has changed since the prior measurement date from 2.8% to 2.98%.

Schedule of the District's Proportionate Share of the Net Pension Liability

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuations for CalSTRS and CalPERS.

Changes in Assumptions

There were no changes in economic assumptions since the previous valuations for CalSTRS and CalPERS.

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of District Contributions
This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered payroll.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2019, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

	Expenditures and Other Uses		
	Budget	**Actual**	**Excess**
General Fund			
Certificated salaries	$ 32,029,126	$ 32,029,127	$ 1
Books and supplies	$ 1,541,532	$ 1,541,533	$ 1
Services and other operating expenditures	$ 7,719,342	$ 7,719,345	$ 3

SUPPLEMENTARY INFORMATION

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

Federal Grantor/Pass-Through Grantor/Program or Cluster	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
Passed through California Department of Education:			
Title I, Part A, Basic Grants Low-Income and Neglected **[1]**	84.010	14329	$ 2,244,288
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	232,640
Title III, English Learner Student Program	84.365	14346	200,620
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14349	1,272,180
Special Education Cluster **[1]**			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,071,213
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	86,884
IDEA Preschool Staff Development, Part B, Sec 619	84.173A	13431	364
Subtotal Special Education Cluster			1,158,461
Total U. S. Department of Education			5,108,189
U. S. DEPARTMENT OF AGRICULTURE:			
Passed through California Department of Education:			
Child Nutrition Cluster			
School Breakfast Program - Needy	10.553	13526	805,550
National School Lunch Program	10.555	13391	2,540,672
USDA Commodities	10.555	*	307,826
Subtotal Child Nutrition Cluster			3,654,048
CACFP Claims - Centers and Family Day Care	10.558	13393	625,345
Total U. S. Department of Agriculture			4,279,393
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:			
Passed through California Department of Health Services:			
Medicaid			
Medi-Cal Billing Option	93.778	10013	203,677
Medi-Cal Administrative Activities	93.778	10060	135,944
Subtotal Medicaid			339,621
Total U. S. Department of Health & Human Services			339,621
Total Federal Expenditures			$ 9,727,203

[1] - Major Program
***** - Pass-Through Entity Identifying Number not available or not applicable

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

LENNOX SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2019

	Second Period Report	Revised Second Period Report	Annual Report	Revised Annual Report
	Certificate No. 03629BBC	*	Certificate No. 38560F0C	*
SCHOOL DISTRICT				
TK/K through Third				
Regular ADA	2,445.89	2,445.77	2,440.99	2,440.90
Extended Year Special Education	5.32	5.32	5.32	5.32
Total TK/K through Third	2,451.21	2,451.09	2,446.31	2,446.22
Fourth through Sixth				
Regular ADA	1,649.17	1,649.11	1,641.03	1,640.99
Extended Year Special Education	3.09	3.09	3.09	3.09
Special Education - Nonpublic Schools	2.63	2.63	2.64	2.64
Extended Year Special Education - Nonpublic Schools	0.14	0.14	0.14	0.14
Total Fourth through Sixth	1,655.03	1,654.97	1,646.90	1,646.86
Seventh through Eighth				
Regular ADA	1,003.14	1,003.14	995.13	995.13
Extended Year Special Education	0.78	0.78	0.78	0.78
Total Seventh through Eighth	1,003.92	1,003.92	995.91	995.91
TOTAL SCHOOL DISTRICT	5,110.16	5,109.98	5,089.12	5,088.99

*District had not yet prepared the revisions to the Second Period Report or Annual Report identified in Audit Finding #2019-006.

LENNOX SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2019

Grade Level	Minutes Requirement	2018-19 Actual Minutes	Number of Days	Status
Kindergarten	36,000	48,888	180	Complied
Grade 1	50,400	55,464	180	Complied
Grade 2	50,400	55,464	180	Complied
Grade 3	50,400	55,464	180	Complied
Grade 4	54,000	55,464	180	Complied
Grade 5	54,000	55,464	180	Complied
Grade 6	54,000	65,452	180	Complied
Grade 7	54,000	65,452	180	Complied
Grade 8	54,000	65,452	180	Complied

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

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

	2020 (Budget)	2019	2018	2017
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	$ 76,142,091	$ 75,733,623	$ 68,127,254	$ 66,340,062
Expenditures And Other Financing Uses	71,590,522	74,700,685	70,077,235	67,898,344
Net change in Fund Balance	$ 4,551,569	$ 1,032,938	$ (1,949,981)	$ (1,558,282)
Ending Fund Balance	$ 2,249,273	$ (2,302,296)	$ 1,643,433	$ 2,819,974
Available Reserves*	$ 1,795,889	$ (1,551,507)	$ 92,050	$ 349,587
Available Reserves As A Percentage Of Outgo	2.51%	-2.08%	0.13%	0.51%
Long-term Liabilities	$ 157,499,478	$ 158,513,247	$ 154,376,402	$ 124,108,438
Average Daily Attendance At P-2	4,843	5,110	5,053	5,279

The General Fund balance has decreased by $5,122,270 over the past two years. The fiscal year 2019-20 budget projects an increase of $4,551,569. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District did not meet the required reserve amount for three consecutive years and will not meet the reserve requirements for 2019-20. The District is working on a plan to meet their reserves and incur a surplus in future years.

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating surplus during the 2019-20 fiscal year. Total long-term obligations have increased by $34,404,809 over the past two years.

Average daily attendance has decreased by 169 ADA over the past two years. A further decrease of 267 ADA is anticipated during the 2019-20 fiscal year.

*Available reserves consist of all unassigned fund balance within the General Fund.

**The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund, Special Reserve Fund for Other Than Capital Outlay Projects, and Special Reserve Fund for Post-Employment Benefits, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**Audit adjustments are not included in this schedule.

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

	General Fund	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Fund for Other Than Capital Outlay Projects	Special Reserve Fund for Postemployment Fund
June 30, 2019, annual financial and budget report fund balance	$ (2,302,296)	$ 1,110,610	$ 4	$ 4,954	$ 11
Adjustments and reclassifications:					
Increase (decrease) in total fund balances:					
Fund balance transfer (GASB 54)	4,969	-	(4)	(4,954)	(11)
Reclass prepaid rent as other financing sources	750,000	-	-	-	-
Adjustment for reclassed expenditures	432,882	-	-	-	-
Adjustment for accounts receivable	-	(95,448)	-	-	-
Net adjustments and reclassifications	1,187,851	(95,448)	(4)	(4,954)	(11)
June 30, 2019, audited financial statement fund balance	$ (1,114,445)	$ 1,015,162	$ -	$ -	$ -

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

Charter #	Charter School	Status	Included in Audit Report
0281	Animo Leadership High School	Active	No
0809	Century Academy fo Excellence	Active	No
0672	Century Community Charter	Active	No
0509	Lennox, Mathematic, Science and Technology Academy	Active	No

LENNOX SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2019

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Non-Major Governmental Funds
ASSETS							
Cash and investments	$ -	$ 40,000	$ 35,234	$ 212,421	$ -	$ 1,937,092	$ 2,224,747
Accounts receivable	42,841	818,835	30,076	-	-	-	891,752
Due from other funds	852,000	711,500	-	636,500	-	-	2,200,000
Stores inventory	-	24,519	-	-	-	-	24,519
Total Assets	$ 894,841	$ 1,594,854	$ 65,310	$ 848,921	$ -	$ 1,937,092	$ 5,341,018
LIABILITIES							
Deficit cash	$ 252,861	$ 226,214	$ -	$ -	$ 344,787	$ -	$ 823,862
Accrued liabilities	365,902	353,478	-	351,692	548,631	-	1,619,703
Total Liabilities	618,763	579,692	-	351,692	893,418	-	2,443,565
FUND BALANCES							
Non-spendable	-	119,967	-	-	-	-	119,967
Restricted	276,078	906,836	65,310	497,229	231,101	1,937,092	3,913,646
Assigned	-	83,806	-	-	-	-	83,806
Unassigned	-	(95,447)	-	-	(1,124,519)	-	(1,219,966)
Total Fund Balances	276,078	1,015,162	65,310	497,229	(893,418)	1,937,092	2,897,453
Total Liabilities and Fund Balance	$ 894,841	$ 1,594,854	$ 65,310	$ 848,921	$ -	$ 1,937,092	$ 5,341,018

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

LENNOX SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest & Redemption Fund	Non-Major Governmental Funds
REVENUES							
Federal sources	$ -	$ 4,279,392	$ -	$ -	$ -	$ 130,703	$ 4,410,095
Other state sources	3,417,721	331,120	-	-	3,324	13,022	3,765,187
Other local sources	116,662	95,402	18,195	162	1,364	2,145,042	2,376,827
Total Revenues	3,534,383	4,705,914	18,195	162	4,688	2,288,767	10,552,109
EXPENDITURES							
Current							
Instruction	2,515,845	-	-	-	-	-	2,515,845
Instruction-related services							
Instructional supervision and administration	875,763	-	-	-	-	-	875,763
School site administration	60,150	-	-	-	-	-	60,150
Pupil services							
Food services	-	5,290,857	-	-	-	-	5,290,857
All other pupil services	69,324	-	-	-	-	-	69,324
General administration							
All other general administration	241,049	262,348	-	-	-	-	503,397
Plant services	15,931	1,003	-	-	174	-	17,108
Facilities acquisition and maintenance	-	-	-	647,859	2,690,554	-	3,338,413
Enterprise activities	6,478	-	-	-	-	-	6,478
Debt service							
Principal	-	-	-	185,000	-	719,848	904,848
Interest and other	-	-	-	216,439	-	1,727,133	1,943,572
Total Expenditures	3,784,540	5,554,208	-	1,049,298	2,690,728	2,446,981	15,525,755
Excess (Deficiency) of Revenues Over Expenditures	(250,157)	(848,294)	18,195	(1,049,136)	(2,686,040)	(158,214)	(4,973,646)
Other Financing Sources (Uses)							
Transfers in	486,591	496,532	-	-	-	-	983,123
Transfers out	(32,345)	-	-	-	-	-	(32,345)
Net Financing Sources (Uses)	454,246	496,532	-	-	-	-	950,778
NET CHANGE IN FUND BALANCE	204,089	(351,762)	18,195	(1,049,136)	(2,686,040)	(158,214)	(4,022,868)
Fund Balance - Beginning, as Restated	71,989	1,366,924	47,115	1,546,365	1,792,622	2,095,306	6,920,321
Fund Balance - Ending	$ 276,078	$ 1,015,162	$ 65,310	$ 497,229	$ (893,418)	$ 1,937,092	$ 2,897,453

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

Lennox first began providing public education in 1910 with only one school, consisting of a four room, wood-frame structure with 50 students. Since these modest beginnings, the Lennox School District has grown to its current size and configuration of more than 7,200 students attending a preschool, five elementary schools, and one middle school. The Lennox community is an unincorporated 1.3 sq. mile area of Metropolitan Los Angeles situated between the cities of Hawthorne, Inglewood and the Los Angeles International Airport. The Lennox Board of Trustees strongly encourages community involvement as an essential element of effective schools.

GOVERNING BOARD

Member	Office	Term Expires
Sergio Hernandez Jr.	President	December 2022
Dr. Angela Fajardo	Vice President	December 2020
Marisol Cruz	Member	December 2020
Alexis Aceves	Member	December 2022
Angeles Gonzalez	Member	December 2022

DISTRICT ADMINISTRATORS

Dr. Scott Price
Superintendent

Vacant
Chief of Personnel Officer

John Vinke
Interim Chief Business Official

Becki Blanco
Chief Instructional Officer

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The following schedule provides reconciliation between revenues reported on the Statement of Revenue, Expenditures, and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues in a prior year that have been expended by June 30, 2019 or Federal funds that have been recorded as revenues in the current year and were not expended by June 30, 2019.

	CFDA Number	Amount
Total Federal Revenues reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance		$ 9,791,207
Medicaid Cluster	93.778	66,698
Build America Bonds	*	(130,702)
Total Expenditures reported in the Schedule of Expenditures of Federal Awards		$ 9,727,203

*The federal revenue for the Build America Bonds is an interest subsidy and does not have a CFDA number.

The District has not elected to use the 10 percent de minimis indirect cost rate.

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code Sections* 46200 through 46208. During the year ended June 30, 2019, the District participated in the Longer Day incentive funding program. As of June 30, 2019, the District had met its target funding.

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

NOTE 1 – PURPOSE OF SCHEDULES (continued)

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

Combining Statements – Non-Major Funds
These statements provide information on the District’s non-major funds.

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.

OTHER INDEPENDENT AUDITORS’ REPORTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditors' Report

Governing Board
Lennox School District
Lennox, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lennox School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Lennox School District's basic financial statements, and have issued our report thereon dated December 16, 2019. Our opinion on the financial statements was qualified, because we were unable to obtain sufficient appropriate audit evidence supporting the amounts at which capital assets and related accumulated depreciation were reported.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lennox 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 Lennox School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Lennox School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Questioned Costs that we consider to be significant deficiencies. (Finding #2019-001,#2019-002,#2019-003, and #2019-004)

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lennox 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.

Lennox School District's Response to Findings

Lennox School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Lennox 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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Christy White, Inc

San Diego, California
December 16, 2019

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditors' Report

Governing Board
Lennox School District
Lennox, California

Report on Compliance for Each Major Federal Program

We have audited Lennox School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Lennox School District's major federal programs for the year ended June 30, 2019. Lennox School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lennox 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 Lennox 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 Lennox School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Lennox 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.

Report on Internal Control Over Compliance

Management of Lennox 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 Lennox 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 Lennox School District's internal control over compliance.

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

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

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

Christy White, Inc

San Diego, California
December 16, 2019

CHRISTY WHITE
Certified Public Accountants serving
K-12 School Districts and Charter
Schools throughout California

REPORT ON STATE COMPLIANCE

Independent Auditors' Report

Governing Board
Lennox School District
Lennox, California

Report on State Compliance

We have audited Lennox School District's compliance with the types of compliance requirements described in the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on each of Lennox School District's state programs for the fiscal year ended June 30, 2019, as identified below.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lennox School District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in Title 5, *California Code of Regulations*, section 19810. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Lennox School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of Lennox School District's compliance with those requirements.

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Opinion on State Compliance

In our opinion, Lennox School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as Findings #2019-005 and #2019-006. Our opinion on state compliance is not modified with respect to these matters.

Lennox School District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Lennox School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Procedures Performed

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

PROGRAM NAME	PROCEDURES PERFORMED
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
California Clean Energy Jobs Act	Yes

(Continued on following page)

Procedures Performed (continued)

PROGRAM NAME	PROCEDURES PERFORMED
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes – Classroom Based; for charter schools	Not Applicable
Charter School Facility Grant Program	Not Applicable

Christy White, Inc

San Diego, California
December 16, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LENNOX SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2019

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Non-compliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	No
Identification of major programs:	

CFDA Number(s)	Name of Federal Program or Cluster
84.027 & 84.073	Special Education Cluster
84.010	Title I, Part A

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	No
Significant deficiency(ies) identified?	Yes
Type of auditors' report issued on compliance for state programs:	Unmodified

FIVE DIGIT CODE	AB 3627 FINDING TYPE
20000	Inventory of Equipment
30000	Internal Control

FINDING #2019-001: RESERVE FOR ECONOMIC UNCERTAINTIES (30000)

Criteria: The criteria and standards for fiscal solvency codified in Title 5 of the California Code of Regulations states available reserves (the unrestricted amounts in the Reserve for Economic Uncertainties and the Unassigned/Unappropriated accounts in the General Fund) for any of the current fiscal year or two subsequent fiscal years are not less than 3% for districts with 1,001 to 30,000 ADA.

Condition: The unaudited actuals show that the reserves for economic uncertainties are below the 3% minimum requirement for the 2018-19 fiscal year.

Cause: Lack of oversight in the District's budgeting process in past years.

Effect: The District is not in compliance with the State requirements of maintaining a 3% reserve for economic uncertainties.

Repeat Finding: No, this is not a repeat finding.

Recommendation: We recommend the District implement policies and procedures to ensure the budget and the minimum required reserves for economic uncertainties are monitored frequently.

Corrective Action Plan: The District submitted a Fiscal Stabilization Plan (FSP) to the Los Angeles County of Education (LACOE) to restore fiscal solvency which was Board-approved on October 8, 2019. The District also submitted a Board-approved 2019-2020 Revised Budget with multi-year projections indicating a 3% reserve for economic uncertainties in future years. The revised budget was approved by the Board of Trustees on October 8, 2019 and approved by LACOE on October 30, 2019.

FINDING #2019-002: CAPITAL ASSETS (30000)

Criteria: The District must maintain current, auditable asset listings to support the amount reported on the government-wide statement of net position. These assets should be depreciated in conformity with generally accepted accounting principles, tracked, accounted for, and properly valued. Good internal controls and prudent accounting practices require the establishment and adherence to sound policies and procedures for capital assets.

Condition: During our audit of the financial statements of the District, we determined the capital assets valuation has not been properly reconciled since the 2017-18 fiscal year. The listing of capital assets has not been updated to include additions, deletions, work in progress and depreciation.

Perspective/Context: Governmental accounting standards require property, plant and equipment to be inventoried and valuated. For construction projects, this should be an ongoing process that tracks the related costs and begins depreciating the assets once they are placed into service.

Effect: Without completing regular updates of physical inventory and construction in progress listings, the District does not maintain adequate control over buildings, site improvements, and other assets as they relate to the government-wide financial statements and the related depreciation expenses.

Cause: Based on inquiry, due to recent turnover in key positions within the Business Office and Facilities Department a capital assets valuation was not obtained for 2018-19 fiscal year.

Repeat Finding: No, this is not a repeat finding.

Recommendation: We recommend the District implement procedures that ensure the capital asset listing is updated and verified by performing annual physical inventories. This process may require the assistance of an outside consulting firm. It may not be necessary to conduct the inventory each year for all sites within the District, however, the procedures should ensure that during a two-year cycle, all District sites have performed a physical inventory. Completed construction projects should begin recognizing depreciation expense in the fiscal year in which they are placed into service.

Corrective Action Plan: The District will engage on outside professional consultant to provide a current capital assets inventory and valuation.

FINDING #2019-003: CASH DISBURSEMENTS INTERNAL CONTROLS (30000)

Criteria: Expenditures processed through the warrant disbursement process should obtain proper approval and funds should be encumbered prior to purchases of goods or services. For proper budgeting practices, the District should also be monitoring any open purchase orders to verify total approved purchase order amount is not exceeded. All receipts and invoices should be obtained prior to payment.

Condition: During our testing of internal controls over cash disbursements, it was noted that warrant disbursements were not obtaining proper pre-approval prior to the expenditures being incurred. One (1) expenditure did not have a Travel/Conference Expense form preapproved.

Perspective/Context: During our testing of internal controls over cash disbursements from the warrant register, we noted the following exceptions:

- 4 of 25 disbursements tested did not have a pre-approved purchase order.
- 1 of 25 disbursements had a purchase order approved after the invoice date.
- 1 of 25 disbursements did not have the required Travel/Conference Expense form pre-approved and the noted meals reimbursement exceed the per day allowance.

Cause: Insufficient controls over purchasing and budgeting cycles.

Effect: The possibility to circumvent the purchasing process and not encumber funds or obtain required approvals.

Repeat Finding: No this is not a repeat finding.

Recommendation: All expenditures should be set up with a purchase order prior to the invoice date. Before providing reimbursements or making payments all supporting documentation should be obtained.

Corrective Action Plan: Retraining in the proper purchasing protocols and procedures will occur in the Spring. The District is strengthening its internal control processes for the purchase of goods and services to utilize the County Office purchase order system, with the appropriate district administrative pre-approvals, supporting documentation prior to payment.

FINDING #2019-004: CREDIT CARD INTERNAL CONTROLS (30000)

Criteria: The District should maintain and enforce credit card policies that contain procedures for proper approvals and uses of District credit cards. District credit card policies and procedures should enforce the following:

- Deadlines for submitting proper expenditure support are met.
- Travel/Conference Expense Form completed by all credit card users.
- Prior approvals for purchases are obtained and documented.
- The Business Services department is monitoring monthly expenditures for appropriateness and reasonableness.
- If there are non-allowable or personal charges, the credit card user should reimburse the school district.

Condition: During our testing of internal controls over cash disbursements, it was noted that one (1) credit card purchase incurred was for a personal expense. Twenty-one (21) expenditures did not have supporting documentation and twenty-four (24) expenditures did not have a preapproved Travel/Conference Expense form. For one credit card user, three credit card statements were reviewed and there was no supporting documentation obtained for any of the expenses.

Perspective/Context: Through our test of internal controls over credit cards, we noted the following deficiencies:

- 1 of 59 disbursements tested was for a personal non-allowable expense.
- 21 of 59 disbursements tested did not have supporting documentation.
- 24 of 59 disbursements did not have the required Travel/Conference Expense form pre-approved and the noted meals reimbursement exceed the per day allowance.

Cause: Policies in place are not adequately designed or implemented.

Effect: There is a risk of fraud and abuse of District funds through unauthorized credit card purchases.

Repeat Finding: No this is not a repeat finding.

Recommendations: We recommend that the District strengthen their current credit card use policy. Credit card holders should be aware of the requirements for use of credit cards including the approval of credit card purchases, submission of credit card receipts, and monthly reconciliations and monitoring of the credit card purchases by the Business Office.

Corrective Action Plan: The District is in the process of strengthening its internal controls and implementing best practices requiring proper documentation for reimbursements and compliance with Board policies. Board policies regarding credit card use will be reviewed and modified to further define the proper use of credit cards.

FIVE DIGIT CODE	AB 3627 FINDING TYPE
50000	Federal Compliance

There were no federal award findings and questioned costs for the year ended June 30, 2019.

FIVE DIGIT CODE	AB 3627 FINDING TYPE
10000	Attendance
40000	State Compliance
42000	Charter School Facilities Programs
43000	Apprenticeship: Related and Supplemental Instruction
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

FINDING #2019-005: AFTER SCHOOL EDUCATION AND SAFETY (ASES) PROGRAM (40000)

Criteria: Per Education Code 8483(a) (1), it is the intent of the Legislature that pupils participate in the full day of the program every day during which pupils participate to accomplish program goals. Every program shall establish a policy regarding reasonable early release of pupils from the program. Reported numbers of students served by school sites in the After School Education and Safety (ASES) program should properly reconcile to the supporting documentation per Education Code Sections 8482.3 and 8484.

Condition: Discrepancies existed between the 2018-19 1st Half After School Base semi-annual attendance report and the supporting attendance detail. Below are the discrepancies noted per school site:

Site Name	Number of students served per State Report	# of students served per each school summary	Variance (Under) / Over Reported
Felton Elementary	6,452	5,401	1,051
Jefferson Elementary	5,313	5,315	(2)
Lennox Middle	26,385	25,595	790
Moffett Elementary	7,570	6,452	1,118
Totals	**45,720**	**45,763**	**2,957**

Questioned Cost: The 2018-19 grant award amount for ASES – Core Cohort 18 is $1,388,964; however, the program funding is not affected as long as the pupil participation level is maintained at 85% or greater. The amount of total students served on the 1st Half Base Grant award was 57,185 but based on our audit procedures the total students served should have been 54,228.

Effect: The District is not in compliance with attendance reporting for the ASES program.

Cause: Insufficient procedures over program attendance reporting.

Repeat Finding: No, this is not a repeat finding.

Recommendation: We recommend configuring the attendance system used to track ASES attendance is maintained on file.

Corrective Action Plan: The verified number of total students served in the After School Education and Safety (ASES) Program was reported to the California Department of Education (CDE). Program funding is not affected since the pupil participation level was maintained at 85% or greater.

FINDING #2019-006: INDEPENDENT STUDY (10000)

Criteria: For attendance generated through independence study, all independent study written agreements must contain the signature of the pupil, pupil's parents, and certificated employee affixed prior to the commencement of the independent study (Education Code Section 51747(c)(8)).

Condition: Five students independent study agreements had the required signatures dated after the start date of the agreement or missing one of the required signatures. For all of the independent study agreements, the last signature was obtained after the end of the independent study agreement, therefore, the total independent study average daily attendance (ADA) credited, 0.18 and 0.13, in P2 and the Annual, respectively, is unallowable.

Cause: Clerical oversight.

Perspective/Context: Auditor found discrepancies in attendance in one out of the three schools tested.

Effect: Loss of apportionment funding for days of attendance related to incomplete and deficient independent study contracts.

Questioned Costs: See table below for the calculated questioned cost of $1,457.

	Second Period Report ADA (Over)/Under Statement	Annual Report ADA (Over)/Under Statement	Adjusted Base Grant per ADA	Questioned Cost
Grade Span				
Kindergarten through third	(0.12)	(0.09)	$ 8,235	$ (998)
Fourth through sixth	(0.06)	(0.04)	$ 7,571	$ (459)
Total	(0.18)	(0.13)		$ (1,457)

Repeat Finding: No, this is not a repeat finding.

Recommendation: We recommend that the District implement adequate procedures to ensure that independent study contracts are being filled with all the necessary information required by the Ed Code and adequate oversight over District attendance ratios are being monitored. All required signatures must be obtained prior to the first day of the independent study agreement.

Corrective Action Plan: Staff has been retrained to comply with all State education code requirements.

FINDING #2018-001 – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)

Criteria: Students classified as English Learners, or Free or Reduced Price Meals eligible and who are not directly certified on the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report must have supporting documentation that indicates the student was eligible for the designation. Auditors are required to verify compliance with Education Code Section 42238.02(b)(3)(b) in Section W of the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.*

Condition: One (1) of 34 students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who were classified as English Learners (EL) and had a "No" under the "Direct Certification" column did not have proper supporting documentation to support their designation. One (1) of 120 students who were classified as Free or Reduced Priced Meals (FRPM) had a lunch application on file that did not match their designation.

Cause: Incorrect designation of student due to oversight by the District.

Effect: The District is not in compliance with State requirements. The error was extrapolated over the impacted population, resulting in a total error of 10 students.

Context: One (1) of 34 students reported in the District's Unduplicated Pupil Count as English Leaner (EL) were not properly designated. One (1) of 120 students report in the District's Unduplicated Pupil Count as reduced should have been classified as paid.

FINDING #2018-001 – UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000) (continued)

Questioned Cost: $7,304, as calculated on below.

UPP Audit Adjustment					
1	Total Adjusted Enrollment from the UPP exhibit as of P-2				15,781
2	Total Adjusted Unduplicated Pupil Count from the UPP exhibit as of P-2				15,199
3	Audit Adjustment - Number of Enrollment				-
4	Audit Adjustment - Number of Unduplicated Pupil Count				(10)
5	Revised Adjusted Enrollment				15,781
6	Revised Adjusted Unduplicated Pupil Count				15,189
7	UPP calculated as of P-2				0.9631
8	Revised UPP for audit finding				0.9625
9	**Charter Schools Only:** Determinative School District Concentration Cap				
10	Revised UPP adjusted for Concentration Cap				**0.9625**
LCFF Target Supplemental Grant Funding Audit Adjustment		**TK/K–3**	**4–6**	**7–8**	**9–12**
9	Supplemental and Concentration Grant ADA	2,423.87	1,847.73	1,029.62	0.00
10	Adjusted Base Grant per ADA	$7,941	$7,301	$7,518	$8,939
11	Target Supplemental Grant Funding calculated as of P-2				$7,797,047
12	Revised Target Supplemental Grant Funding for audit finding				$7,792,191
13	Target Supplemental Grant Funding audit adjustment				**($4,856)**
LCFF Target Concentration Grant Funding Audit Adjustment					
14	Target Concentration Grant Funding calculated as of P-2				$8,360,919
15	Revised Target Concentration Grant Funding for audit finding				$8,348,776
16	Target Concentration Grant Funding audit adjustment				**($12,143)**
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded at LCFF Target					
18	Total Target Supplemental and Concentration audit adjustment				**($16,999)**
Estimated Cost of Unduplicated Pupil Count Audit Adjustment for LEAs funded on LCFF Floor and Gap					
19	Statewide Gap Funding Rate as of P-2				0.4296644273
20	Estimated Cost of Unduplicated Pupil Count audit adjustment				**($7,304)**

Recommendation: We recommend that the District ensure that all students listed as FRPM and/or EL in the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report have proper documentation to support their CALPADS designation and are properly designated in a timely manner.

Corrective Action Plan: The District has implemented a system in which all FRPM applications are double checked and reconciled prior to being reported in CalPADS. The CalPADS report will also be reconciled to ensure accuracy.

Current Status: Implemented.

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APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Lennox School District (the "District") in connection with the issuance of (i) $2,860,357.00 of the District's General Obligation Bonds, Election of 2007, Series 2021 (Federally Taxable) and (ii) $2,360,924.70 of the District's 2021 General Obligation Refunding Bonds (Federally Taxable) (collectively, the "Bonds"). The Bonds are being issued pursuant to resolutions adopted by the Board of Education of the District and the Board of Supervisors of the County. The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

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

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

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

"Dissemination Agent" shall mean initially Montague DeRose and Associates, LLC, or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

"Financial Obligation" shall mean (a) a debt obligation, (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, or (c) a guarantee of (a) or (b). The term "Financial Obligation" does not include municipal securities as to which a final official statement has been provided to the Municipal Rulemaking Board consistent with the Rule.

"Holders" shall mean the registered owners of the Bonds.

"Listed Events" shall mean any of the events listed in Sections 5(a) or 5(b) of this Disclosure Certificate.

"Official Statement" means that certain official statement, dated February 2, 2021, relating to the offering and sale of the Bonds.

"Participating Underwriter" shall mean Stifel, Nicolaus & Company, Incorporated as the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean, the Municipal Securities Rulemaking Board, which can be found at http://emma.msrb.org/, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (presently ending June 30), commencing with the report for the 2019-20 Fiscal Year, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than thirty (30) days (nor more than sixty (60) days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repository to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District in a timely manner shall send a notice to the Repository, no later than the date required in subsection (a) in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided to the Repository.

SECTION 4. Content and Form of Annual Reports. (a) The District's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Material financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District's audited financial statements):

(a) State funding received by the District for the last completed fiscal year;

(b) average daily attendance of the District for the last completed fiscal year;

(c) outstanding District indebtedness;

(d) summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year;

(e) assessed valuation of taxable property within the District, for the current fiscal year;

(f) secured *ad valorem* tax charges and delinquencies within the District, for the last completed year; and

(g) top twenty property owners in the District for the then current fiscal year, as measured by the secured assessed valuation, the amount of their respective taxable value, and their percentage of total secured assessed value.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

(b) The Annual Report shall be filed in an electronic format, and accompanied by identifying information, prescribed by the Municipal Securities Rulemaking Board.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5(a), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not in excess of 10 business days after the occurrence of the event:

1. principal and interest payment delinquencies.

2. tender offers.

3. defeasances.

4. rating changes.

5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).

6. unscheduled draws on the debt service reserves reflecting financial difficulties.

7. unscheduled draws on credit enhancement reflecting financial difficulties.

8. substitution of the credit or liquidity providers or their failure to perform.

9. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the District. For the purposes of the event identified in this Section 5(a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

10. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

(b) Pursuant to the provisions of this Section 5(b), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. non-payment related defaults.

2. modifications to rights of Bondholders.

3. optional, contingent or unscheduled Bond calls.

4. unless described under Section 5(a)(5) above, material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

5. release, substitution or sale of property securing repayment of the Bonds.

6. 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.

7. appointment of a successor or additional trustee or paying agent with respect to the Bonds or the change of name of such a trustee or paying agent.

8. incurrence of a Financial Obligation of the District, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect Bondholders.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a) or Section 5(b), as applicable.

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon fifteen (15) days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a

Listed Event under Section 5(b), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: February 18, 2021

LENNOX SCHOOL DISTRICT

By: ____

Superintendent

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: LENNOX SCHOOL DISTRICT

Name of Bond Issue: General Obligation Bonds, Election of 2007, Series 2021 (Federally Taxable); 2021 General Obligation Refunding Bonds (Federally Taxable)

Date of Issuance: February 18, 2021

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate relating to the Bonds. The District anticipates that the Annual Report will be filed by _____________.

Dated:_______________________

LENNOX SCHOOL DISTRICT

By ______[form only; no signature required]_________

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APPENDIX D

ACCRETED VALUES TABLE

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BOND ACCRETED VALUE TABLE

Lennox School District
General Obligation Bonds, Election of 2007, Series 2021 (Federally Taxable)

Date	Series 2021 Capital Appreciation Term Bonds 2036 3.35%	Series 2021 Capital Appreciation Term Bonds 2045 3.8%
02/18/2021	2,992.30	1,991.60
08/01/2021	3,037.65	2,025.85
02/01/2022	3,088.55	2,064.35
08/01/2022	3,140.30	2,103.55
02/01/2023	3,192.90	2,143.50
08/01/2023	3,246.35	2,184.25
02/01/2024	3,300.75	2,225.75
08/01/2024	3,356.05	2,268.05
02/01/2025	3,412.25	2,311.15
08/01/2025	3,469.40	2,355.05
02/01/2026	3,527.50	2,399.80
08/01/2026	3,586.60	2,445.40
02/01/2027	3,646.70	2,491.85
08/01/2027	3,707.75	2,539.20
02/01/2028	3,769.85	2,587.45
08/01/2028	3,833.00	2,636.60
02/01/2029	3,897.20	2,686.70
08/01/2029	3,962.50	2,737.75
02/01/2030	4,028.85	2,789.75
08/01/2030	4,096.35	2,842.75
02/01/2031	4,164.95	2,896.80
08/01/2031	4,234.75	2,951.80
02/01/2032	4,305.65	3,007.90
08/01/2032	4,377.80	3,065.05
02/01/2033	4,451.10	3,123.30
08/01/2033	4,525.65	3,182.65
02/01/2034	4,601.45	3,243.10
08/01/2034	4,678.55	3,304.70
02/01/2035	4,756.90	3,367.50
08/01/2035	4,836.60	3,431.50
02/01/2036	4,917.60	3,496.70
08/01/2036	5,000.00	3,563.15
02/01/2037		3,630.85
08/01/2037		3,699.80
02/01/2038		3,770.10
08/01/2038		3,841.75
02/01/2039		3,914.75
08/01/2039		3,989.10
02/01/2040		4,064.90
08/01/2040		4,142.15
02/01/2041		4,220.85
08/01/2041		4,301.05
02/01/2042		4,382.75
08/01/2042		4,466.05
02/01/2043		4,550.90
08/01/2043		4,637.35
02/01/2044		4,725.45
08/01/2044		4,815.25
02/01/2045		4,906.75
08/01/2045		5,000.00

BOND ACCRETED VALUE TABLE

Lennox School District
2021 General Obligation Refunding Bonds (Federally Taxable)

Date	Refunding Capital Appreciation Term Bonds 2036 3.35%
02/18/2021	2,992.30
08/01/2021	3,037.65
02/01/2022	3,088.55
08/01/2022	3,140.30
02/01/2023	3,192.90
08/01/2023	3,246.35
02/01/2024	3,300.75
08/01/2024	3,356.05
02/01/2025	3,412.25
08/01/2025	3,469.40
02/01/2026	3,527.50
08/01/2026	3,586.60
02/01/2027	3,646.70
08/01/2027	3,707.75
02/01/2028	3,769.85
08/01/2028	3,833.00
02/01/2029	3,897.20
08/01/2029	3,962.50
02/01/2030	4,028.85
08/01/2030	4,096.35
02/01/2031	4,164.95
08/01/2031	4,234.75
02/01/2032	4,305.65
08/01/2032	4,377.80
02/01/2033	4,451.10
08/01/2033	4,525.65
02/01/2034	4,601.45
08/01/2034	4,678.55
02/01/2035	4,756.90
08/01/2035	4,836.60
02/01/2036	4,917.60
08/01/2036	5,000.00

APPENDIX E

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITIES OF HAWTHORNE AND INGLEWOOD AND LOS ANGELES COUNTY

The following material is descriptive of Los Angeles County (the "County"), the City of Hawthorne ("Hawthorne") and the City of Inglewood ("Inglewood," and together with Hawthorne, the "Cities"). This material has been prepared by or excerpted from the sources as noted herein and has not been reviewed for accuracy by the District, its Municipal Advisor or the Underwriter.

General

City of Hawthorne. Hawthorne was incorporated in 1922 and encompasses 6 square miles. Hawthorne is located in the South Bay region of Los Angeles County and is 17 miles east of downtown Los Angeles and 5 miles east of Los Angeles International Airport. Surrounding communities include Gardena, Lawndale and Redondo Beach.

Hawthorne is a general law city that operates under the Council-Manager form of government. Hawthorne Council is composed of five members, with a mayor elected every four years and four elected city council members each serving a term of four years. The Mayor serves as the presiding officer of Hawthorne Council.

City of Inglewood. Inglewood is located in the South Bay region of Los Angeles County (the "County"). Inglewood was incorporated in 1908. Inglewood has a total area of 9.1 square miles and consists of ten neighborhoods. The neighborhoods are the following areas: Morningside Park, Downtown Inglewood, Fairview Heights, Arbor Village, Centinela Heights, Sports Village, Century Heights, Inglewood Knolls, La Tijera Village, and Lockhaven.

The Los Angeles International Airport is directly accessible by Century Boulevard – one of Inglewood's busiest commercial corridors. Proximity to the airport, the Los Angeles and Long Beach Harbors, and four major freeways facilitate both domestic and international trade.

The 70,000 seat Los Angeles Sports and Entertainment District at Hollywood Park opened in Inglewood in 2020.

Los Angeles County. With 4,061 square miles, the County borders 70 miles of coast on the Pacific Ocean. The County is bordered on the east and the south by Orange and San Bernardino Counties, on the north by Kern County and on the west by Ventura County and the Pacific Ocean. The topography of the County encompasses mountain ranges, deep valleys, forests, islands, lakes, rivers and desert. In between the large desert portions of the County, which make up around 40% of its land area, and the heavily urbanized central and southern portions sit the San Gabriel Mountains containing Angeles National Forest. The County is home to 88 incorporated cities and many unincorporated areas, along with two offshore islands. It is the most populous county in the United States.

The County was incorporated on February 18, 1850 and is one of the original counties of the State of California. The County seat is Los Angeles, which is the largest city in the State. The County is governed by a five-member Board of Supervisors, each of whom is elected by the voters, along with an Assessor, District Attorney and Sheriff. Each Supervisor represents over two million people.

Population

The following table shows historical population figures for the Cities, the County and the State of California from 2011 through 2020.

POPULATION ESTIMATES
City of Hawthorne, City of Inglewood, Los Angeles County and State of California
2011 through 2020

Year[1]	City of Hawthorne	City of Inglewood	Los Angeles County	State of California
2011	85,039	110,286	9,879,298	37,561,624
2012	85,680	111,548	9,956,882	37,924,661
2013	86,075	112,408	10,025,712	38,269,864
2014	86,977	112,763	10,078,930	38,556,731
2015	87,683	112,933	10,126,423	38,870,150
2016	87,737	113,057	10,158,196	39,131,307
2017	87,615	112,933	10,193,753	39,398,702
2018	87,403	112,818	10,209,676	39,586,646
2019	87,071	112,345	10,184,378	39,695,376
2020	86,903	111,971	10,172,951	39,782,870

(1) As of January 1.
Source: California Department of Finance.

Personal Income

The following table summarizes per capita personal income for the County, the State of California and the United States from 2010 to 2019.

PER CAPITA PERSONAL INCOME
2010 through 2019
Los Angeles County, State of California, and United States

Year	Los Angeles County	State of California	United States
2010	$43,594	$43,636	$40,547
2011	46,470	46,175	42,739
2012	49,525	48,813	44,605
2013	49,157	49,303	44,860
2014	52,272	52,363	47,071
2015	55,578	55,833	49,019
2016	57,538	58,048	50,015
2017	59,625	60,549	52,118
2018	62,300	63,720	54,606
2019	65,094	66,619	56,490

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Employment

The following table summarizes the labor force, employment and unemployment figures for the years 2015 through 2019 for the Cities, the County and the State of California.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT RATE
City of Hawthorne, City of Inglewood, Los Angeles County and the State of California
2015 through 2019

Year	Area	Labor Force	Employment	Unemployment	Unemployment Rate (%)
2015	City of Hawthorne	43,800	41,200	2,600	5.9
	City of Inglewood	52,900	48,300	4,600	8.7
	Los Angeles County	4,980,300	4,650,700	329,600	6.6
	State of California	18,828,800	17,660,700	1,168,100	6.2
2016	City of Hawthorne	44,500	42,200	2,300	5.2
	City of Inglewood	52,400	49,200	3,200	6.2
	Los Angeles County	5,030,500	4,765,900	264,600	5.3
	State of California	19,021,200	17,980,100	1,041,100	5.5
2017	City of Hawthorne	44,800	42,700	2,100	4.7
	City of Inglewood	52,700	49,800	2,900	5.5
	Los Angeles County	5,084,000	4,841,900	242,200	4.8
	State of California	19,176,400	18,257,100	919,300	4.8
2018	City of Hawthorne	44,800	42,600	2,100	4.8
	City of Inglewood	52,600	49,700	2,900	5.5
	Los Angeles County	5,095,500	4,860,300	235,200	4.6
	State of California	19,280,800	18,460,700	820,100	4.3
2019	City of Hawthorne	44,900	42,900	2,000	4.4
	City of Inglewood	52,900	50,100	2,800	5.3
	Los Angeles County	5,121,600	4,894,300	227,300	4.4
	State of California	19,411,600	18,627,400	784,200	4.0

Note: Data is based on annual averages, unless otherwise specified, and is not seasonally adjusted.
Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2019.

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Industry

The County is included in the Los Angeles-Long Beach-Glendale Metropolitan Division (the "Metropolitan Division"). The distribution of employment in the Metropolitan Division is presented in the following table for the last five years. These figures are multi county-wide statistics and may not necessarily accurately reflect employment trends in the County.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES
2015 through 2019
Los Angeles-Long Beach-Glendale Metropolitan Division

	2015	2016	2017	2018	2019
Total Farm	5,000	5,300	5,700	4,600	4,500
Mining & Logging	2,900	2,400	2,000	1,900	1,900
Construction	126,100	134,000	138,700	146,300	149,300
Manufacturing	368,200	360,800	349,000	341,200	339,200
Wholesale Trade	222,400	222,100	221,500	223,200	220,500
Retail Trade	422,200	424,600	426,100	424,800	417,300
Utilities	12,100	11,900	11,500	11,500	12,000
Transportation & Warehousing	165,500	177,000	186,700	192,100	201,800
Information	207,600	229,400	214,900	216,400	217,300
Financial Activities	215,600	219,800	221,600	223,200	223,900
Professional, Scientific & Technical Svcs.	269,500	275,500	282,300	291,300	300,500
Management of Companies and Ent.	62,100	61,100	62,000	62,900	63,300
Administrative & Support & Waste Svcs	262,200	266,400	267,700	276,200	279,100
Educational Services	119,500	121,900	125,600	131,300	135,700
Health Care & Social Assistance	626,400	650,800	675,000	690,100	707,900
Leisure & Hospitality	486,600	510,000	524,600	536,500	544,700
Other Services	151,000	153,300	155,700	158,800	158,400
Government	568,500	576,700	586,100	590,600	594,200
Total All Industries	4,293,500	4,403,000	4,456,700	4,522,700	4,571,400

Note: Items may not add to total due to independent rounding.
Source: California Employment Development Department, Labor Market Information Division. March 2019 Benchmark.

Largest Employers

The following tables list the largest employers in the City and the County.

LARGEST EMPLOYERS
City of Hawthorne
2019

Employer Name	Employees
Space Exploration Technologies	4,718
Hawthorne School District	726
Teledyne Relays	337
City of Hawthorne	329
Triump Aerostructures	314
OSI Systems Inc.	300
Lithographix Inc.	280
Target	260
Home Depot	254
South Bay Ford	218

Source: City of Hawthorne Comprehensive Annual Financial Report' For Year Ended June 30, 2019.

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PRINCIPAL EMPLOYERS
2020
County of Los Angeles

Employer	Employees
Los Angeles County	113,207
Los Angeles Unified School District	77,928
University of California, Los Angeles	50,957
U.S. Government-Federal Executive Board	50,000
Kaiser Permanente Southern California	41,349
City of Los Angeles	34,172
State of California	30,370
University of Southern California	22,164
Target Corp.	20,000
Northrop Grumman Corp.	18,000
Ralphs/Food 4 Less (Kroger Co. division)	15,532
Cedars-Sinai	15,302
Amazon	15,000
Allied Universal	14,480
Providence	14,094
Walt Disney Co.	12,750
Long Beach Unified School District	11,867
UPS	11,643
NBCUniversal	11,500
Home Depot	11,200
AT&T Inc.	11,000
Albertsons Cos.	10,000
Los Angeles County Metropolitan Transportation Authority	9,978
Los Angeles Department of Water & Power	9,400
Mt. San Antonio Community College District	8,857
California Institute of Technology	8,463
Boeing Co.	8,000
Wells Fargo & Co.	7,613
ABM Industries Inc.	7,500
Bank of America Corp.	7,500
FedEx Corp.	7,000
Los Angeles Community College District	6,874
City of Hope	6,730
Children's Hospital Los Angeles	6,400
Raytheon Intelligence and Space	6,316

Note: The information on this list was provided by representatives of the employers themselves. Companies are ranked by the current number of full-time employees in the County. Several additional companies may have qualified for this list, but failed to submit information or do not break out local employment data.
Source: "2020 Book of Lists," Los Angeles Business Journal, August 31, 2020.

Commercial Activity

Summaries of annual taxable sales for the Cities and the County from 2015 through 2019 are shown in the following tables.

TAXABLE TRANSACTIONS
City of Hawthorne
2015 through 2019
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Taxable Transactions
2015	964	$1,089,286	1,539	$1,375,218
2016	1,016	1,052,993	1,615	1,282,440
2017	1,023	1,191,818	1,643	1,431,575
2018[(1)]	1,048	1,217,482	1,733	1,484,182
2019[(1)]	1,155	1,233,098	1,911	1,528,738

(1) Preliminary, subject to change.
Source: Taxable Sales in California, California Department of Tax and Fee Administration ("CDTFA") for 2015-19.

TAXABLE TRANSACTIONS
City of Inglewood
2015 through 2019
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Taxable Transactions
2015	1,646	$923,859	2,324	$1,201,130
2016	1,738	939,002	2,443	1,227,942
2017	1,806	966,630	2,566	1,364,580
2018[(1)]	1,820	1,017,867	2,712	1,500,823
2019[(1)]	1,983	1,040,257	3,001	1,516,574

(1) Preliminary, subject to change.
Source: Taxable Sales in California, California Department of Tax and Fee Administration ("CDTFA") for 2015-19.

ANNUAL TAXABLE SALES
2015 through 2019
Los Angeles County
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Taxable Transactions
2015	194,425	$109,094,980	306,398	$151,981,740
2016	197,386	110,944,351	312,039	155,155,641
2017	197,452	114,298,560	313,226	160,280,130
2018[(1)]	200,603	119,145,054	328,047	166,023,796
2019[(1)]	206,732	122,137,664	342,359	171,776,327

(1) Preliminary, subject to change.
Source: Taxable Sales in California, California Department of Tax and Fee Administration ("CDTFA") for 2015-19.

Construction Activity

The annual building permit valuations and number of permits for new dwelling units issued from 2015 through 2019 for the Cities and the County are shown in the following tables.

BUILDING PERMITS AND VALUATIONS
2015 through 2019
City of Hawthorne
(Dollars in Thousands)

	2015	2016	2017	2018	2019
Valuation					
Residential	$54,221	$17,628	$7,910	$11,265	$28,750
Non-Residential	15,159	26,932	19,060	101,041	29,575
Total	$69,380	$44,560	$26,970	$112,306	$58,325
Units					
Single Family	129	4	1	0	15
Multiple Family	202	127	22	28	230
Total	331	131	23	28	245

Note: Totals may not add to sum because of rounding.
Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
2015 through 2019
City of Inglewood
(Dollars in Thousands)

	2015	2016	2017	2018	2019
Valuation					
Residential	$11,830	$16,893	$17,349	$30,281	$22,040
Non-Residential	59,852	46,415	35,598	927,277	205,641
Total	$71,682	$63,308	$52,947	$957,588	$227,681
Units					
Single Family	4	4	6	8	30
Multiple Family	2	24	40	18	33
Total	6	28	46	26	63

Note: Totals may not add to sum because of rounding.
Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
2015 through 2019
Los Angeles County
(Dollars in Thousands)

	2015	2016	2017	2018	2019
Valuation					
Residential	$6,383,036	$6,575,607	$7,368,352	$7,441,001	$6,554,316
Non-Residential	5,645,372	5,287,623	6,037,503	6,694,097	6,589,602
Total	$12,028,408	$11,863,230	$13,405,855	$14,135,098	$13,143,918
Units					
Single Family	4,487	4,780	5,456	6,070	5,738
Multiple Family	18,405	15,589	17,023	17,152	15,884
Total	22,892	20,369	22,479	23,222	21,622

Note: Totals may not add to sum because of rounding.
Source: Construction Industry Research Board

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APPENDIX F

LOS ANGELES COUNTY TREASURY POOL

The following information concerning the Los Angeles County Treasury Pool (the "Treasury Pool") has been provided by the Treasurer and Tax Collector (the "Treasurer") of Los Angeles County (the "County"), and has not been confirmed or verified by the District, the Municipal Advisor or the Underwriter. The District, the Municipal Advisor and the Underwriter have not made an independent investigation of the investments in the Treasury Pool and have made no assessment of the current County investment policy. The value of the various investments in the Treasury Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of the County Board of Supervisors may change the County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Treasury Pool will not vary significantly from the values described herein. Finally, none of the District, the Municipal Advisor or the Underwriter make any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date. Additional information regarding the Treasury Pool may be obtained from the Treasurer at www.ttc.lacounty.gov; however, the information presented on such website is not incorporated herein by any reference.

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THE LOS ANGELES COUNTY POOLED SURPLUS INVESTMENTS

The Treasurer and Tax Collector (the Treasurer) of Los Angeles County has the delegated authority to invest funds on deposit in the County Treasury (the Treasury Pool). As of December 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	$19.957
Schools and Community Colleges	17.441
Discretionary Participants	3.892
Total	$41.290

The Treasury Pool participation composition is as follows:

Non-discretionary Participants	90.58%
Discretionary Participants:	
Independent Public Agencies	8.66%
County Bond Proceeds and Repayment Funds	0.76%
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 31, 2020, 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 January 29, 2021, the December 31, 2020, book value of the Treasury Pool was approximately $41.290 billion, and the corresponding market value was approximately $41.297 billion.

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

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

Type of Investment	**% of Pool**
Certificates of Deposit	7.14
U.S. Government and Agency Obligations	59.53
Bankers Acceptances	0.00
Commercial Paper	33.06
Municipal Obligations	0.07
Corporate Notes & Deposit Notes	0.20
Repurchase Agreements	0.00
Asset Backed Instruments	0.00
Other	0.00
	100.00

The Treasury Pool is highly liquid. As of December 31, 2020, approximately 47% of the investments mature within 60 days, with an average of 869 days to maturity for the entire portfolio.

APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $__________ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _________

Risk Premium: $_________
Member Surplus Contribution: $_________
Total Insurance Payment: $_________

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

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ______________________________________

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)