

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 21, 2014

NEW ISSUE—FULL BOOK ENTRY

RATING:
S&P: “A”
See “RATING” herein.

In the opinion of Quint & Thimmig LLP, Larkspur, California, Special Counsel, subject to compliance by the District with certain covenants, interest with respect to the Certificates is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In addition, in the opinion of Special Counsel, interest with respect to the Certificates is exempt from personal income taxation imposed by the State of California. See “TAX MATTERS” herein.



\$13,000,000*
CERTIFICATES OF PARTICIPATION
(2014 School Modernization Financing Project)
Evidencing Direct, Undivided Fractional Interests of
the Owners Thereof in Lease Payments to be Made by the
CORCORAN JOINT UNIFIED SCHOOL DISTRICT
(Kings County, California)
As the Rental for Certain Property Pursuant to
a Lease Agreement with the
Local Facilities Finance Corporation

Dated: Date of Delivery

Initial Interest Rate: _____%

CUSIP†: _____

Due: December 1, 2039

The \$13,000,000* Certificates of Participation (2014 School Modernization Financing Project) (the “Certificates”), are being executed and delivered to provide funds to (a) finance the costs of school modernization projects throughout the boundaries of the District; (b) fund a reserve fund for the Certificates; and (c) pay the costs of the financing. The Certificates will evidence direct, undivided fractional interests of the owners thereof in Lease Payments (as defined herein) to be made by the District to the Local Facilities Finance Corporation (the “Corporation”) for the use and occupancy of the Property (as defined herein) under and pursuant to a Lease Agreement, dated as of December 1, 2014, by and between the Corporation and the District (the “Lease Agreement”). The Corporation will assign its right to receive Lease Payments from the District under the Lease Agreement and its right to enforce payment of the Lease Payments when due or otherwise protect its interest in the event of a default by the District thereunder to Wilmington Trust, N.A., Costa Mesa, California, as trustee (the “Trustee”), for the benefit of the registered owners of the Certificates.

Interest with respect to the Certificates will be initially set at the rate shown above, through November 30, 2021. On December 1, 2021, and on each June 1 and December 1 thereafter, interest with respect to the Certificates will be reset for a semi-annual period ending on the respective May 31 and November 30, at a rate equal to the *Bond Buyer* Revenue Bond Index most recently published prior to such reset date plus 3%.

The Certificates will be executed and delivered in book-entry form only, and will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (referred to herein as “DTC”). Purchasers of the Certificates (the “Beneficial Owners”) will not receive physical certificates representing their interest in the Certificates. Interest with respect to the Certificates accrues from their date of delivery, and is payable semiannually by check mailed on each June 1 and December 1, commencing June 1, 2015. The Certificates may be executed and delivered in denominations of \$5,000 or any integral multiple thereof. Payments of principal and interest with respect to the Certificates will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Certificates. (See “THE CERTIFICATES—Book-Entry-Only System” herein).

The Certificates are subject to redemption, as described herein.

The District will covenant in the Lease Agreement to make all Lease Payments due under the Lease Agreement, subject to abatement during any period in which by reason of damage or destruction of the Property, or by reason of eminent domain proceedings with respect to the Property, there is substantial interference with the use and occupancy by the District of the Property or any portion thereof. The District will covenant in the Lease Agreement to take such action as may be necessary to include all Lease Payments in its annual budgets and to make the necessary annual appropriations for all such Lease Payments.

Application has been made to municipal bond insurance companies for qualification of the Certificates for municipal bond insurance and for a reserve fund municipal bond insurance policy, the terms of which will be reflected in the final official statement for the Certificates if such insurance is purchased. The District will consider the purchase of such insurance after analysis of, among other things, the expected effect of the insurance on the interest rate for the Certificates.

NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT CONSTITUTES A DEBT OR INDEBTEDNESS OF THE CITY OR THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATIONS OR RESTRICTION OR AN OBLIGATION FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

The cover page contains certain information for general reference only. It is *not* a summary of all the provisions of the Certificates. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See “RISK FACTORS” herein for a discussion of special risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Certificates.

The Certificates will be offered when, as and if delivered and received by the Underwriter subject to approval by Quint & Thimmig LLP, Larkspur, California, as Special Counsel. Certain matters will be passed upon for the District by Quint & Thimmig LLP, Larkspur, California, as Disclosure Counsel. It is anticipated that the Certificates will be available for delivery to DTC in New York, New York, on or about December 18, 2014.

George K. Baum & Company

Dated: November __, 2014

*Preliminary, subject to change.

†Copyright 2014, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, operated by Standard & Poor's. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP Global Services. CUSIP numbers have been assigned by an independent company not affiliated with the District and are included solely for the convenience of the registered owners of the Certificates. Neither the District nor the Underwriter is responsible for the selection or uses of these CUSIP numbers and no representation is made as to their correctness on the Certificates or as included herein. The CUSIP number for a specific maturity is subject to being changed after the delivery of the Certificates as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Certificates.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

CORCORAN JOINT UNIFIED SCHOOL DISTRICT

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Robert Alcorn, *Vice President*
Steve White, *Clerk*
Mary Gonzales-Gomez, *Board Member*
Mary Wadsworth, *Board Member*

DISTRICT OFFICIALS

Rich Merlo, *Superintendent*
Pamela Dihel, *Chief Business Officer*
Marty Raeber, *Director of Maintenance/Operations/Transportation*

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Larkspur, California

Trustee
Wilmington Trust, N.A.
Costa Mesa, California

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (“Rule 15c2-12”), this Preliminary Official Statement constitutes an “official statement” of the District with respect to the Certificates that has been deemed “final” by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

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

This Official Statement is not to be construed as a contract with the purchasers of the Certificates. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

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.

The information set forth herein has been obtained from the District and from other sources and is believed to be reliable but is not guaranteed as to accuracy or completeness. The information and expressions of opinions herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the District. All summaries of the Certificates, the Lease Agreement, the Trust Agreement, the Assignment Agreement, the Site and Facility Lease, or other documents, are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Director Finance for further information. See “INTRODUCTION—Other Information.”

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE CERTIFICATES 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 CERTIFICATES TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the District’s forecasts in any way. Neither the District nor the Corporation is obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur or do not occur.

The execution, sale and delivery of the Certificates has 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 by Sections 3(a)(2) and 3(a)(12), respectively, for the issuance and sale of municipal securities.

The District maintains a website. Unless specifically indicated otherwise, the information presented on such website is *not* incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the Certificates.

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\$13,000,000*
CERTIFICATES OF PARTICIPATION
(2014 School Modernization Financing Project)
Evidencing Direct, Undivided Fractional Interests of the
Owners Thereof in Lease Payments to be Made by the
CORCORAN JOINT UNIFIED SCHOOL DISTRICT
(Kings County, California)
as the Rental for Certain Property
Pursuant to a Lease Agreement with the
Local Facilities Finance Corporation

INTRODUCTION

This introduction does not purport to be complete and reference is made to the body of this Official Statement, appendices and the documents referred to herein for more complete information with respect to matters concerning the captioned Certificates. Potential investors are encouraged to read this entire Official Statement. Capitalized terms used and not defined in this Introduction shall have the meanings assigned to them elsewhere in this Official Statement and in APPENDIX D—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—DEFINITIONS.

General

This Official Statement, including the cover page and appendices hereto, is provided to furnish information in connection with the execution, sale and delivery of \$13,000,000* aggregate principal amount of Certificates of Participation (2014 School Modernization Financing Project) (the “Certificates”). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of December 1, 2014 (the “Trust Agreement”), by and among the Corcoran Joint Unified School District (the “District”), the Local Facilities Finance Corporation (the “Corporation”) and Wilmington Trust, N.A., as trustee (the “Trustee”).

Proceeds of the Certificates will be used to (a) finance the costs of school modernization projects throughout the boundaries of the District (the “Project”), (b) fund a reserve fund for the Certificates, and (b) pay delivery costs incurred in connection with the execution, delivery and sale of the Certificates. See “PLAN OF FINANCING.”

The District will lease its John Muir Middle School and the site thereof (collectively, the “Property”) to the Corporation pursuant to a Site and Facility Lease, dated as of December 1, 2014 (the “Site and Facility Lease”), between the District and the Corporation. The Corporation will lease the Property back to the District pursuant to a Lease Agreement, dated as of December 1, 2014 (the “Lease Agreement”). The Certificates are payable solely from and secured by certain lease payments (“Lease Payments”) to be made by the District to the Corporation pursuant to the Lease Agreement. See “SOURCE OF PAYMENT FOR THE CERTIFICATES” and “THE PROPERTY.”

* Preliminary, subject to change.

Interest with respect to the Certificates is payable on June 1 and December 1 of each year, commencing June 1, 2015. The Certificates will mature in the amounts and on the dates and be payable at the interest rates shown on the cover of this Official Statement. See “THE CERTIFICATES.”

The Certificates will be delivered in fully registered form only, in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York (“DTC”). DTC will act as the depository for the Certificates and all payments due with respect to the Certificates will be made to Cede & Co. Ownership interests in the Certificates may be purchased only in book-entry form. See “THE CERTIFICATES—Book-Entry Only System” and APPENDIX E—DTC’S BOOK-ENTRY ONLY SYSTEM.

Source of Payment for the Certificates

The Certificates represent direct, undivided fractional interests of the Owners thereof in the Lease Agreement Payments to be paid by the District to the Corporation pursuant to the Lease Agreement. Lease Payments are calculated to be sufficient to permit the payment of the principal and interest with respect to the Certificates when due. The Lease Agreement Payments are payable by the District from its general fund for the right to use and possess the Property. The Lease Agreement Payments are subject to abatement during any period in which by reason of damage or destruction there is substantial interference with the use and occupancy by the District of the Property or any portion thereof. The District will covenant under the Lease Agreement to take such action as necessary to include the Lease Agreement Payments in its annual budget and to make all necessary appropriations therefor (subject to abatement under certain circumstances described in the Lease Agreement). Pursuant to an Assignment Agreement, dated as of December 1, 2014 (the “Assignment Agreement”), by and between the Corporation and the Trustee, the Corporation will assign to the Trustee, for the benefit of the Owners of the Certificates, certain of its rights under the Lease Agreement, including its right to receive Lease Payments from the District for the purpose of securing the payment of principal and interest with respect to the Certificates. See “SOURCE OF PAYMENT FOR THE CERTIFICATES” and “RISK FACTORS.”

A Reserve Fund equal to the Reserve Requirement will be funded from the proceeds of the Certificates. Money in the Reserve Fund will be used by the Trustee in the event amounts in the Lease Payment Fund are insufficient to pay principal and/or interest with respect to the Certificates. See “SOURCE OF PAYMENT FOR THE CERTIFICATES—Reserve Fund.”

THE OBLIGATION OF THE DISTRICT TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT DOES NOT CONSTITUTE AN OBLIGATION OF THE DISTRICT FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE DISTRICT TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT CONSTITUTES AN INDEBTEDNESS OF THE DISTRICT OR THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATIONS.

The District

The Kings County (the “County”) Board of Supervisors formed the Corcoran Joint Unified School District on October 13, 1905, from portions of Artesia and Dallas school districts. The District

serves a student population of approximately 3,300, most of which is in the County and a portion of which is in Tulare County, and has a total assessed valuation of taxable property for fiscal year 2014-15 of \$1,039,678,094.

The District consists of six schools serving K-12 students in the City of Corcoran (the “City”). The District includes Bret Harte Elementary School (preschool – 1st grade), John C. Fremont Elementary School (grades 2-3), Mark Twain Elementary School (grades 4-5), John Muir Middle School (grades 6-8), Corcoran High School (grades 9-12), and the Kings Lake Education Center (grades 9-12).

The District is governed by a five-member Board of Trustees (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. Rich Merlo is the District Superintendent. See “THE DISTRICT,” “DISTRICT FINANCIAL INFORMATION” and APPENDIX A—GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY OF CORCORAN AND KINGS COUNTY.

Continuing Disclosure

The District will covenant in a Continuing Disclosure Certificate to prepare and deliver an annual report to the Municipal Securities Rulemaking Board (the “MSRB”) through the MSRB’s Electronic Municipal Market Access system. See “CONTINUING DISCLOSURE” and APPENDIX F—FORM OF CONTINUING DISCLOSURE CERTIFICATE.

Summaries of Documents

This Official Statement contains descriptions of the Certificates, the Trust Agreement, the Site and Facility Lease, the Lease Agreement, the Assignment Agreement and various other agreements and documents. The descriptions and summaries of documents herein do not purport to be comprehensive or definitive and reference is made to each such document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document and, with respect to certain rights and remedies, to laws and principles of equity relating to or affecting creditors’ rights generally. Copies of the various documents described herein are available for inspection during business hours at the corporate trust office of the Trustee at 650 Town Center Drive, Suite 600, Costa Mesa, CA 92626.

Other Information

This Official Statement speaks only as of its date as set forth on the cover hereof, the information and expressions of opinion herein are subject to change without notice and neither the 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.

Unless otherwise expressly noted, all references to internet websites in this Official Statement, including without limitation, the District’s website, are shown for reference and convenience only and none of their content is incorporated herein by reference. The information contained within such websites has not been reviewed by the District and the District makes no representation regarding the accuracy or completeness of the information therein.

SOURCES AND USES OF FUNDS

The following table shows the estimated sources and uses of the proceeds from the sale of the Certificates and other moneys:

Sources	
Par Amount of the Certificates	
Plus: Original Issue Premium	
Total Sources	_____
	=====
Uses	
Deposit to Project Fund (1)	
Deposit to Reserve Fund (2)	
Deposit to Delivery Costs Fund (3)	
Total Uses	_____
	=====

-
- (1) Amounts deposited in the Project Fund will be used to finance the Project. See PLAN OF FINANCING.
 - (2) The deposit to the Reserve Fund is equal to the Reserve Requirement being maximum annual Lease Payments.
 - (3) Delivery Costs include the Underwriter's discount, fees and expenses of the financial advisor, special counsel, disclosure counsel and the Trustee, printing expenses, rating fees, title insurance and other costs.

PLAN OF FINANCING

Proceeds of the Certificates will be used to (a) finance the Project, (b) fund the Reserve Fund, and (c) pay delivery costs incurred in connection with the execution, delivery and sale of the Certificates.

The Project consists of the costs of school modernization projects throughout the boundaries of the District and includes the following components:

Site	Location	Description of Work
Bret Harte	Inside	Modernization of (22) Classrooms
	Infrastructure	Increase water pressure, booster pump
	Cafeteria	HVAC Replacement at Cafeteria
Fremont	Classrooms	Replace (2) portables
	Outside	Exterior refurbish and replace windows
	Inside	Modernization of (30) Classrooms
	Outside	Fencing - Black decorative along frontage
	Cafeteria	HVAC Replacement at Cafeteria
Mark Twain	Outside	Fencing - Black decorative along frontage
	Classrooms	Replace (6) portables
	Cafeteria	Replace floor tiles and tables
	Inside	Modernization of (22) Classrooms
	Cafeteria	HVAC Replacement at Cafeteria
John Muir	Outside	Exterior refurbish and replace windows
	Classrooms	Replace (4) portables
	Classrooms	Modernization of (20) Classrooms
	Cafeteria	HVAC Replacement at Cafeteria
Corcoran High	Classrooms	Modernization of (50) Classrooms
	Outside	Exterior refurbish and replace windows
	Classrooms	Replace (6) portables
	Band Room	Replace flooring, ceiling, storage lockers, acoustics
	Office	Replacement of lighting, countertops, etc.
Kings Lake	Lg. Gym	HVAC Replacement at Gym and Cafeteria
	Outside	Exterior refurbish and painting
District Office	Inside	Modernization of (8) portables
	Inside	Replace countertops and painting
	Outside	Replace roofing
	DO	HVAC Replacement
District Office	DO	HVAC Replacement
	Outside	Exterior refurbish and replace windows

PROPERTY

Pursuant to the Site and Facility Lease, the District will lease the Property to the Corporation. Pursuant to the Lease Agreement, the Corporation will, in turn, lease the Property back to the District. See APPENDIX A—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—SITE AND FACILITY

LEASE and APPENDIX A—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—LEASE AGREEMENT.

The Facility consists of the District's **John Muir Middle School**, located on the Site at 707 Letts Street, Corcoran, California. The school was built in 1953 and renovated and expanded several times since then, and consists of approximately 75,658 square feet of building space, including 38 classrooms, administrative offices, locker rooms, a gym, a band room, maintenance area and a multipurpose room. The property is approximately four acres and houses approximately 733 students. The current value of the Facility is more than \$13,700,000.

Pursuant to the Lease Agreement, the District may substitute the Property, in whole or in part, by other properties, upon the satisfaction of certain conditions. For more information regarding the substitution of property see "SOURCE OF PAYMENT FOR THE CERTIFICATES—Substitution of Site or Facility" and APPENDIX D—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—LEASE AGREEMENT.

The District has not granted any security interest in the Property for the benefit of the Certificates and there is no remedy of foreclosure on the Property upon the occurrence of an Event of Default under the Lease Agreement. For a discussion of remedies upon an Event of Default under the Lease Agreement, see "RISK FACTORS—Limited Recourse on Lease Agreement Default" and "—Limitations on Remedies."

ANNUAL DEBT SERVICE

The following table shows the scheduled annual debt service for the Certificates:

Year Ending December 1	Sinking Fund Installments	Interest	Total
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
TOTAL			

THE CERTIFICATES

General

The Certificates will be executed and delivered in the aggregate principal amount and will mature on December 1, 2039.

Interest with respect to the Certificates will be initially set at the rate shown on the cover page of this Official Statement, through November 30, 2021. On December 1, 2021, and on each June 1 and December 1 thereafter, interest with respect to the Certificates will be reset for a semi-annual period ending on the respective May 31 and November 30, at a rate equal to the *Bond Buyer* Revenue Bond Index most recently published prior to such reset date plus 3%.

The Certificates will be delivered in the form of fully registered Certificates without coupons in the denomination of \$5,000 or any integral multiple thereof. Interest with respect to the Certificates will be calculated on the basis of a 360-day year of twelve 30-day months and will be payable on June 1 and December 1 of each year, commencing June 1, 2015 (each an “Interest Payment Date”), until maturity or

earlier redemption thereof. The Certificates will be initially executed, delivered and registered in the name of “Cede & Co.” as nominee of DTC and will be evidenced by one Certificate maturing on each of the maturity dates in a denomination corresponding to the total principal therein designated to mature on such date. See “THE CERTIFICATES—Book-Entry Only System.”

Interest with respect to the Certificates will be payable from the Interest Payment Date next preceding the date of execution thereof, unless: (i) it is executed as of an Interest Payment Date, in which event interest with respect thereto shall be payable from such Interest Payment Date; or (ii) it is executed after a Regular Record Date (i.e., the close of business on the 15th day of the month preceding each Interest Payment Date, whether or not such 15th day is a Business Day) and before the following Interest Payment Date, in which event interest with respect thereto shall be payable from such Interest Payment Date; or (iii) it is executed on or before May 15, 2015, in which event interest with respect thereto will be payable from its dated date; *provided, however*, that if, as of the date of execution of any Certificate, interest is in default with respect to any Outstanding Certificates, interest represented by such Certificate shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment with respect to the Outstanding Certificates. Payment of defaulted interest shall be paid by check mailed to the Owners as of a special record date to be fixed by the Trustee in its sole discretion, notice of which shall be given to the Owners not less than ten (10) days prior to such special record date.

Payment of interest due with respect to any Certificate on any Interest Payment Date will be made to the person appearing on the Registration Books as the Owner thereof as of the Regular Record Date immediately preceding such Interest Payment Date, such interest to be paid by check mailed on the Interest Payment Date by first class mail to such Owner at his or her address as it appears on the Registration Books as of such Regular Record Date or, upon written request filed with the Trustee prior to the Regular Record Date by an Owner of at least \$1,000,000 in aggregate principal amount of Certificates, by wire transfer in immediately available funds to an account in the United States designated by such Owner in such written request. Any such written request shall remain in effect until rescinded in writing by the Owner. The principal and redemption price with respect to the Certificates at maturity or upon prior redemption shall be payable by check denominated in lawful money of the United States of America upon surrender of the Certificates at the Principal Corporate Trust Office.

Redemption

Extraordinary Redemption. The Certificates are subject to extraordinary redemption, in whole or in part, on any Interest Payment Date, in an order of maturity determined by the District, from the Net Proceeds of insurance or eminent domain proceedings credited towards the redemption of the Lease Payments pursuant to the Lease Agreement, at a redemption price equal to 100% of the principal amount to be redeemed, together with accrued interest represented thereby to the date fixed for redemption, without premium.

Optional Redemption. The Certificates are subject to optional redemption in whole or in part on any Interest Payment Date on and after December 1, _____, in such order of maturity as shall be designated by the District (or, if the District shall fail to so designate the order of redemption, in *pro rata* among maturities) and by lot within a maturity, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium, from the proceeds of the optional prepayment of Lease Payments made by the District pursuant to the Lease Agreement.

Mandatory Redemption. The Certificates are subject to mandatory redemption in part on December 1 in each year on and after December 1, 2017, to and including December 1, 2039, from the principal components of scheduled Lease Payments required to be paid by the District pursuant to the Lease Agreement with respect to each such redemption date (subject to abatement, as set forth in the Lease Agreement), at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest to the date fixed for redemption, without premium, as follows:

<u>Year</u> <u>(December 1)</u>	<u>Principal Amount of</u> <u>Certificates to be Redeemed</u>	<u>Year</u> <u>(December 1)</u>	<u>Principal Amount of</u> <u>Certificates to be Redeemed</u>
2017		2029	
2018		2030	
2019		2031	
2020		2032	
2021		2033	
2022		2034	
2023		2035	
2024		2036	
2025		2037	
2026		2038	
2027		2039†	
2028			

†Maturity.

Selection of Certificates for Redemption. Whenever provision is made in the Trust Agreement for the redemption of Certificates and less than all of the Outstanding Certificates are to be redeemed, the Trustee will select Certificates for redemption from the Outstanding Certificates not previously called for redemption in such order of maturity as will be designated by the District (and, in lieu of such designation, *pro rata* among maturities) and by lot within a maturity. The Trustee will select Certificates for redemption within a maturity by lot in any manner which the Trustee will, in its sole discretion, deems appropriate. For purposes of such selection, Certificates will be deemed to be composed of \$5,000 portions and any such portion may be separately redeemed. The Trustee will promptly notify the District in writing of the Certificates so selected for redemption. Selection by the Trustee of Certificates for redemption will be final and conclusive.

Notice of Redemption. Unless waived in writing by any Owner of a Certificate to be redeemed, notice of any such redemption will be given by the Trustee on behalf and at the expense of the District, by mailing a copy of a redemption notice by first class mail, postage prepaid, at least 30 days and not more than 60 days prior to the date fixed for redemption, to such Owner of the Certificate or Certificates to be redeemed at the address shown on the Registration Books or at such other address as is furnished in writing by such Owner to the Trustee; *provided, however*, that neither the failure to receive such notice nor any defect in any notice will affect the sufficiency of the proceedings for the redemption of the Certificates.

Any notice of optional redemption of the Certificates may be conditional and if any condition stated in the notice of redemption shall not have been satisfied on or prior to the redemption date, (i) said notice shall be of no force and effect, (ii) the District shall not be required to redeem such Certificates ; (iii) the redemption shall be cancelled and (iv) the Trustee shall within a reasonable time thereafter give notice to the persons and in the manner in which the conditional notice of redemption was given, that such condition or conditions were not met and that the redemption was cancelled. The actual receipt by

the owner of any Certificates of notice of such cancellation shall not be a condition precedent to cancellation, and failure to receive such notice or any defect in such notice shall not affect the validity of the cancellation.

Effect of Redemption. If notice of redemption has been given as described above, the Certificates or portions of Certificates so to be redeemed will, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date, interest with respect to such Certificates or portions of Certificates will cease to be payable.

Partial Redemption of Certificate. Upon surrender of any Certificate redeemed in part only, the Trustee will execute and deliver to the Owner thereof a new Certificate or Certificates of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Certificate surrendered and of the same interest rate and the same maturity.

Transfer and Exchange of Certificates

The registration of any Certificate may, in accordance with its terms, be transferred upon the Registration Books by the person in whose name it is registered, in person or by his or her attorney duly authorized in writing upon surrender of such Certificate for cancellation at the Principal Corporate Trust Office, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed. Whenever any Certificate or Certificates shall be surrendered for registration of transfer, the Trustee shall execute and deliver a new Certificate or Certificates for like aggregate principal amount in authorized denominations. The District shall pay any costs of the Trustee incurred in connection with such transfer, except that the Trustee may require the payment by the Certificate Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer. The Trustee shall not be required to transfer (i) any Certificates or portion thereof during the period between the date fifteen (15) days prior to the date of selection of Certificates for redemption and such date of selection, or (ii) any Certificates selected for redemption.

Certificates may be exchanged, upon surrender thereof, at the Principal Corporate Trust Office for a like aggregate principal amount of Certificates of other authorized denominations of the same maturity. Whenever any Certificate or Certificates shall be surrendered for exchange, the Trustee shall execute and deliver a new Certificate or Certificates for like aggregate principal amount in authorized denominations. The District shall pay any costs of the Trustee incurred in connection with such exchange, except that the Trustee may require the payment by the Certificate Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. The Trustee shall not be required to exchange (i) any Certificate or any portion thereof during the period between the date fifteen (15) days prior to the date of selection of Certificates for redemption and such date of selection, or (ii) any Certificate selected for redemption.

Book-Entry Only System

The Certificates will be initially executed, delivered and registered as one fully registered certificate for each maturity, without coupons, in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Certificates. Individual purchases may be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive physical certificates representing their interest in the Certificates purchased. Principal and interest will be paid to DTC which will in turn remit such principal and interest to its participants for subsequent disbursement

to the beneficial owners of the Certificates as described herein. So long as DTC's book-entry system is in effect with respect to the Certificates, notices to Owners of the Certificates by the District or the Trustee will be sent to DTC. Notices and communication by DTC to its participants, and then to the beneficial owners of the Certificates, will be governed by arrangements among them, subject to then effective statutory or regulatory requirements. See APPENDIX E—DTC'S BOOK-ENTRY ONLY SYSTEM.

In the event that such book-entry system is discontinued with respect to the Certificates, the District will cause the Trustee to execute and deliver replacements in the form of registered certificates and, thereafter, the Certificates will be transferable and exchangeable on the terms and conditions provided in the Trust Agreement. In addition, the following provisions would then apply: Payment of interest due with respect to any Certificate on any Interest Payment Date will be made to the person appearing on the Registration Books as the Owner thereof as of the Regular Record Date immediately preceding such Interest Payment Date, such interest to be paid by check mailed on the Interest Payment Date by first class mail to such Owner at his or her address as it appears on the Registration Books as of such Regular Record Date or, upon written request filed with the Trustee prior to the Regular Record Date by an Owner of at least \$1,000,000 in aggregate principal amount of Certificates, by wire transfer in immediately available funds to an account in the United States designated by such Owner in such written request. Any such written request will remain in effect until rescinded in writing by the Owner. The principal and redemption price with respect to the Certificates at maturity or upon prior redemption shall be payable by check denominated in lawful money of the United States of America upon surrender of the Certificates at the Principal Corporate Trust Office.

SOURCE OF PAYMENT FOR THE CERTIFICATES

General

Each Certificate represents a direct, undivided fractional interest in the Lease Agreement Payments. Pursuant to the Lease Agreement, the District will lease the Property from the Corporation and agree to make Lease Payments. See "PROPERTY." Upon satisfaction of certain conditions set forth in the Lease Agreement, the District may substitute the Property with other properties. See "Substitution of Site or Facility" below.

As security for the Certificates, the Corporation will assign to the Trustee for the payment of principal and interest with respect to the Certificates, the Corporation's rights, title and interest in the Lease Agreement (with certain exceptions), including the right to receive Lease Payments to be made by the District under the Lease Agreement. The Lease Agreement Payments are designed to be sufficient, in both time and amount, to pay when due, the principal and interest with respect to the Certificates. The Lease Agreement Payments are payable by the District from any source of available funds.

THE OBLIGATION OF THE DISTRICT TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT DOES NOT CONSTITUTE AN OBLIGATION OF THE DISTRICT FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE DISTRICT TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT CONSTITUTES AN INDEBTEDNESS OF THE DISTRICT OR THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATIONS.

Lease Payments; Covenant to Appropriate

Pursuant to the Lease Agreement, the District has agreed to make Lease Payments for the lease of the Property which are calculated to be sufficient to pay principal and interest due with respect to the Certificates. The District will also pay as additional payments (“Additional Payments”), amounts required for the payment of all costs and expenses incurred by the District to comply with the provisions of the Trust Agreement and the Lease Agreement or in connection with the execution and delivery of the Certificates. The District has covenanted under the Lease Agreement to take such action as may be necessary to include all Lease Payments and Additional Payments in its annual budget and to make the necessary annual appropriations for all such payments. Under certain circumstances described under the Lease Agreement, however, Lease Payments are subject to abatement during periods of substantial interference with the District’s use and occupancy of the Property or any portion thereof. See “SOURCE OF PAYMENT FOR THE CERTIFICATES—Abatement.”

Insurance

The District is required to keep or cause to be kept casualty insurance against loss or damage by fire and lightning, with extended coverage and vandalism and malicious mischief insurance, in an amount at least equal to one hundred percent (100%) of the replacement cost of the Property. Such insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. The District is not required by the Lease Agreement to maintain earthquake coverage with respect to the Property and the District does not expect to purchase such coverage.

To insure against loss of rental income caused by perils mentioned above, the District is required to maintain, or cause to be maintained throughout the term of the Lease Agreement, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any part of the Property as a result of any of the hazards described above in an amount equal to two times the maximum annual Lease Payments.

Public liability and property damage insurance coverage is required in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of \$100,000 (subject to a deductible clause of not to exceed \$5,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the District and may be maintained in the form of insurance maintained through a joint exercise of powers authority created for such purpose or in the form of self-insurance by the District. The net proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds shall have been paid.

The District shall provide, from moneys in the Delivery Costs Fund or at its own expense, on the Closing Date, a CLTA title insurance policy in the amount of not less than the principal amount of the Certificates, insuring the District’s leasehold estate in the Property, subject only to Permitted Encumbrances.

See APPENDIX D—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—LEASE AGREEMENT—Insurance.

Abatement

Pursuant to the Lease Agreement, Lease Payments will be abated during any period in which, by reason of damage or destruction, there is substantial interference with the use and occupancy by the District of the Property or any portion thereof (other than certain portions of the Property which have been modified by the District as described in the Lease Agreement) to the extent to be agreed upon by the District and the Corporation and communicated by a District Representative to the Trustee. The parties agree that amounts of the Lease Payments under such circumstances shall not be less than the amounts of the unpaid Lease Payments as are then set forth in an exhibit attached to the Lease Agreement, unless such unpaid amounts are determined to be greater than the fair rental value of the portions of the Property not damaged or destroyed (giving due consideration to the factors identified related to fair rental value as discussed in the Lease Agreement), based upon the opinion of an MAI appraiser with expertise in valuing such properties, or based upon any other appropriate method of valuation, in which event the Lease Payments will be abated such that they represent said fair rental value. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction as communicated by a District Representative to the Trustee. In the event of any such damage or destruction, the Lease Agreement will continue in full force and effect and the District waives any right to terminate the Lease Agreement by virtue of any such damage and destruction. Notwithstanding the foregoing, there will be no abatement of Lease Payments under the Lease Agreement to the extent that (a) the proceeds of rental interruption insurance or (b) amounts in the Reserve Fund and/or the Insurance and Condemnation Fund and/or the Lease Payment Fund are available to pay Lease Payments which would otherwise be abated under the Lease Agreement. See “SOURCE OF PAYMENT FOR THE CERTIFICATES—Insurance,” APPENDIX E—SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—Lease Agreement—Insurance and APPENDIX E—SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—Lease Agreement—Abatement of Lease Payments in the Event of Damage or Destruction.

Eminent Domain

Pursuant to the Lease Agreement, if all of the Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the term of the Lease Agreement will cease as of the day possession is taken. If less than all of the Property is taken permanently, or if all of the Property or any part thereof is taken temporarily under the power of eminent domain, (1) the Lease Agreement will continue in full force and effect and will not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and (2) there will be a partial abatement of Lease Payments as a result of the application of the Net Proceeds of any eminent domain award to the prepayment of the Lease Payments under the Lease Agreement, in an amount to be agreed upon by the District and the Corporation and communicated to the Trustee such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Property, except to the extent of special funds, such as amounts in the Reserve Fund available for the payment of Lease Payments. The Net Proceeds of such eminent domain award are required to be applied to the redemption of Certificates as provided in the Lease Agreement and the Trust Agreement.

Reserve Fund

The Trust Agreement provides that the Trustee will establish and maintain a reserve fund (the “Reserve Fund”). Pursuant to the Trust Agreement, immediately after the execution and delivery of the Certificates, the amount deposited in the Reserve Fund will equal the “Reserve Requirement.” Except as otherwise expressly provided in the Trust Agreement, all money in the Reserve Fund will be held in trust as a reserve for the payment when due of the Lease Payments on behalf of the District. “Reserve Requirement” means an amount equal to the maximum annual Lease Payments, which amount shall be \$ _____ on the Closing Date. The amount of the Reserve Requirement shall not be reduced unless the Certificates are partially refunded, in which such amount shall be reduced to an amount equal to the maximum annual Lease Payments relating to the Certificates not so refunded.

Application has been made to municipal bond insurance companies for qualification of the Certificates for a reserve fund municipal bond insurance policy, the terms of which will be reflected in the final official statement for the Certificates if such insurance is purchased.

Optional Prepayment

Pursuant to the Lease Agreement, the District has an option to prepay the principal components of the Lease Payments in full, by paying the aggregate unpaid principal components of the Lease Payments, or in part, in a prepayment amount equal to the principal amount of Lease Payments to be prepaid, together with accrued interest to the date fixed for prepayment, together with the premium set forth for the redemption of Certificates. See “THE CERTIFICATES—Redemption—Optional Redemption.”

Said option may be exercised with respect to Lease Payments due on and after November 15, _____, in whole or in part on any Lease Payment Date, commencing November 15, _____. Said option shall be exercised by the District by giving written notice to the Corporation and the Trustee of the exercise of such option at least forty-five (45) days prior to said prepayment date (or such fewer number of days as shall be acceptable to the Trustee). In the event of prepayment in part, the partial prepayment will be applied against Lease Payments in such order of payment date as will be selected by the District. Lease Payments due after any such partial prepayment will be in the amounts set forth in a revised Lease Payment schedule which will be provided by, or caused to be provided by, the District to the Trustee and which will represent an adjustment to the schedule set forth in the Lease Agreement taking into account said partial prepayment. The Trustee agrees to notify the Corporation in the event of any prepayment of Lease Payments, as provided in the Trust Agreement.

Mandatory Prepayment from Net Proceeds of Insurance, Title Insurance or Eminent Domain

The District will be obligated to prepay the Lease Agreement Payments, in whole on any date or in part on any Lease Payment Date, from and to the extent of any Net Proceeds of an insurance, title insurance or condemnation award with respect to the Property theretofore deposited in the Lease Agreement Payment Fund for such purpose pursuant to the Lease Agreement and the Trust Agreement. The District and the Corporation agree that such Net Proceeds will be applied first to the payment of any delinquent Lease Payments, and thereafter will be credited towards the District’s obligations under the mandatory prepayment provisions of the Lease Agreement. Lease Payments due after any such partial prepayment will be in the amounts set forth in a revised Lease Payment schedule which will be provided by, or caused to be provided by, the District to the Trustee and which will represent an adjustment to the

schedule set forth in the Lease Agreement taking into account said partial prepayment. See “THE CERTIFICATES—Redemption—Extraordinary Redemption from Net Proceeds of Insurance, Title Insurance, Condemnation or Eminent Domain Award.”

Substitution of Site or Facility

Substitution of Site or Facility. The District shall have, and is hereby granted, the option at any time and from time to time during the Term of the Lease Agreement to substitute other land (a “Substitute Site”) and/or a substitute facility (a “Substitute Facility”) for the Site (the “Former Site”), or a portion thereof, and/or the Facility (the “Former Facility”), or a portion thereof, provided that the District shall satisfy all of the following requirements (to the extent applicable) which are hereby declared to be conditions precedent to such substitution:

(i) If a substitution of the Site, the District shall file with the Corporation and the Trustee an amendment to the Site and Facility Lease which adds thereto a description of such Substitute Site and deletes therefrom the description of the Former Site;

(ii) If a substitution of the Site, the District shall file with the Corporation and the Trustee an amendment to the Lease Agreement which adds thereto a description of such Substitute Site and deletes therefrom the description of the Former Site;

(iii) If a substitution of the Facility, the District shall file with the Corporation and the Trustee an amendment to the Site and Facility Lease which adds thereto a description of such Substitute Facility and deletes therefrom the description of the Former Facility;

(iv) If a substitution of the Facility, the District shall file with the Corporation and the Trustee an amendment to the Lease Agreement which adds thereto a description of such Substitute Facility and deletes therefrom the description of the Former Facility;

(v) The District shall certify in writing to the Corporation and the Trustee that such Substitute Site and/or Substitute Facility serve the purposes of the District, constitutes property that is unencumbered, subject to Permitted Encumbrances, and constitutes property which the District is permitted to lease under the laws of the State;

(vi) The District delivers to the Corporation and the Trustee evidence (which may be insurance values or any other reasonable basis of valuation and need not require an appraisal) that the value of the Property following such substitution is equal to or greater than the Outstanding principal amount of the Certificates and confirms in writing to the Trustee that the indemnification provided pursuant to the Trust Agreement applies with respect to the Substitute Site and/or Substitute Facility;

(vii) The Substitute Site and/or Substitute Facility shall not cause the District to violate any of its covenants, representations and warranties made herein and in the Trust Agreement;

(viii) The District shall obtain an amendment to the title insurance policy required pursuant to the Lease Agreement which adds thereto a description of the Substitute Site and deletes therefrom the description of the Former Site;

(ix) The District shall provide notice of the substitution to any rating agency then rating the Certificates which rating was provided at the request of the District or the Corporation; and

(x) The District shall furnish the Corporation and the Trustee with a written opinion of Bond Counsel, which shall be an Independent Counsel, stating that such substitution does not cause the interest components of the Lease Payments to become subject to federal income taxes or State personal income taxes.

Release of Site. The District shall have, and is hereby granted, the option at any time and from time to time during the Term of the Lease Agreement to release any portion of the Site, provided that the District shall satisfy all of the following requirements which are hereby declared to be conditions precedent to such release:

(i) The District shall file with the Corporation and the Trustee an amendment to the Site and Facility Lease which describes the Site, as revised by such release;

(ii) The District shall file with the Corporation and the Trustee an amendment to the Lease Agreement which describes the Site, as revised by such release;

(iii) The District delivers to the Corporation and the Trustee evidence (which may be insurance values or any other reasonable basis of valuation and need not require an appraisal) that the value of the Property, as revised by such release, is equal to or greater than the Outstanding principal amount of the Certificates and confirms in writing to the Trustee and the Corporation that the indemnification provided pursuant to the Trust Agreement applies with respect to the Site, as revised by such release;

(iv) Such release shall not cause the District to violate any of its covenants, representations and warranties made herein and in the Trust Agreement;

(v) The District shall obtain an amendment to the title insurance policy required pursuant to the Lease Agreement which describes the Site, as revised by such release; and

(vi) The District shall provide notice of the release to any rating agency then rating the Certificates which rating was provided at the request of the District or the Corporation.

Release of Facility. The District shall have, and is hereby granted, the option at any time and from time to time during the Term of the Lease Agreement to release any portion of the Facility, provided that the District shall satisfy all of the following requirements which are hereby declared to be conditions precedent to such release:

(i) The District shall file with the Corporation and the Trustee an amendment to the Site and Facility Lease which describes the Facility, as revised by such release;

(ii) The District shall file with the Corporation and the Trustee an amendment to the Lease Agreement which describes the Facility, as revised by such release;

(iii) The District delivers to the Corporation and the Trustee evidence (which may be insurance values or any other reasonable basis of valuation and need not require an appraisal) that

the value of the Property, as revised by such release, is equal to or greater than the Outstanding principal amount of the Certificates and confirms in writing to the Trustee and the Corporation that the indemnification provided pursuant to the Trust Agreement applies with respect to the Facility, as revised by such release;

(iv) Such release shall not cause the District to violate any of its covenants, representations and warranties made herein and in the Trust Agreement; and

(v) The District shall provide notice of the release to any rating agency then rating the Certificates which rating was provided at the request of the District or the Corporation.

Generally. The Corporation and the District may at any time amend or modify any of the provisions of the Lease Agreement, but only (i) with the prior written consent of the Owners of a majority in aggregate principal amount of the Outstanding Certificates, or (ii) without the consent of any of the Owners, but only if such amendment or modification is for any one or more of the following purposes:

(i) to add to the covenants and agreements of the District contained in the Lease Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the District;

(ii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained herein, or in any other respect whatsoever as the Corporation and the District may deem necessary or desirable, provided that, in the opinion of Bond Counsel, such modifications or amendments will not materially adversely affect the interests of the Owners; or

(iii) to amend any provision thereof relating to the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest with respect to the Certificates under the Code, in the opinion of Bond Counsel.

Amendment of Lease Agreement

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

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

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

(iii) to amend any provision thereof relating to the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest with respect to the Certificates under the Code, in the opinion of Special Counsel.

MUNICIPAL BOND INSURANCE

Application has been made to municipal bond insurance companies for qualification of the Certificates for municipal bond insurance and for a reserve fund municipal bond insurance policy, the terms of which will be reflected in the final official statement for the Certificates if such insurance is purchased. The District will consider the purchase of such insurance after analysis of, among other factors, the expected effect of the insurance on the interest rate for the Certificates.

KINGS COUNTY INVESTMENT POOL

This section provides a general description of the County's investment policy, current portfolio holdings, and valuation procedures. The information has been obtained from the office of the Treasurer for inclusion in this Official Statement. The District makes no representation as to the accuracy or completeness of such information. Further information may be obtained by contacting the County, Finance Department, Government Center, Building 7, 1400 West Lacey Boulevard, Hanford, California 93230, Phone (559) 852-2473, Fax (559) 587-9935.

State law requires that all moneys of a county along with school districts and certain special districts within such county be held by the treasurer of the county. The County Investment Pool (the "County Pool") represents moneys entrusted to the participants represent an individual interest in all assets and investments in the County Pool based upon the amount deposited. All income is distributed to the participants based on their average daily balance.

Funds held by the County in the County Pool are invested in accordance with the County Investment Policy. The County Investment Policy allows for the purchase of a variety of securities and provides for limitations as to exposure, maturity, and rating which vary with each security type. The composition of the portfolio will change over time as investments mature, or are sold, and as new investments are made. The County Investment Policy is submitted to the County Board of Supervisors annually.

Funds on deposit with the Treasurer are managed to insure preservation of capital through high quality investments, maintenance of liquidity, and yield (in that order of priority). The maximum remaining term to maturity for an investment is two years; except that the Treasurer may authorize investments in U.S. Treasury obligations and/or U.S. Agency obligations with a maximum remaining term to maturity of five years. The weighted average maturity of the investment pool, determined at the time of purchase, cannot exceed 540 days to final maturity/call. The County Pool has never invested in derivatives or reverse repurchase agreements, and such investments are not allowed by the County Investment Policy.

The following table summarizes the County Pool investment portfolio as of June 30, 2014.

PORTFOLIO STATISTICS
Kings County Investment Pool
as of June 30, 2014

Type of Investment	Par Value	Market Value	% of Portfolio	Days to Maturity	Yield to Maturity (360 Equiv.)
Government Agency Coupon Securities	\$157,575,000	157,188,891	58.85	1,093	0.976
Negotiable CDs	3,000,000	2,994,300	1.12	359	0.718
LAIF-Local Agency Investment Fund	31,000,000	31,000,000	11.58	1	0.225
Medium Term Notes	66,564,000	67,673,580	25.27	596	0.989
Collateralized Time Deposits	5,000,000	5,000,000	1.87	59	0.600
Rabobank MMA Deposit Account	3,254,195	3,254,195	1.22	1	0.225
CalTRUST Heritage MM Fund	250,085	250,085	0.09	1	0.066
Totals & Averages	\$266,643,279	\$267,361,050	100.00	799	0.872
Cash and Accrued Interest	2,173,096	2,173,096			
Total	\$268,816,375	\$269,534,146			

Source: Kings County Department of Finance

THE DISTRICT

General Information

The County Board of Supervisors formed the District on October 13, 1905, from portions of Artesia and Dallas school districts. The District serves a student population of approximately 3,300 and has a total assessed valuation of taxable property for fiscal year 2014-15 of \$1,039,678,094.

The District consists of six schools serving K-12 students in the City: Bret Harte Elementary School (preschool – 1st grade), John C. Fremont Elementary School (grades 2-3), Mark Twain Elementary School (grades 4-5), John Muir Middle School (grades 6-8), Corcoran High School (grades 9-12), and the Kings Lake Education Center (grades 9-12).

The District is governed by 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. Rich Merlo is the District Superintendent. Financial matters for the District are supervised by Pamela Dihel, Chief Business Officer.

Rich Merlo, Superintendent. Mr. Merlo was appointed as Superintendent in July, 2004. Prior to serving as Superintendent, Mr. Merlo was the principal of Selma High School.

Pamela Dihel, Chief Business Officer (CBO). Ms. Dihel was appointed as CBO of the District in November, 2011. Prior to that promotion, Ms. Dihel held the position of Administrative Assistant at the District. Previous to joining the District, Ms. Dihel was employed at Reef-Sunset Unified School District.

See APPENDIX A—GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY OF CORCORAN AND KINGS COUNTY.

Board of Trustees

The members of the Board and the expiration date of their term of office is as follows:

**BOARD OF TRUSTEES
Corcoran Joint Unified School District**

<u>Name</u>	<u>Position</u>	<u>Expiration of Term</u>
Karen Frey	President	2016
Robert Alcorn	Vice President	2014
Steve White	Clerk	2014
Mary Gonzales-Gomes	Board Member	2014
Mary Wadsworth	Board Member	2016

Average Daily Attendance and Base Revenue Limit

The following table summarizes the historical and current year estimated average daily attendance for the District.

**AVERAGE DAILY ATTENDANCE
Corcoran Joint Unified School District
Fiscal Years 2006-07 to 2014-15**

<u>Fiscal Year</u>	<u>Average Daily Attendance</u>
2006-07	3,069.60
2007-08	3,020.17
2008-09	3,050.38
2009-10	3,003.80
2010-11	3,034.06
2011-12	3,045.72
2012-13	3,038.74
2013-14*	3,115.52
2014-15**	3,134.17

Source: Corcoran Joint Unified School District

*Projected.

** Budgeted.

District Budget

The District is required by provisions of the California Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. 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.

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. A district may be on either a dual or single budget cycle. The dual budget option requires a revised and readopted budget by September 8 that is subject to State-mandated standards and criteria. The revised budget must reflect changes in projected income and expenses subsequent to July 1. The single budget is only readopted if it is disapproved by the county office of education, or as needed. The District is on a single budget cycle and adopts its budget on or before July 1.

For both dual and single budgets submitted on July 1, the county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, will determine if the budget allows the district to meet its current obligations and will determine if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before August 15, the county superintendent will 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 August 15 of the county superintendent’s recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent’s recommendations. The committee must report its findings no later than August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. The law does not provide for conditional approvals; budgets must be either approved or disapproved. No later than September 22, the county superintendent must notify the Superintendent of Public Instruction of all school districts whose budget may be disapproved.

For all dual budget options and for single and dual budget option districts whose budgets have been disapproved, the district must revise and readopt its budget by September 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent’s recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than October 8, will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to section 42127.1 of the California Education Code. Until a district’s budget is approved, the 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.

Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent two fiscal years. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the

current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.

The District's Second Interim Report for fiscal year 2013-14, adopted March 11, 2014, was certified as "Positive." The District has not received a qualified or negative certification in any of the last five years.

The following table shows the District's audited actual general fund for fiscal years 2011-12 and 2012-13, the District's estimated actuals for 2013-14 and the District's adopted general fund budget for 2014-15. For further information, see also APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2013.

GENERAL FUND BUDGET
Corcoran Joint Unified School District
Fiscal Years 2011-12 to 2014-15

	Fiscal Year			
	2011-12 Actual	2012-13 Actual	2013-14 Estimated Actuals	2014-2015 Adopted Budget
Revenues:				
LCFF/Revenue limit sources ⁽¹⁾	17,000,159	16,099,382	20,986,878	24,519,591
Federal sources	2,392,250	2,172,024	1,926,372	2,049,374
Other State sources	6,416,727	6,619,020	1,987,774	1,339,346
Other Local sources	1,922,845	2,208,690	1,577,083	1,411,133
Total revenues	<u>26,731,981</u>	<u>27,099,116</u>	<u>26,478,108</u>	<u>29,319,446</u>
Expenditures:				
Certificated salaries	12,277,614	12,081,923	12,713,768	13,601,090
Classified salaries	2,912,772	2,971,842	3,080,166	3,404,596
Employee benefits	5,835,057	5,534,810	5,435,433	6,160,959
Books & supplies	2,130,812	2,255,750	2,194,277	2,075,147
Services and other operating expenditures	2,862,915	3,049,010	4,293,043	3,804,713
Other outgo	157,157	153,455	246,878	240,540
Direct support/indirect costs	(56,788)	(74,840)	(92,865)	(86,290)
Capital outlay	401,045	212,186	225,889	54,011
Debt service:				
Principal	434,224	1,081,017	340,967	_(2)
Interest	76,059	75,814	38,395	_(2)
Total expenditures	<u>27,030,867</u>	<u>27,340,967</u>	<u>28,475,956</u>	<u>29,254,770</u>
Excess (deficiency) of revenues over expenditures	<u>(298,886)</u>	<u>(241,851)</u>	<u>(1,997,848)</u>	<u>64,675</u>
Other financing sources (uses):				
Operating transfers in/(out)	(370,814)	(591,670)	(1,161,879)	(9,736)
Other Sources	678,605	471,348	-	-
Total other financing sources (uses)	<u>307,791</u>	<u>(120,322)</u>	<u>(1,161,879)</u>	<u>(9,736)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	8,905	(362,173)	(3,159,727)	54,938
Prior period adjustment	-	(200,543)	-	-
Adjusted Beginning Fund Balance	7,371,019	7,379,924	6,817,208	3,675,074
Ending Fund Balance	7,379,924	6,817,208	3,657,481	3,730,012

Source: Corcoran Joint Unified School District Audited Financial Statements and 2014-15 Budget, adopted June 24, 2014.

(1) Revenue limit sources for fiscal years 2011-12 and 2012-13 and LCFF for fiscal years 2013-14 and 2014-15.

(2) 14-15 payments of reflected in expenditures above, corrected as first interim.

Accounting Practices

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

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

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

Financial Statements

The District's general fund finances the basic operating activities of the District. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements for the District for the fiscal year ended June 30, 2013, and prior fiscal years are on file with the District and available for public inspection at the office of the Superintendent of the District, 1520 Patterson Avenue, Corcoran, California, telephone number (559) 992-8888. Copies of such financial statements will be mailed to prospective investors and their representatives upon request directed to the District at such address. For further information, see also APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2013.

GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCE
Corcoran Joint Unified School District
Fiscal Years 2009-10 to 2012-13

	Fiscal Year			
	Unaudited Actuals 2009-10	Unaudited Actuals 2010-11	Audited Actuals 2011-12	Audited Actuals 2012-13
REVENUES				
LCFF/Revenue Limit Sources ⁽¹⁾	15,210,952	15,987,597	16,000,159	16,099,382
Federal Sources	4,102,455	4,256,841	2,392,250	2,172,024
Other State Sources	7,275,475	6,703,370	6,416,727	6,619,020
Other Local Sources	1,547,996	1,703,074	1,922,845	2,208,690
Total Revenues	28,136,878	28,650,882	26,731,981	27,099,116
EXPENDITURES				
Instruction	17,239,905	17,077,603	16,438,072	16,668,301
Instruction – Related Services	3,687,931	3,429,438	3,686,656	3,091,367
Pupil Services	1,280,887	1,259,479	1,172,190	1,257,925
Ancillary Services	347,964	403,291	461,303	410,681
Community Services	-	-	5,489	4,226
Enterprise	66,055	63,867	55,699	64,616
General Administration	1,248,226	1,507,920	1,920,077	1,434,812
Plant Services	2,646,095	2,606,157	2,623,941	3,098,753
Other Outgo	895,082	279,774	157,157	153,455
Debt Service:				
Principal	421,181	564,722	434,224	1,081,017
Interest	73,478	62,926	76,059	75,814
Total Expenditures	27,906,804	27,255,177	27,030,867	27,340,967
Revenues Over (Under) Expenditures	230,074	1,395,705	(298,886)	(241,851)
OTHER FINANCING SOURCES (USES)				
Transfers In/(Out)	-	891	(370,814)	(591,670)
Other Sources	94,432	-	678,605	471,348
Net Financing Sources (Uses)	94,432	891	307,791	(120,322)
NET CHANGE IN FUND BALANCES	324,506	1,396,596	8,905	(362,173)
Fund Balance – Beginning	5,649,917	5,974,423	7,371,019	7,379,924
Prior Period Adjustment	-	-	-	(200,543)
Fund Balance – Ending	5,974,423	7,371,019	7,379,924	6,817,208

Sources: Corcoran Joint Unified School District Audited Financial Statements and Corcoran Joint Unified School District.

(1) Revenue limit sources for fiscal years 2011-12 and 2012-13 and LCFF for fiscal years 2013-14 and 2014-15.

Summary of District Revenues and Expenditures

See “SCHOOL DISTRICT BUDGET PROCEDURES AND REQUIREMENTS—District Budget Process and County Review” for a general description of the annual budget process for California school districts. The District’s audited financial statements for the year ending June 30, 2013, are reproduced in Appendix C. The final (unaudited) statement of receipts and expenditures for each fiscal year ending June 30 is required by State law to be approved by the District Board by September 15, and the audit report must be filed with the County Superintendent of Schools and State officials by December 15 of each year.

The District is required by State law and regulation to maintain various reserves. The District is generally required to maintain a reserve for economic uncertainties in the amount of 3% of its total general fund expenditures, based on total student attendance below 30,000. For fiscal year 2013-14, the District has budgeted an unrestricted general fund reserve of 9.9 %, or approximately \$2,821,483 and for fiscal year 2014-15, the District has budgeted an unrestricted general fund reserve of 8.1%, or approximately \$2,381,783. Substantially all funds of the District are required by law to be deposited with and invested by the County Treasurer-Tax Collector on behalf of the District, pursuant to law and the investment policy of the County. See “KINGS COUNTY INVESTMENT POOL.”

District Revenues—LCFF/Basic Aid

As part of the 2013-14 State Budget, the formula for determining the level of funding per student changed from the “revenue limit” formula to the “Local Control Funding Formula” (or “LCFF”) discussed below. See “— State Funding of Education; State Budget Process—Local Control Funding Formula” below. The California Department of Education has not yet provided an update to the Standardized Accounting Code Structure (which all school districts in California use to account for their funds).

Under section 42238 *et seq.* of the California Education Code, prior to fiscal year 2013-14, each school district was determined to have a target funding level: a “base revenue limit” per student multiplied by the district’s student enrollment measured in units of average daily attendance (“A.D.A.”). The base revenue limit was calculated from the district’s prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district was the amount needed to reach that district’s base revenue limit after taking into account certain other revenues, in particular, locally generated property taxes. This is referred to as State “equalization aid.” To the extent local tax revenues increase due to growth in local property assessed valuation, the additional revenue is offset by a decline in the State’s contribution.

The 2013-14 State Budget replaced the current K-12 finance system with the LCFF. The LCFF creates base, supplemental and concentration grants as the new general purpose entitlement to replace most existing funding streams, including the State aid portion of the revenue limit and most State categorical programs from prior years. Until full implementation, however, school districts will receive an annual transition adjustment for each school district beginning in fiscal year 2013-14, 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 will have the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap.

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

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

School districts that serve students of limited English proficiency ("EL" students), students from low income families that are eligible for free or reduced priced meals ("LI" students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI. Foster youth automatically meet the eligibility requirements for free or reduced priced meals, and are therefore not discussed herein separately. A supplemental grant add-on (each, a "Supplemental Grant") is authorized 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 following table shows a breakdown of the District’s ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment, for fiscal year 2013-14.

ADA, ENROLLMENT AND EL/LE ENROLLMENT PERCENTAGE
Corcoran Joint Unified School District
Fiscal Year 2013-14
(Estimated Actuals)

Fiscal Year	Average Daily Attendance				Total District ADA	Total District Enrollment ⁽²⁾	% of EL/LI Enrollment ⁽³⁾
	K-3	4-6	7-8	9-12			
2013-14	1,100.06	721.67	442.95	850.84	3,115.52	3,087	31%

Sources: Corcoran Joint Unified School District

(1) Reflects P-2 ADA.

(2) Reflects CBEDS enrollment.

(3) For purposes of calculating Supplemental and Concentration Grants, a school district’s fiscal year 2013-14 percentage of unduplicated EL/LI students will be 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 will be 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 will be 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.

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 a 1.94% COLA in fiscal years 2014-15 through 2020-21, and restoration of categorical funding to pre-recession levels. The ERT add-on will be paid incrementally over the implementing period of the LCFF. The District does not qualify for the ERT add-on.

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

Certain schools districts, known as “basic aid” districts, have allocable local property tax collections that equal or exceed such districts’ total LCFF allocation, and result in the receipt of no State apportionment aid. Basic aid school districts receive only special categorical funding, which is deemed to satisfy the “basic aid” requirement of \$120 per student per year guaranteed by Article IX, Section 6 of the State Constitution. The implication for basic aid districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The District is not a basic aid 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 are required to be adopted every three years, beginning in fiscal year 2014-15, and updated annually thereafter. The State Board of Education has adopted a template LCAP for use by school districts.

Support and Intervention. The State of California has 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. On or before October 1, 2015, the State Board of Education is required to develop 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 (i) to 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 Local Revenues

The District receives additional local revenues from items such as parcel taxes, leases and rentals, special education support and other local sources. Other local sources comprised approximately 8.2% of general fund revenues in fiscal year 2012-13 and are estimated to equal approximately 5.9% of such revenues in fiscal year 2013-14.

District Expenditures

The largest part of each school district's general fund budget is used to pay salaries and benefits of certificated (credentialed teaching) and classified (non-instructional) employees. Changes in salary and benefit expenditures from year to year are generally based on changes in staffing levels, negotiated salary increases, and the overall cost of employee benefits.

In its 2014-15 budget, the District estimates that it will expend \$23,166,647 in salaries and benefits, or approximately 79.2% of its general fund expenditures. This amount represents an increase of approximately 9.1% from the \$21,229,369 the District expended in 2013-14.

Labor Relations. There are three formal bargaining units operating in the District which are described in the table below. Contract negotiations are ongoing.

LABOR ORGANIZATIONS Corcoran Joint Unified School District

Labor Organization	Contract Expiration
Corcoran Teachers' Association	August 31, 2014
California School Employees Association	August 31, 2017
Corcoran Administrators Association	August 31, 2017

Source: Corcoran Joint Unified School District

Retirement Programs. 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).

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 Law. 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.

Funding Policy. Active plan members are required to contribute 7.0 percent of their salary 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 the CalPERS Board of Administration. The required employer contribution rate for fiscal years 2012-13 was 11.417%. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2013, 2012 and 2011, were \$374,824, \$363,111 and \$393,343, respectively, and equal 100 percent of the required contributions for each year. The amount contributed by the State on behalf of the District was \$0.

State Teachers' Retirement System (CalSTRS)

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, disability, and survivor benefits to plan members and 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 STRS annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826, or at www.calstrs.com.

Funding Policy. Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The required employer contribution rate for fiscal year 2012-13 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ended June 30, 2013, 2012, and 2011, were \$986,417, \$1,008,045, and \$1,039,447, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$649,941.

See also APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2013, Note L.

Other Post-Employment Benefits (OPEB)

Plan Descriptions. The District provides a self-funded, single employer, defined benefit plan to provide medical, dental, vision and behavioral health plans for all eligible active and retired District employees and their dependents. The program is established by board policy, the plan covers all

employees who retire from the District on or after attaining age 55 with at least 10 years of service for management employees and at least 14 years of service for certificated employees. A minimum 18 years of service to the District for classified employees is required under the CSEA contract. Benefits are paid until they attain the age of 65 or until they qualify for Medicare, whichever is earlier. The District is a member in a joint powers agreement (JPA), the Self Insured Schools of California (S.I.S.C. III) to provide this health coverage.

Funding Policy. The District funds the benefits on a pay-as-you-go basis. The District pays the premiums for certificated retirees at a rate ranging from 50% to 80% of the cost, depending on length of service and age at retirement. The District pays the premiums for classified retirees at 60% and for management retirees at 100%. Classified retirees have a District cap of \$3,000 per year if retired at ages 55 through 59.

Annual OPEB Cost and Net OPEB Obligation. The following table shows the components of the District’s annual OPEB cost for the 2012-13 fiscal year, the amount contributed to the plan and changes in the District’s net OPEB obligation to the retiree health plan:

**ANNUAL OPEB COST AND NET OPEB OBLIGATION
Corcoran Joint Unified School District**

Annual required contribution (ARC)	\$ 275,010
Interest of prior year net OPEB obligation	16,053
Adjustment to ARC	(20,886)
Annual OPEB cost	270,117
Employer contributions	(230,954)
Increase/(Decrease) in net OPEB obligation	39,223
Net OPEB Obligation – June 30, 2012	321,065
Net OPEB Obligation – June 30, 2013	\$ 360,288

Source: Corcoran Joint Unified School District 2013 Audited Financial Statements

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the last three fiscal years is as follows:

**HISTORICAL NET OPEB OBLIGATION
Corcoran Joint Unified School District**

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Liability (Asset)</u>
June 30, 2013	\$ 270,177	85.48%	360,288
June 30, 2012	270,735	86.32	321,065
June 30, 2011	326,845	110.23	284,038

Source: Corcoran Joint Unified School District 2013 Audited Financial Statements

See also APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2013, Note M.

Governor’s Pension Reform. On August 28, 2012, Governor Brown and the State Legislature reached agreement on a new law that reforms pensions for State and local government employees. AB

340, which was signed into law on September 12, 2012, established the California Public Employees' Pension Reform Act of 2012 ("PEPRA") which governs pensions for public employers and public pension plans on and after January 1, 2013. For new employees, PEPRA, among other things, caps pensionable salaries at the Social Security contribution and wage base, which is \$110,100 for 2012, or 120% of that amount for employees not covered by Social Security, increases the retirement age by two years or more for all new public employees while adjusting the retirement formulas, requires state employees to pay at least half of their pension costs, and also requires the calculation of benefits on regular, recurring pay to stop income spiking. For all employees, changes required by PEPRA include the prohibition of retroactive pension increases, pension holidays and purchases of service credit. PEPRA applies to all State and local public retirement systems, including county and district retirement systems. PEPRA only exempts the University of California system and charter cities and counties whose pension plans are not governed by State law. Although the District anticipates that PEPRA would not increase the District's future pension obligations, the District is unable to determine the extent of any impact PEPRA would have on the District's pension obligations at this time. Additionally, the District cannot predict if PEPRA will be challenged in court and, if so, whether any challenge would be successful.

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make.

District Debt

Lease-Leaseback Agreement. On April 9, 2013, the District entered into a lease-leaseback agreement with David A. Bush Construction, Inc. for the construction of an auditorium alteration and HVAC upgrade project at Corcoran High School for \$1,414,430. The District has paid \$577,298 on this contract as of the date of the issuance of its 2012-13 financial statements.

Short-Term Debt Obligations. The District entered into a contract on June 25, 2013 to purchase a Tax and Revenue Anticipation Note (TRAN) in the amount of \$1,340,000. The TRAN was purchased for cash flow purposes with unspent funds earning interest at 2.0%. The transaction closed on July 15, 2013 with a cost of issuance charge of \$10,050. The note was issued at a premium of \$16,908 and discount of \$1,340. The TRAN matures on April 1, 2014.

Property Taxation System

Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the District. School districts levy property taxes for payment of voter-approved bonds and receive property taxes for general operating purposes as well. The District receives approximately 8.8% of its total general fund operating revenues from local property taxes.

Local property taxation is the responsibility of various county officers. For each school district located in a county, the county assessor computes the value of locally assessed taxable property. Based on the assessed value of property and the scheduled debt service on outstanding bonds in each year, the county auditor-controller computes the rate of tax necessary to pay such debt service, and presents the tax rolls (including rates of tax for all taxing jurisdictions in the county) to the county board of supervisors for approval. The county Treasurer-Tax Collector prepares and mails tax bills to taxpayers and collects the taxes. In addition, the Treasurer-Tax Collector, as ex officio treasurer of each school district located in the county, holds and invests school district funds, including taxes collected for payment of school bonds, and is charged with payment of principal and interest on such bonds when due. Taxes on property in a school

district whose boundaries extend into more than one county are administered separately by the county in which the property is located. The State Board of Equalization also assesses certain special classes of property, as described later in this section.

Assessed Valuation of Property Within the District

Under Proposition 13, an amendment to the California Constitution adopted in 1978, the county assessor's valuation of real property is established as shown on the fiscal year 1975-76 tax bill, or, thereafter, as the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. Assessed value of property may be increased annually to reflect inflation at a rate not to exceed 2% per year, or reduced to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or in the event of declining property value caused by substantial damage, destruction, market forces or other factors. As a result of these rules, real property that has been owned by the same taxpayer for many years can have an assessed value that is much lower than that of similar properties more recently sold, and may be lower than its own market value. Likewise, changes in ownership of property and reassessment of such property to market value commonly will lead to increases in aggregate assessed value even when the rate of inflation or consumer price index would not permit the full 2% increase on any property that has not changed ownership. See "DISTRICT FINANCIAL INFORMATION" and "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS."

For assessment and tax 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 property and property (real or personal) for which there is a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. All other property is "unsecured," and is assessed on the "unsecured roll."

The greater the assessed value of taxable property in the District, the lower the tax rate necessary to generate taxes sufficient to pay scheduled debt service on the Bonds. The following table shows recent history of taxable property assessed valuation in the District.

The tables below show the assessed valuation in the District for fiscal years 2005-06 to 2014-15.

HISTORIC ASSESSED VALUATIONS
Corcoran Joint Unified School District
Fiscal Years 2006-07 to 2014-15

KINGS COUNTY PORTION

Fiscal Year	Total Secured	Utility	Unsecured	Total Valuation
2005-06	\$ 517,399,208	\$ 883,113	\$ 29,720,422	\$ 548,002,743
2006-07	571,802,200	835,663	32,745,365	605,383,228
2007-08	635,825,712	134,301	34,159,712	670,119,725
2008-09	684,223,085	134,301	70,489,450	754,846,836
2009-10	766,921,880	134,301	35,622,325	802,678,506
2010-11	772,509,570	155,499	38,756,370	811,421,439
2011-12	776,170,696	155,499	37,424,185	813,750,380
2012-13	795,735,622	155,499	40,049,386	835,940,507
2013-14	822,736,687	155,499	40,210,995	863,103,181
2014-15	830,571,733	24,982	37,072,285	867,669,000

TULARE COUNTY PORTION

Fiscal Year	Total Secured	Utility	Unsecured	Total Valuation
2005-06	\$ 105,809,135	\$ 633,056	\$ 7,374,474	\$ 113,816,665
2006-07	118,830,340	594,955	9,269,838	128,695,133
2007-08	127,553,798	31,750	9,955,395	137,540,943
2008-09	140,395,313	31,750	5,616,832	146,043,895
2009-10	152,312,105	41,310	4,884,034	157,237,449
2010-11	156,370,970	41,310	4,494,117	160,906,397
2011-12	164,090,296	41,310	4,123,328	168,254,934
2012-13	164,828,606	41,310	10,988,330	175,858,246
2013-14	154,236,601	44,442	10,017,906	164,298,949
2014-15	162,342,606	44,442	9,622,046	172,009,094

TOTAL DISTRICT

Fiscal Year	Total Secured	Utility	Unsecured	Total Valuation
2005-06	\$ 623,208,343	\$ 1,516,169	\$ 37,094,896	\$ 661,819,408
2006-07	690,632,540	1,430,618	42,015,203	734,078,361
2007-08	763,379,510	166,051	44,115,107	807,660,668
2008-09	824,618,398	166,051	76,106,282	900,890,731
2009-10	919,233,985	175,611	40,506,359	959,915,955
2010-11	928,880,540	196,809	43,250,487	972,327,836
2011-12	940,260,992	196,809	41,547,513	982,005,314
2012-13	960,564,228	196,809	51,037,716	1,011,798,753
2013-14	976,973,288	199,941	50,228,901	1,027,402,130
2014-15	992,914,339	69,424	46,694,331	1,039,678,094

Source: California Municipal Statistics, Inc.

The following table gives a distribution of taxable real property located in the District by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

ASSESSED VALUATION AND PARCELS BY LAND USE
Corcoran Joint Unified School District
Fiscal Year 2014-15

	2014-15 Assessed Valuation ⁽¹⁾	% of Total	No. of Parcels	% of Total
Non Residential:				
Agricultural/Rural	\$ 494,578,104	49.81%	1,238	23.98%
Commercial/Office	33,271,858	3.35	144	2.79
Industrial	152,947,433	15.40	96	1.86
Government/Social/Institutional	623,122	.06	12	0.23
Miscellaneous	4,369,277	.44	49	0.95
Subtotal Non-Residential	<u>\$ 685,789,794</u>	<u>69.07%</u>	<u>1,539</u>	<u>29.81%</u>
Residential:				
Single Family Residence	\$ 266,660,541	26.86%	2,935	56.85%
Condominium/Townhouse	3,814,419	.38	45	0.87
Mobile Home	5,467,803	.55	150	2.91
Mobile Home Park	1,136,124	.11	3	0.06
Hotel/Motel	2,375,786	.24	3	0.06
2-4 Residential Units	7,290,260	.73	65	1.26
5+ Residential Units/Apartments	11,994,743	1.21	18	0.35
Miscellaneous Residential	762,191	.08	20	0.39
Vacant Residential	7,622,678	.77	385	7.46
Subtotal Residential	<u>\$ 307,124,545</u>	<u>30.93%</u>	<u>3,624</u>	<u>70.19%</u>
Total	<u>\$ 992,914,339</u>	<u>100.00%</u>	<u>5,163</u>	<u>100.00%</u>

Source: California Municipal Statistics, Inc.

⁽¹⁾ Local secured assessed valuation; excluding tax-exempt property.

The following table focuses on single-family residential properties only, which comprise approximately 25% of the assessed value of taxable property in the District. The average assessed value per parcel is \$90,855, and the median assessed value per parcel is \$82,856.

ASSESSED VALUATION OF SINGLE FAMILY HOMES
Corcoran Joint Unified School District
Fiscal Year 2014-15

	No. of Parcels	2013-14 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	2,935	\$266,660,541	\$90,855	\$82,856

2014-15 Assessed Valuation	No. of Parcels ⁽¹⁾	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$24,999	224	7.632%	7.632%	\$ 3,589,332	1.346%	1.346%
\$25,000 - \$49,999	453	15.434	23.066	17,172,300	6.440	7.786
\$50,000 - \$74,999	553	18.842	41.908	35,076,853	13.154	20.940
\$75,000 - \$99,999	705	24.020	65.928	61,153,682	22.933	43.873
\$100,000 - \$124,999	389	13.254	79.182	43,349,350	16.256	60.129
\$125,000 - \$149,999	253	8.620	87.802	34,530,231	12.949	73.079
\$150,000 - \$174,999	158	5.383	93.186	25,562,616	9.586	82.665
\$175,000 - \$199,999	76	2.589	95.775	14,185,546	5.320	87.984
\$200,000 - \$224,999	47	1.601	97.376	9,912,762	3.717	91.702
\$225,000 - \$249,999	26	.886	98.262	6,182,781	2.319	94.020
\$250,000 - \$274,999	22	.750	99.012	5,809,162	2.178	96.199
\$275,000 - \$299,999	9	.307	99.319	2,595,094	.973	97.172
\$300,000 - \$324,999	5	.170	99.489	1,547,300	.580	97.752
\$325,000 - \$349,999	5	.170	99.659	1,649,652	.619	98.371
\$350,000 - \$374,999	2	.068	99.727	709,613	.266	98.637
\$375,000 - \$399,999	3	.102	99.830	1,154,333	.433	99.070
\$400,000 - \$424,999	2	.068	99.898	816,534	.306	99.376
\$425,000 - \$449,999	0	.000	99.898	0	.000	99.376
\$450,000 - \$474,999	1	.034	99.932	471,132	.177	99.553
\$475,000 - \$499,999	0	.000	99.932	0	.000	99.553
\$500,000 and greater	2	.068	100.000	1,192,268	.447	100.000
Total	2,935	100.000%		\$ 266,660,541	100.000%	

Source: California Municipal Statistics, Inc.

(1) Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.

Tax Rates

The table below summarizes the total *ad valorem* tax rates levied by all taxing entities in the principal three Tax Rate Areas (“TRA”) within the District from fiscal year 2009-10 to fiscal 2013-14. The three TRAs below comprise approximately 23% of the total assessed value of property in the District.

TYPICAL TAX RATE PER \$100 ASSESSED VALUATION Corcoran Joint Unified School District Fiscal Years 2009-10 to 2013-14

	2010-11	2011-12	2012-13	2013-14
<u>Within City of Corcoran (TRA 1-000 – 2014-15 Assessed Valuation: \$92,298,792)</u>				
General Tax Rate	1.000000	1.000000	1.000000	1.000000
Corcoran Hospital District	.081309	.072744	.073553	.072724
College of the Sequoias CCD SFID No. 3	.025000	.027700	.027700	.023200
Total Tax Rate	<u>1.106309</u>	<u>1.100444</u>	<u>1.101253</u>	<u>1.095924</u>
<u>Within Unincorporated Kings County (TRA 52-006 – 2014-15 Assessed Valuation: \$110,357,057)</u>				
General Tax Rate	1.000000	1.000000	1.000000	1.000000
Corcoran Hospital District	.081309	.072744	.073553	.072724
College of the Sequoias CCD SFID No. 3	.025000	.027700	.027700	.023200
Total Tax Rate	<u>1.106309</u>	<u>1.100444</u>	<u>1.101253</u>	<u>1.095924</u>
<u>Within Unincorporated Tulare County (TRA 166-001 – 2014-15 Assessed Valuation – \$29,338,909)</u>				
General Tax Rate	1.000000	1.000000	1.000000	1.000000
Tulare Local Healthcare District	.112867	.112850	.081500	.081500
College of the Sequoias CCD SFID No. 3	.025000	.027700	.027700	.023200
Total Tax Rate	<u>1.137867</u>	<u>1.140550</u>	<u>1.109200</u>	<u>1.104700</u>

Source: California Municipal Statistics, Inc.

Tax Levies and Delinquencies

The County has not adopted the method of secured property tax apportionment known as the Teeter Plan. The County levies a one percent property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation on the basis of “situs” growth in assessed value (new construction, change of ownership and inflation) among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special districts.

Beginning in 1978-79, Article XIII A and its implementing legislation shifted the function of property taxation primarily to the counties, except for levies to support prior-voted debt, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each County.

Secured tax charges and delinquencies are unavailable for the District. However, the following tables reflect the historical secured tax levy and year-end delinquencies for the County and for Tulare County.

**SECURED TAX CHARGE AND DELINQUENCY
KINGS COUNTY
Fiscal Years 2009-10 to 2013-14**

Fiscal Year	Secured Tax Charge	Amount Delinquent as of June 30	Percent Delinquent as of June 30
2009-10	\$ 96,402,801	\$3,519,507	3.65%
2010-11	99,076,929	2,753,933	2.78
2011-12	100,113,438	2,421,549	2.42
2012-13	103,166,148	1,895,741	1.84
2013-14	103,164,430	1,527,143	1.48

Source: California Municipal Statistics, Inc.

**SECURED TAX CHARGE AND DELINQUENCY
TULARE COUNTY
Fiscal Years 2009-10 to 2013-14**

Fiscal Year	Secured Tax Charge	Amount Delinquent as of June 30	Percent Delinquent as of June 30
2009-10	\$ 304,455,182	\$17,707,322	5.82%
2010-11	310,826,582	17,159,532	5.52
2011-12	307,552,276	10,880,281	3.54
2012-13	300,553,368	9,671,539	3.22
2013-14	311,968,026	7,532,566	2.41

Source: California Municipal Statistics, Inc.

Largest Property Owners

The following table shows the 20 largest owners of taxable property in the District as determined by secured assessed valuation in fiscal year 2014-15, representing 51.49% of the District's total assessed valuation.

LARGEST LOCAL SECURED TAXPAYERS Corcoran Joint Unified School District Fiscal Year 2014-15

	Property Owner	Primary Land Use	2014-15 Assessed Valuation	% of Total ⁽¹⁾
1.	J.G. Boswell Company	Food Processing	\$273,223,382	27.52%
2.	Bosman Dairy	Dairy	45,590,915	4.59
3.	Schakel Family Partnership LP	Dairy	25,170,977	2.54
4.	Dick Vanderham & Sons Dairy Partnership	Dairy	19,482,921	1.96
5.	Gregory J. Te Velde	Dairy	16,798,772	1.69
6.	Paramount Land Company LLC	Agricultural	16,309,181	1.64
7.	Boyett Family	Agricultural	12,918,548	1.30
8.	Sandridge Partners LP	Agricultural	11,765,366	1.18
9.	Fresno Farming LLC	Agricultural	9,651,061	0.97
10.	Lemistra Cattle Company LLC	Agricultural	9,232,092	0.93
11.	Phillip W. Hansen, Trust	Agricultural	8,860,179	0.89
12.	Grimmius Cattle Company	Agricultural	8,733,307	0.88
13.	Willow Lakes RE CA LLC	Apartments	8,269,185	0.83
14.	Mattos Brothers Dairy LP	Dairy	7,883,449	0.79
15.	Cornelius and Sherry Vander Eyk, Trust	Agricultural	7,270,939	0.73
16.	Ron Verhoeven Family Dairy	Dairy	6,825,738	0.69
17.	Four Star Dairy Partnership	Dairy	6,141,633	0.62
18.	Triple H Farms LLC	Dairy	5,811,562	0.59
19.	Virtus Nutrition LLC	Light Industrial	5,719,566	0.58
20.	Dairy Avenue LLC	Dairy	5,578,381	0.56
			<u>\$511,237,154</u>	<u>51.49%</u>

Source: California Municipal Statistics, Inc.

(1) 2013-14 Local secured and utility assessed valuation: \$992,914,339.

Risk of Decline in Property Values; Earthquake Risk. Property values could be reduced by factors beyond the District's control, including earthquake and a depressed real estate market due to general economic conditions in the County, the region and the State.

Other possible causes for a reduction in assessed values include the complete or partial destruction of taxable property caused by other natural or manmade disasters, such as flood, fire, toxic dumping, acts of terrorism, etc., or reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes). Lower assessed values could necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Bonds. Issuance of additional bonds in the future might also cause the tax rate to increase, although the District does not currently have any voter authorization to issue additional bonds.

State-Assessed Property. Under the California Constitution, the State Board of Equalization assesses property of State-regulated transportation and communications utilities, including railways, telephone and telegraph companies, and companies transmitting or selling gas or electricity. The Board of Equalization also is required to assess pipelines, flumes, canals and aqueducts lying within two or more counties. The value of property assessed by the Board of Equalization is allocated by a formula to local jurisdictions in the county, including school districts, and taxed by the local county tax officials in the same manner as for locally assessed property. Taxes on privately owned railway cars, however, are levied and collected directly by the Board of Equalization. Property used in the generation of electricity by a company that does not also transmit or sell that electricity is taxed locally instead of by the Board of Equalization. Thus, the reorganization of regulated utilities and the transfer of electricity-generating property to non-utility companies, as often occurred under electric power deregulation in California, affects how those assets are assessed, and which local agencies benefit from the property taxes derived. In general, the transfer of State-assessed property located in the District to non-utility companies will increase the assessed value of property in the District, since the property's value will no longer be divided among all taxing jurisdictions in the County. The transfer of property located and taxed in the District to a State-assessed utility will have the opposite effect, generally reducing the assessed value in the District as the value is shared among the other jurisdictions in the County. The District is unable to predict future transfers of State-assessed property in the District and the County, the impact of such transfers on its utility property tax revenues, or whether future legislation or litigation may affect ownership of utility assets, the State's methods of assessing utility property, or the method by which tax revenues of utility property is allocated to local taxing agencies, including the District.

Appeals of Assessed Valuation. State law affords an appeal procedure to taxpayers who disagree with the assessed value of their taxable property. Taxpayers may request a reduction in assessment directly from the County Assessor (the "Assessor"), who may grant or refuse the request, and may appeal an assessment directly to the County Board of Equalization, which rules on appealed assessments whether or not settled by the Assessor. The Assessor is also authorized to reduce the assessed value of any taxable property upon a determination that the market value has declined below the then-current assessment, whether or not appealed by the taxpayer.

The District can make no predictions as to the changes in assessed values that might result from pending or future appeals by taxpayers. Any reduction in aggregate District assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause the tax rate levied to repay the Bonds to increase accordingly, so that the fixed debt service on the Bonds (and other outstanding bonds) may be paid. Any refund of paid taxes triggered by a successful assessment appeal will be debited by the County Tax Collector against all taxing agencies who received tax revenues, including the District.

Proposition 8. Pursuant to California Proposition 8 of November 1978 ("Proposition 8"), property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. 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.

County assessors, at their discretion, may also, from time to time, review certain property types purchased between specific time periods (e.g., all single family homes and condominiums purchased

shortly prior to widespread declines in the fair market value of residential real estate within the county) and may proactively, temporarily reduce the assessed value of qualifying properties to Proposition 8 assessed values without owner appeal therefor.

A property that has been reassessed under Proposition 8, whether pursuant to owner appeal or due to county assessor review, is subsequently reviewed annually to determine its lien date value. Assuming no change in ownership or new construction, and if and as market conditions improve, the assessed value of a property with a Proposition 8 assessed value in place may increase as of each property tax lien date by more than the standard annual inflationary factor growth rate allowed under Article XIII A (currently, a 2% annual maximum) until such assessed value again equals the Article XIII A base year value for such property as adjusted for inflation and years of ownership, at which point such property is again taxed pursuant to Article XIII A and base year values may not be increased by more than the standard Article XIII A annual inflationary factor growth rate. A change in ownership while a property is subject to a Proposition 8 reassessment assessed valuation will cause such assessed valuation to become fixed as a new Article XIII A base year value for such property. 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.

No assurance can be given that property tax appeals or County assessor reviews in the future will not significantly reduce the assessed valuation of property within the District.

Direct and Overlapping Debt

Direct and Overlapping Debt. Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of October 1, 2014, 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.

The table generally includes long-term obligations sold in the public credit markets by the public agencies listed. 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.

STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
Corcoran Joint Unified School District
As of October 1, 2014

CORCORAN JOINT UNIFIED SCHOOL DISTRICT

2014-15 Assessed Valuation: \$1,039,678,094

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 10/1/14</u>
College of Sequoias Tulare School Facilities Improvement District	13.433%	\$ 4,861,771
Corcoran Joint Unified School District	100.	_(1)
Corcoran Hospital District	68.799	9,476,671
Tulare Local Healthcare District	2.794	<u>2,369,591</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$16,708,033
<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Kings County General Fund Obligations	9.427%	\$1,232,580
Kings County Pension Obligation Bonds	9.427	733,513
Tulare County General Fund Obligations	0.591	253,657
Tulare County Board of Education Certificates of Participation	0.591	222,039
College of Sequoias Certificates of Participation	3.813	<u>318,957</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$2,760,746
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>		\$3,375,000
COMBINED TOTAL DEBT		\$22,843,779⁽²⁾

Ratios to 2014-15 Assessed Valuation:

Direct Debt (\$0)	0.00%
Total Direct and Overlapping Tax and Assessment Debt.....	1.61%
Combined Total Debt	2.20%

Ratios to Redevelopment Incremental Valuation (\$128,355,082):

Total Overlapping Tax Increment Debt	2.63%
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Source: California Municipal Statistics, Inc.

(1)Excludes issue to be sold.

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

CONSTITUTIONAL AND STATUTORY PROVISIONS
AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Articles XIII A, XIII B, XIII C and XIII D of the California Constitution, Propositions 98, 111, 218 and 39, 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 of the District to spend tax proceeds.

Article XIII A of the California Constitution

Article XIII A of the State Constitution, adopted and known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIII A limits the maximum *ad valorem* tax on real property

to 1% of “full cash value,” and provides that such tax shall be collected by the counties and apportioned according to State law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to *ad valorem* taxes levied to pay interest and redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, or (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast on the proposition, or (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition.

Section 2 of Article XIII A defines “full cash value” to mean the county assessor’s valuation of real property as shown on the fiscal year 1975-76 tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. The Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently “recapture” such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor’s measure of the restored value of the damaged property. The State courts have upheld the constitutionality of this procedure. Legislation enacted by the State Legislature to implement Article XIII A provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except the 1% base tax levied by each county and taxes to pay debt service on indebtedness approved by the voters as described above.

Since its adoption, Article XIII A has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the District.

Both the State Supreme Court and the United States Supreme Court have upheld the validity of Article XIII A.

Legislation Implementing Article XIII A

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. 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.

That portion of annual property tax revenues generated by increases in assessed valuations within each tax rate area within a county, subject to redevelopment agency, if any, claims on tax increment and subject to changes in organizations, if any, of affected jurisdictions, is allocated to each jurisdiction within

the tax rate area in the same proportion that the total property tax revenue from the tax rate area for the prior year was allocated to such jurisdictions.

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.

Beginning in fiscal year 1981-82, assessors in California no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as \$4 per \$100 of assessed value. All taxable property is now shown at 100% of assessed value on the tax rolls. Consequently, the tax rate is expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of 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 XIII A.

Article XIII B of the California Constitution

Article XIII B 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 XIII B 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 average daily attendance 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 will 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 XIII B, as amended.

The appropriations of an entity of local government subject to Article XIII B 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 certain debt service, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

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

Unitary Property

AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization (“Unitary Property”), commencing with the 1988-89 fiscal year, will be allocated as follows: (1) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (2) if county-wide revenues generated from Unitary Property are less than the previous year’s revenues or greater than 102% of the previous year’s revenues, each jurisdiction will share the burden of the shortfall or excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

California Lottery

In the November 1984 general election, the voters of the State approved a Constitutional Amendment establishing a California State Lottery (the “State Lottery”), the net revenues (revenues less expenses and prizes) of which shall be used to supplement other moneys allocated to public education. The legislation further requires that the funds shall be used for the education of pupils and students and cannot be used for the acquisition of real property, the construction of facilities or the financing of research.

Allocation of State Lottery net revenues is based upon the average daily attendance of each school and community college district; however, the exact allocation formula may vary from year to year. In 2013-14, the District budgets to receive \$230,654 in State Lottery aid, representing approximately 2% of the District’s general fund revenues. At this time, the amount of additional revenues that may be generated by the State Lottery in any given year cannot be predicted.

Proposition 46

On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1% tax limitation imposed by Article XIII A. Under this amendment to Article XIII A, local governments and school and community college districts may increase the property tax rate above 1% for the period necessary to retire new, general obligation bonds, if two-thirds of those voting in a local election

approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

Proposition 39

On November 7, 2000, California voters approved Proposition 39, called the “Smaller Classes, Safer Schools and Financial Accountability Act” (the “Smaller Classes Act”) which amends Section 1 of Article XIII A, Section 18 of Article XVI of the California Constitution and Section 47614 of the California Education Code and allows an alternative means of seeking voter approval for bonded indebtedness by 55% of the vote, rather than the two-thirds majority required under Section 18 of Article XVI of the Constitution. The 55% voter requirement applies only if the bond measure submitted to the voters includes, among other items: (1) a restriction that the proceeds of the bonds may be used for “the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities,” (2) a list of projects to be funded and a certification that the school district board has evaluated “safety, class size reduction, and information technology needs in developing that list” and (3) that annual, independent performance and financial audits will be conducted regarding the expenditure and use of the bond proceeds.

Section 1(b)(3) of Article XIII A has been added to exempt the 1% *ad valorem* tax limitation that Section 1(a) of Article XIII A of the Constitution levies, to pay bonds approved by 55% of the voters, subject to the restrictions explained above.

The Legislature enacted AB 1908, Chapter 44, which became effective upon passage of Proposition 39 and amends various sections of the Education Code. Under amendments to Section 15268 and 15270 of the Education Code, the following limits on *ad valorem* taxes apply in any single election: (1) for an elementary and high school district, indebtedness shall not exceed \$30 per \$100,000 of taxable property, (2) for a unified school district, indebtedness shall not exceed \$60 per \$100,000 of taxable property, and (3) for a community college district, indebtedness shall not exceed \$25 per \$100,000 of taxable property. 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. Finally, AB 1908 requires that a citizens’ oversight committee must be appointed who will review the use of the bond funds and inform the public about their proper usage.

Alternatively, charter schools are independent public schools formed by teachers, parents, and other individuals and/or groups. The schools function under contracts or “charters” with local school districts, county boards of education, or the State Board of Education. They are exempt from most State laws and regulations affecting public schools. As of June 2000, there were 309 charter schools in California, serving about 105,000 students (less than 2% of all K-12 students). The law permits an additional 100 charter schools each year until 2003, at which time the charter school program will be reviewed by the Legislature. Under current law, school districts must allow charter schools to use, at no charge, facilities not currently used by the district for instructional or administrative purposes.

Proposition 39 requires that each local K-12 school district provide charter school facilities sufficient to accommodate the charter school’s students. A K-12 school district, however, would not be required to spend its general discretionary revenues to provide these facilities for charter schools. Instead, the district could choose to use these or other revenues — including State and local bonds. Such facilities must be reasonably equivalent to the district schools that such charter students would otherwise attend.

The respective K-12 school district is permitted charge the charter school for its facilities if district discretionary revenues are used to fund the facilities and a district may decline to provide facilities for a charter school with a current or projected enrollment of fewer than 80 students. There are presently no charter schools within the District.

Article XIII C and XIII D of the California Constitution

On November 5, 1996, an initiative to amend the California Constitution known as the “Right to Vote on Taxes Act” (“Proposition 218”) was approved by a majority of California voters. Proposition 218 added Articles XIII C and XIII D to the State Constitution and requires majority voter approval for the imposition, extension or increase of general taxes and 2/3 voter approval for the imposition, extension or increase of special taxes by a local government, which is defined in Proposition 218 to include counties. Proposition 218 also provides that any general tax imposed, extended or increased without voter approval by any local government on or after January 1, 1995, and prior to November 6, 1996 shall continue to be imposed only if approved by a majority vote in an election held within two years following November 6, 1996. All local taxes and benefit assessments which may be imposed by public agencies will be defined as “general taxes” (defined as those used for general governmental purposes) or “special taxes” (defined as taxes for a specific purpose even if the revenues flow through the local government’s general fund) both of which would require a popular vote. New general taxes require a majority vote and new special taxes require a two-thirds vote. Proposition 218 also extends the initiative power to reducing or repealing local taxes, assessments, fees and charges, regardless of the date such taxes, assessments or fees or charges were imposed, and lowers the number of signatures necessary for the process. In addition, Proposition 218 limits the application of assessments, fees and charges and requires them to be submitted to property owners for approval or rejection, after notice and public hearing.

The District has no power to impose taxes except property taxes associated with a general obligation bond election, following approval by 55% or 2/3 of the District’s voters, depending upon the Article of the Constitution under which it is passed.

Proposition 218 also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed, and reduces the number of signatures required for the initiative process. This extension of the initiative power to some extent constitutionalizes the March 6, 1995 State Supreme Court decision in *Rossi v. Brown*, which upheld an initiative that repealed a local tax and held that the State constitution does not preclude the repeal, including the prospective repeal, of a tax ordinance by an initiative, as contrasted with the State constitutional prohibition on referendum powers regarding statutes and ordinances which impose a tax. Generally, the initiative process enables California voters to enact legislation upon obtaining requisite voter approval at a general election. Proposition 218 extends the authority stated in *Rossi v. Brown* by expanding the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges. Such legal authority could include the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution.

Proposition 218 has no effect upon the District’s ability to pursue approval of a general obligation bond or a Mello-Roos Community Facilities District bond in the future, although certain procedures and

burdens of proof may be altered slightly. The District is unable to predict the nature of any future challenges to Proposition 218 or the extent to which, if any, Proposition 218 may be held to be unconstitutional.

Propositions 98 and 111

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

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 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. In any event, the Governor and other fiscal observers expect the Accountability Act to place increasing pressure on the State’s budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIII B spending limit would restrain the State’s ability to fund such other programs by raising taxes.

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

On June 5, 1990, the voters approved Proposition 111 (Senate Constitutional Amendment No. 1) called the “Traffic Congestion Relief and Spending Limit Act of 1990” (“Proposition 111”) which further modified Article XIII B 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 XIII B 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 XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools’ minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts’ base expenditures for calculating their entitlement for State aid in the next year, and the State’s appropriations limit is not to be increased by this amount.

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

d. Recalculation of Appropriations Limit. The Article XIII B 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 (the “first test”) or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment (the “second test”). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capital personal income. Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a “credit” to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Kindergarten-University Public Education Facilities Bond Act of 2006

The Kindergarten-University Public Education Facilities Bond Act of 2006 (“Proposition 1D”) appeared on the November 7, 2006 ballot as Proposition 1D and was approved by California voters. This measure authorized the sale and issuance of \$10.4 billion in general obligation bonds for construction and renovation of K-12 school facilities (\$7.3 billion) and higher education facilities (\$3.1 billion). Proposition 1D makes available \$3.3 billion for reconstruction or modernization of existing K-12 school facilities. K-12 school districts are required to pay for 40% of these costs with local revenues, unless qualified for hardship funding. Proposition 1D also includes \$1.9 billion for acquisition of land and new construction of K-12 school facilities. K-12 school districts are required to pay for 50% of such costs with local revenues, unless qualified for hardship funding. Proposition 1D directs a total of \$1.0 billion to K-12 school districts which are considered severely overcrowded, specifically to schools that have large number of pupils relative to the size of the school site.

Proposition 30

On November 6, 2012, voters of the State approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as “Proposition 30”), which temporarily increases the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposes an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposes an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax will be levied at a rate of 0.25% of the sales price of the property so purchased. Beginning in the taxable year commencing January 1, 2012 and through the taxable year ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,000 for single filers (over \$340,000 but less than \$408,000 for joint filers), (ii) 2% for taxable income over \$300,000 but less than \$500,000 for single filers (over \$408,000 but less than \$680,000 for joint filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$608,000 for joint filers).

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

Future Initiatives

Article XIII A, Article XIII B, Article XIII C, Article XIII D and Propositions 26 and 98 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 the District's revenues or their ability to expend revenues.

GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION

State Funding of Education; State Budget Process

General. As is true for all school districts in the State, the District's operating income consists primarily of two components: a State portion funded from the State's general fund and a locally-generated portion derived from the District's share of the 1% county-wide *ad valorem* property tax authorized by the State Constitution. School districts may be eligible for other special categorical funding, including for State and federal programs. Because the District's legal minimum funding level is expected to be met from local property taxes alone, the District does not project receipt of any general operating funds from the State in fiscal year 2013-14. As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may affect District operations, though generally to a lesser extent than these may affect most school districts.

State funding is guaranteed to a minimum level for school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs. The funding guarantee is known as "Proposition 98," a constitutional and statutory initiative amendment adopted by the State's voters in 1988, and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the State Constitution).

Recent years have seen frequent disruptions in State personal income taxes, sales and use taxes, and corporate taxes, making it increasingly difficult for the State to meet its Proposition 98 funding mandate, which normally commands about 45% of all State general fund revenues, while providing for other fixed State costs and priority programs and services. Because education funding constitutes such a large part of the State's general fund expenditures, it is at the heart of annual budget negotiations and adjustments.

Adoption of Annual State Budget. According to the State Constitution, the Governor of the State (the "Governor") must propose a budget to the State Legislature no later than January 10 of each year. Under an initiative constitutional amendment approved by the State's voters on November 2, 2010 as "Proposition 25", a final budget must be adopted by a majority vote (rather than a two-third majority, as was the case prior to the passage of Proposition 25) of each house of the Legislature no later than June 15, although this deadline has been breached in the past. Any tax increase provision of such final budget shall continue to require approval by a two-thirds majority vote of each house of the State Legislature. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the 2013-14 Budget on June 27, 2013.

When the State budget is not adopted on time, basic appropriations and the categorical funding portion of each district's State funding are affected differently. Under the rule of *White v. Davis* (also referred to as *Jarvis v. Connell*), a State Court of Appeal decision reached in 2002, there is no constitutional mandate for appropriations to school districts without an adopted budget or emergency appropriation, and funds for State programs cannot be disbursed by the State Controller until that time unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the State Constitution (such as appropriations for salaries of elected state officers), or (iii) mandated by federal law (such as payments to State workers at no more than minimum wage). The State Controller has consistently stated that basic State funding for schools is continuously appropriated by statute, but that special and categorical funds may not be appropriated without an adopted budget. The State Controller has posted guidance as to what can and cannot be paid during a budget impasse at its website: www.sco.ca.gov. Should the Legislature fail to pass the budget or emergency appropriation before the start of any fiscal year, the District might experience delays in receiving certain expected revenues.

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

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

In recent years, the State's response to fiscal difficulties has had a significant impact on Proposition 98 funding and settle-up treatment. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the guaranteed amount. In response, teachers' unions, the State Superintendent, and others, sued the State or Governor in 1995, 2005, and 2009, to force them to fund schools in the full amount required. The settlement of the 1995 and 2005 lawsuits has so far resulted in over \$4 billion in accrued State settle-up obligations. However, legislation enacted to pay down the obligations through additional education funding over time, including the Quality Education Investment Act of 2006 (QEIA), have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

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

temporarily deferring apportionments of Proposition 98 funds one fiscal year to the next; by permanently deferring the year-end apportionment from June 30 to July 2; by suspending Proposition 98, and by proposing to amend the State Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

Recent State Budgets

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

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

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

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

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

Prior Years' Budgeting Techniques. Declining revenues and fiscal difficulties which arose in the State commencing in fiscal year 2008-09 led the State to undertake a number of budgeting strategies, which had subsequent impacts on local agencies within the State. These techniques included the issuance of IOUs in lieu of warrants (checks), the enactment of statutes deferring amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year (known as statutory deferrals), trigger reductions, which were budget cutting measures which were implemented or could have been implemented if certain State budgeting goals were not met, among others, and the dissolution of local redevelopment agencies in part to make available additional funding for local agencies. Although the fiscal year 2013-14 Budget is balanced and projects a balanced budget for the foreseeable future, largely attributable to the additional revenues generated due to the passage of Proposition 30 at the November 6, 2012 statewide election, as well as other spending cuts, there can be no certainty that budget-cutting strategies such as those used in recent years will not be used in the future should the State Budget again be stressed and if projections included in such budget do not materialize.

2014-15 State Budget

On June 20, 2014, the Governor signed into law the State budget for fiscal year 2014-15 (the “2014-15 Budget”). The following information is drawn from the State Department of Finance’s summary of the 2014-15 Budget.

The 2014-15 Budget is based on revenue projections previously included in the Governor’s May revision to the proposed budget for fiscal year 2014-15. For fiscal year 2013-14, the 2014-15 Budget projects total State general fund revenues of \$102.2 billion, and total State general fund expenditures of \$100.7 billion. The 2014-15 Budget projects that the State will end the 2013-14 fiscal year with a \$2.9 billion general fund surplus. For fiscal year 2014-15, the 2014-15 Budget projects total State general fund revenues of \$109.4 billion and total State general fund expenditures of \$108 billion, leaving the State with a projected general fund surplus for fiscal year 2014-15 of approximately \$2.1 billion. This projected reserve is a combination of \$449 million in the State’s general fund traditional reserve, and an authorized deposit of \$1.6 billion into the Budget Stabilization Account (the “BSA”) established by the California Balanced Budget Act of 2004 (also known as Proposition 58).

The 2014-15 Budget includes total funding of \$76.6 billion (comprised of \$45.3 billion from the State general fund and \$31.3 billion from other funds) for all K-12 education programs. For fiscal year 2014-15, the Proposition 98 minimum funding guarantee is set at \$60.9 billion, an increase of \$5.6 billion over the amount included in the fiscal year 2013-14 State budget. When combined with increases of \$4.4 billion in fiscal years 2012-13 and 2013-14, the 2014-15 Budget provides a \$10 billion increased investment in K-12 education. The 2014-15 Budget projects that Proposition 98 funding for K-12 education will grow by more than \$12 billion from fiscal year 2011-12 to fiscal year 2014-15, representing an increase of more than \$1,900 per student.

Significant features of the 2014-15 Budget related to the funding of K-12 education include the following:

- *Teacher Pensions* – The 2014-15 Budget includes a plan of shared responsibility among the State, school districts and community college districts, and teachers to eliminate the approximately \$74.4 billion of unfunded CalSTRS (defined herein) liability in approximately 30 years. For fiscal year 2014-15, the plan directs \$276 million in additional contributions from all three entities. Under the plan, (i) teacher contributions will increase from 8% to a total of 10.25% of pay, phased in over the next three years; (ii) school district and community college district contributions will increase from 8.25% to 19.1% of payroll, phased in over the next seven years; and (iii) the State contributions will increase from approximately 3% to 6.3% of payroll, phased in over the next three years, and the State will continue to pay 2.5% of payroll annually for a supplemental inflation protection program, for a total contribution of 8.8% of payroll in fiscal year 2016-17 and ongoing. The plan also provides the CalSTRS board with limited authority to (i) increase State, school district and community college district contributions based on changing conditions, and (ii) reduce school district and community college district contributions if they are no longer necessary.
- *Local Control Funding Formula* – An increase of \$4.75 billion in Proposition 98 funding to continue the transition to the LCFF. This increase is projected to close the remaining funding implementation gap between fiscal year 2013-14 funding levels and the LCFF target funding levels by more than 29%. The 2014-15 Budget also addresses an administrative problem related to the

collection of income eligibility forms that are used to determine student eligibility for free or reduced price meals. See also “DISTRICT FINANCIAL INFORMATION – State Funding of Education – Local Control Funding Formula” herein.

- *K-12 Deferrals* – Repay nearly \$4.7 billion in Proposition 98 funding for K-12 expenses that had been deferred from one year to the next during the recession, leaving an outstanding balance of less than \$900 million in K-12 deferrals at the end of fiscal year 2014-15. The 2014-15 Budget also includes a trigger mechanism that will appropriate any additional funding resources attributable to fiscal years 2013-14 and 2014-15 subsequent to the enactment of the 2014-15 Budget in order to retire the remaining deferral balance.
- *Independent Study* – The 2014-15 Budget streamlines the existing independent study program, reducing administrative burdens and freeing up time for teachers to spend on student instruction and support, while making it easier for schools to offer and expand instructional opportunities available to students through non-classroom based instruction.
- *K-12 Mandates* – An increase of \$400.5 million in one-time Proposition 98 funding to reimburse K-12 local educational agencies for the costs of State-mandated programs.
- *K-12 High-Speed Internet Access* – An increase of \$26.7 million in one-time Proposition 98 funding for the K-12 High Speed Network to provide technical assistance and grants to K-12 local educational agencies required to successfully implement Common Core. These funds will be targeted to those K-12 local educational agencies most in need of help with securing internet connectivity and infrastructure required to implement the new computer adaptive tests under Common Core.
- *Career Technical Education Pathways Program* – An increase of \$250 million in one-time Proposition 98 funding to support competitive grants for participating K-14 local educational agencies. The Career Pathways Trust Program provides grant awards to improve career technical programs and linkages between employers, schools, and community colleges.
- *Potential Cap on School District Reserves* – Commencing with budgets adopted by a K-12 school district for the 2015-16 fiscal year, AB 1463, a trailer bill on K-12 issues passed in connection with the 2014-15 Budget, requires a school district that proposes to adopt or revise a budget that results in a combined assigned or unassigned ending fund balance exceeding that school district’s respective minimum reserve for economic uncertainties amount, as set forth in the State Board of Education’s annually-issued criteria and standards for reviewing school district interim reports, to provide at a public hearing, among other things, a statement of reasons that substantiates the need for the balance, and requires the respective county superintendent of schools, when making the required determinations, to also determine whether a school district’s adopted or revised budget includes a such a balance. Subject to the passage of California Proposition 44 (the “Rainy Day Budget Stabilization Fund Act”) currently on the November 4, 2014 statewide ballot, AB 1463 provides that, in any fiscal year immediately after which a transfer is made by the State into the Public School System Stabilization Account, a new reserve fund for Proposition 98 that would be created by the Rainy Day Budget Stabilization Fund Act, a school district’s adopted or revised budget shall be prohibited from containing a combined assigned or unassigned ending fund balance that is in excess of either two or three times that school district’s respective annual minimum recommended reserve for economic uncertainties amount, as established by the State

Board of Education. Subject to the passage of the Rainy Day Budget Stabilization Fund Act, AB 1463 further authorizes the respective county superintendent of schools to waive the prohibition, pursuant to specified conditions, for up to two consecutive fiscal years within a three-year period, if a school district provides documentation indicating that extraordinary fiscal circumstances substantiates the need for the balance.

For additional information regarding the State's budgets and revenue projections and a more detailed description of the 2014-15 Budget, see the State Department of Finance website at www.dof.ca.gov. However, the information presented on such website is not incorporated herein by reference.

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

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

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

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert \$1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted 2009-10 State budget of \$1.7 billion in local property tax revenues from local redevelopment agencies, which local redevelopment agencies have now been dissolved. Redevelopment agencies had sued the State over this latter diversion. However, the lawsuit was decided against the California Redevelopment Association on May 1, 2010. Because Proposition 22 reduces the State's authority to use or shift certain revenue sources, fees and taxes for State general fund purposes, the State will have to take

other actions to balance its budget in some years—such as reducing State spending or increasing State taxes, and school and community college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State’s general fund.

Supplemental Information Concerning Litigation Against the State of California

In June 1998, a complaint was filed in Los Angeles County Superior Court challenging the authority of the State Controller to make payments in the absence of a final, approved State Budget. The Superior Court judge issued a preliminary injunction preventing the State Controller from making payments including those made pursuant to continuing appropriations prior to the enactment of the State’s annual budget. As permitted by the State Constitution, the Legislature immediately enacted and the Governor signed an emergency appropriations bill that allowed continued payment of various State obligations, including debt service, and the injunction was stayed by the California Court of Appeal, pending its decision.

On May 29, 2003, the California Court of Appeal for the Second District decided the case of *Steven White, et al. v. Gray Davis (as Governor of the State of California), et al.* The Court of Appeal concluded that, absent an emergency appropriation, the State Controller may authorize the payment of state funds during a budget impasse only when payment is either (i) authorized by a “continuing appropriation” enacted by the Legislature, (ii) authorized by a self-executing provision of the California Constitution, or (iii) mandated by federal law. The Court of Appeal specifically concluded that the provisions of Article XVI, Section 8 of the California Constitution – the provision establishing minimum funding of K-14 education enacted as part of Proposition 98 – did not constitute a self-executing authorization to disburse funds, stating that such provisions merely provide formulas for determining the minimum funding to be appropriated every budget year but do not appropriate funds. The State Controller has concluded that the provisions of the Education Code establishing K-12 and county office revenue limit funding do constitute continuing appropriations enacted by the Legislature and, therefore, the State Controller has indicated that State payments of such amounts would continue during a budget impasse. However, no similar continuing appropriation has been cited with respect to K-12 categorical programs and revenue limit funding for community college districts, and the State Controller has concluded that such payments are not authorized pursuant to a continuing appropriation enacted by the Legislature and, therefore, cannot be paid during a budget impasse. The California Supreme Court granted the State Controller’s Petition for Review on a procedural issue unrelated to continuous appropriations and on the substantive question as to whether the State Controller is authorized to pay State employees their full and regular salaries during a budget impasse. No other aspect of the Court of Appeal’s decision was addressed by the State Supreme Court.

On May 1, 2003, with respect to the substantive question, the California Supreme Court concluded that the State 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. The Supreme Court also remanded the preliminary injunction issue to the Court of Appeal with instructions to set aside the preliminary injunction in its entirety.

State Funding of School Construction

The State makes funding for school facility construction and modernization available to K-12 districts throughout the State through the Office of Public School Construction (“OPSC”) and the State

Allocation Board (“SAB”), from proceeds of State general obligation bonds authorized and issued for this purpose. Such bonds were authorized in the amount of \$13.05 billion, \$11.40 billion of which were for K-12 school facilities and \$1.65 billion of which were for higher education facilities, on November 5, 2002 under Proposition 47, passed by 58.9% of the State-wide vote. An additional bond measure for education capital projects was approved on March 2, 2006 under Proposition 55, passed by 50.6% of the State-wide vote, in an authorization amount of \$12.3 billion, \$10.0 billion of which is for K-12 school facilities and \$2.3 billion of which is for higher education facilities. A State general obligation bond measure that includes \$7.329 billion for construction, modernization and related purposes for K-12 school districts was approved by a majority of voters in the November 7, 2006 State-wide election.

The SAB allocates bond funds for 50% of approved new construction costs, 60% of approved modernization costs (80% for modernization project applications made prior to February 1, 2002), or up to 100% of approved costs of any type if the school district is approved for “hardship” funding. The school district is responsible for the portion of costs not funded by the State, commonly funding their portion with their own general obligation bonds, certificates of participation or accumulated builder’s fee revenue. School districts routinely apply for such funding whenever they have projects they believe meet OPSC and SAB criteria for funding.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C 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 XIII D. 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.

RISK FACTORS

The following factors, along with all other information in this Official Statement, should be considered by potential investors in evaluating the Certificates. The discussion below does not purport to be, nor should it be construed to be, complete nor a summary of all factors which may affect the financial condition of the District, the District's ability to make Lease Payments in the future, the effectiveness of any remedies that the Trustee may have or the circumstances under which Lease Payments may be abated.

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

Lease Payments Not District Debt

Lease Payments and other payments due under the Lease Agreement (including payment of costs of repair and maintenance of the Property, utility charges, taxes and other governmental charges and assessments levied against the Property) are not secured by any pledge of taxes or other revenues of the District. In the event that the District's general fund revenues are less than its total obligations, the District may choose to fund other costs or expenses before making Lease Payments.

The obligation of the District to make Lease Payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the District to make Lease Payments under the Lease Agreement constitute a debt of the District, the Corporation or the State or any political subdivisions thereof within the meaning of any Constitutional or statutory debt limitation or restriction or an obligation for which the Corporation or the District is obligated to levy or pledge any form of taxation or for which the Corporation or the District has levied or pledged any form of taxation.

Although the Lease Agreement does not create a pledge, lien or encumbrance upon the funds of the District, the District is obligated under the Lease Agreement to pay Lease Payments from legally available funds and the District has covenanted in the Lease Agreement that, for so long as the Property is available for its use, it will make the necessary annual appropriations within its budget for all Lease Payments owed under the Lease Agreement. The District is currently liable on other obligations payable from general revenues. See "DISTRICT FINANCIAL INFORMATION."

Additional Obligations

The District may enter into additional obligations which constitute charges against its general revenues. To the extent that additional obligations are incurred by the District, the funds available to make Lease Payments may be decreased.

Limited Recourse on Default

In the event of a default under the Lease Agreement, there is no available remedy of acceleration of the total Lease Payments due over the term of the Lease Agreement. The District will only be liable for Lease Payments on an annual basis, and the Trustee would be required to seek a separate judgment each year for that year's defaulted Lease Payments. Any such suit for money damages would be subject to

limitations on legal remedies against public agencies in California, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest, as described below.

If the District defaults on its obligation to make Lease Payments, the Trustee, as assignee of the Corporation, may retain the Lease Agreement and hold the District liable for all Lease Payments on an annual basis and will have the right to re-enter and re-let the Property. Such re-entry and re-letting shall not automatically effect a surrender of the Lease Agreement. In the event the Property is re-entered by reason of a default in Lease Payments or for any other reason, there can be no assurance that the Property can be re-let for a net amount equal to the then-due Lease Payments.

The enforcement of any remedies provided in the Lease Agreement and Trust Agreement could prove both expensive and time-consuming. In addition to the limitation on remedies contained in the Lease Agreement and the Trust Agreement, the rights and remedies provided in the Lease Agreement and the Trust Agreement may be limited by and are subject to provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principals that may affect the enforcement of creditors' rights and the limitation on remedies against public agencies in California.

The Trustee is not empowered to sell the Property for the benefit of the Certificate owners. See APPENDIX A—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—LEASE AGREEMENT.

In December, 2002, the District entered into the 2002 Lease. As such, the lease of the MLK Jr. Academy to the Corporation under the Lease Agreement is technically a sub-sub-sublease. If the District were to default under the 2002 Lease, the CSBAFC would seek to re-lease the MLK Jr. Academy to generate sufficient moneys to make the 2002 Lease Payments, ahead of any remedy under the Lease Agreement. It is likely, but not certain, that such re-lease would generate sufficient revenues to pay the Lease Payments as well as the 2002 Lease payments. Also, in the event of a bankruptcy of the District, there can be no assurance that any such excess re-lease revenues would be available to the District for payment of the Lease Payments.

In August, 2006, the District entered into the 2006 Lease. As such, the lease of the Bayside Elementary School to the Corporation under the Lease Agreement is technically a sub-sub-sublease. If the District were to default under the 2006 Lease, the Corporation would seek to re-lease the Bayside Elementary School to generate sufficient moneys to make the 2006 Lease Payments, ahead of any remedy under the Lease Agreement. It is likely, but not certain, that such re-lease would generate sufficient revenues to pay the Lease Payments as well as the 2006 Lease payments. Also, in the event of a bankruptcy of the District, there can be no assurance that any such excess re-lease revenues would be available to the District for payment of the Lease Payments.

Abatement

Use and Possession of the Property. The obligation of the District under the Lease Agreement to pay Lease Payments is in consideration for the use and possession of the Property. The obligation of the District to make Lease Payments (other than to the extent that funds to make Lease Payments are then available in the Lease Payment Fund) may be abated in whole or in part if the District does not have full use and possession of the Property. Lease Payments due under the Lease Agreement shall be abated during any period in which, by reason of material damage, destruction or condemnation, there is substantial interference with the use and right of possession by the District of the Property, or a material portion thereof. Such abatement shall continue for the period commencing with the date of such damage,

destruction or condemnation and ending with the restoration of the affected portion of the Property to a condition which will permit the affected portion of the Property to be used substantially as intended. The District is obligated to maintain rental interruption insurance for coverage of a 24-month period. There will be no abatement of Lease Payments so long as proceeds of the District's rental interruption insurance are available to make Lease Payments when and as due. Abatement of Lease Payments is not a default under the Lease Agreement and does not permit the Trustee to take any action or avail itself of any remedy against the District. See APPENDIX A—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—LEASE AGREEMENT.

Damage or Destruction; Eminent Domain. If damage or destruction or eminent domain proceedings with respect to any item or portion of the Property result in abatement or adjustment of Lease Payments and the resulting Lease Payments (and in the event of damage or destruction, together with rental interruption insurance proceeds or casualty insurance proceeds, if any), are insufficient to make all payments of principal and interest due with respect to the Certificates during the period that the Property is being replaced, repaid or reconstructed, then such payments of principal and interest, may not be made in full and no remedy is available to the Trustee or the owners of the Certificates under the Lease Agreement or Trust Agreement for nonpayment under such circumstances.

Absence of Earthquake and Flood Insurance

The obligation of the District to make Lease Payments may be adversely affected if the Property is damaged or destroyed by natural hazard such as earthquake or flood. The District, however, is not obligated under the Lease Agreement to procure and maintain, or cause to be maintained, earthquake or flood insurance on the Property.

All building components of the Property were constructed under the standards of the "Field Act" (California State Building Code, Title 24). The Field Act requires substantially higher construction standards for public schools and hospitals than are required for other types of construction. The Field Act requires that building systems be capable of withstanding seismic forces from the "most credible" earthquake likely to occur in the vicinity of the building system being constructed.

Bankruptcy

The District is a unit of State government and therefore is not subject to the involuntary procedures of the United States Bankruptcy Code (the "Bankruptcy Code"). However, pursuant to Chapter 9 of the Bankruptcy Code, the District may seek voluntary protection from its creditors for purposes of adjusting its debts.

In the event the District were to become a debtor under the Bankruptcy Code, the District would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding and an owner of a Certificate would be treated as a creditor in a municipal bankruptcy. Among the adverse effects of such a bankruptcy would be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the District or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the District; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the occurrence of unsecured or court-approved secured debt which may have a priority of payment superior to that of secured debt which may have a priority of payment superior to that of owners of Certificates; and (iv) the possibility of the adoption of a plan for the

adjustment of the District's debt (a "Plan") without the consent of all of the owners of Certificates, which Plan may restructure, delay, compromise or reduce the amount of the claim of the owners if the Bankruptcy Court finds that the Plan is fair and equitable. In addition, the Bankruptcy Code would invalidate any provision of the Certificates which makes the bankruptcy or insolvency of the District an event of default. With the exception of the provisions contained in the Plan, a Bankruptcy Court could not impose restrictions on the District's power or its property without the consent of the District.

Redemption Provisions

The Certificates are subject to optional and mandatory sinking fund redemption. See "THE CERTIFICATES—Redemption."

State Law Limitations on Appropriations

Article XIII B of the California Constitution limits the amount that local governments can appropriate annually. The District's ability to make Lease Payments may be affected if the District should exceed its appropriations limit. The District does not anticipate exceeding said limit in the foreseeable future, as a result of procedures whereby the State may increase the District's appropriation limit by decreasing the State's limit by an equal amount. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS."

California Economy

Like all California school districts, the District receives a significant portion of its funding from appropriations by the State. See "DISTRICT FINANCIAL INFORMATION—State Funding of Education and Revenue Limitations." As a result, decreases in the revenues received by the State could affect appropriations made by the State to the District and other school districts within California. A deterioration of California's economy could negatively affect the State's receipt of taxes and other revenues and, possibly, appropriations by the State to the District and other California school districts.

Property Values

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

Geologic, Topographic and Climatic Conditions

The value of the Property in the future can be adversely affected by a variety of additional factors, particularly those which may affect the continued use and occupancy of the Property. Such additional factors include, without limitation, geologic conditions such as earthquakes and volcanic eruptions, topographic conditions such as earth movements, landslides and floods and climatic conditions such as droughts and tornadoes. It can be expected that one or more of such conditions may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost or because repair or replacement will not facilitate use or occupancy or because other considerations

preclude such repair or replacement. Under any of these circumstances, the value of the Property so affected may well depreciate or disappear.

Hazardous Substances

One of the most serious risks in terms of the potential reduction in the value of a property is a claim with regard to a hazardous substance. In general, the owners and operators of a parcel of real property may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Super-fund Act," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. The effect, therefore, should the Property be affected by a hazardous substance is to reduce the marketability and value thereof by the costs of remedying the condition.

THE CORPORATION

The Corporation is a nonprofit, public benefit corporation duly organized and existing under the laws of the State of California and is entitled to purchase personal and real property and to sell or lease such property, to contract for construction and improvements and to execute operating agreements regarding such property. The Corporation was formed for the purpose of providing financial assistance to public entities by acquiring, constructing, developing and refinancing certain facilities for the use and benefit of the public. The Corporation has no liability to the Owners of the Certificates.

ABSENCE OF LITIGATION

At the time of delivery of and payment for the Certificates, the District will certify that there is no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court or regulatory agency, public board, or body pending or threatened against the District or the Corporation affecting their existence or the titles of their respective officers or seeking to restrain or to enjoin the issuance, sale, or delivery of the Certificates, or the application of the proceeds thereof in accordance with the Trust Agreement, or in any way contesting or affecting the validity or enforceability of the Certificates, any agreement entered into between the District and any purchaser of the Certificates, the Lease Agreement, the Trust Agreement, the Assignment Agreement, the Site and Facility Lease or any other applicable agreements or any action of the District or the Corporation contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the District or the Corporation or their authority with respect to the Certificates or any action of the District or the Corporation contemplated by any of said documents, nor, to the knowledge of the District or the Corporation, is there any basis therefor.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the “Annual Report”) by not later than March 31 after the end of the District’s fiscal year (the current end of the District’s fiscal year is on June 30), commencing with the report for the 2013-14 fiscal year, and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the District with the Municipal Securities Rulemaking Board (the “MSRB”). The notices of enumerated events will be filed by the District with the MSRB. The specific nature of the information to be made available and to be contained in the notices of material events is summarized below under the caption APPENDIX F—FORM OF CONTINUING DISCLOSURE CERTIFICATE. These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the “Rule”). The District has had no previous continuing disclosure obligations.

FINANCIAL ADVISOR

The District has retained Isom Advisors, A Division of Urban Futures Incorporated, Walnut Creek, California, as financial advisor (the “Financial Advisor”) in connection with the execution and delivery of the Certificates. The Financial Advisor has assisted the District in the review of this Official Statement and in other matters relating to the planning, structuring, execution and delivery of the Certificates. The Financial Advisor has not audited, authenticated or otherwise independently verified any of the data contained herein. The Financial Advisor has not conducted a detailed investigation of the affairs of the District to determine the accuracy or completeness of disclosure information contained in this Official Statement. Due to its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein and offers no guaranty, warranty or other representation respecting the accuracy and completeness of this Official Statement. The fees of the Financial Advisor are contingent upon the sale and delivery of the Certificates.

LEGAL MATTERS

All legal matters in connection with the execution and delivery of the Certificates are subject to the approval of Quint & Thimmig LLP, Larkspur, California, Special Counsel. Special Counsel’s opinion with respect to the Certificates will be substantially in the form set forth in APPENDIX C—FORM OF OPINION OF SPECIAL COUNSEL. Certain legal matters will also be passed on for the District by Quint & Thimmig LLP, as Disclosure Counsel. The fees and expenses of Special Counsel and Disclosure Counsel are contingent upon the execution and delivery of the Certificates.

TAX MATTERS

Federal tax law contains a number of requirements and restrictions which apply to the Certificates, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The District has covenanted to comply with all requirements that must be satisfied in order for the interest with respect to the Certificates to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest with respect to the

Certificates to become includable in gross income for federal income tax purposes retroactively to the date of delivery of the Certificates.

Subject to the District's compliance with the above referenced covenants, under present law, in the opinion of Quint & Thimmig LLP, Special Counsel, interest with respect to the Certificates is excludable from the gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but interest with respect to the Certificates is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

In rendering its opinion, Special Counsel will rely upon certifications of the District with respect to certain material facts within its knowledge. Special Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

The Internal Revenue Code of 1986, as amended (the "Code"), includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT for a corporation, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporations' taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would generally include certain tax-exempt interest, but not interest with respect to the Certificates.

Ownership of the Certificates may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Certificates should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "Issue Price") for each maturity of the Certificates is the price at which a substantial amount of such maturity of the Certificates is first sold to the public. The Issue Price of a maturity of the Certificates may be different from the price set forth, or the price corresponding to the yield set forth, on the cover page hereof.

Owners of Certificates who dispose of Certificates prior to the stated maturity (whether by sale, redemption or otherwise), purchase Certificates in the initial public offering, but at a price different from the Issue Price, or purchase Certificates subsequent to the initial public offering, should consult their own tax advisors.

If a Certificate is purchased at any time for a price that is less than the Certificate's stated redemption price at maturity (the "Reduced Issue Price"), the purchaser will be treated as having purchased a Certificate with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Certificate is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. Such treatment would apply to any purchaser who

purchases a Certificate for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Certificate. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Certificates.

An investor may purchase a Certificate at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as “bond premium” and must be amortized by an investor on a constant yield basis over the remaining term of the Certificate in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor’s basis in the Certificate. Investors who purchase a Certificate at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Certificate’s basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Certificate.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Certificates should consult their own tax advisors regarding any pending or proposed federal tax legislation. Special Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the “Service”) has an ongoing program of auditing tax exempt obligations to determine whether, in the view of the Service, interest on such tax exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Certificates. If an audit is commenced, under current procedures the Service may treat the Issuer as a taxpayer and the Owners may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Certificates until the audit is concluded, regardless of the ultimate outcome.

Payments of interest with respect to, and proceeds of the sale, redemption or maturity of, tax exempt obligations, including the Certificates, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Certificate owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Certificate owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

In the further opinion of Special Counsel, interest with respect to the Certificates is exempt from California personal income taxes.

Ownership of the Certificates may result in other state and local tax consequences to certain taxpayers. Special Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Certificates. Prospective purchasers of the Certificates should consult their tax advisors regarding the applicability of any such state and local taxes.

The complete text of the final opinion that Special Counsel expects to deliver upon the delivery of the Certificates is set forth in APPENDIX C—FORM OF OPINION OF SPECIAL COUNSEL.

UNDERWRITING

The Certificates are being purchased by George K. Baum & Company (the “Underwriter”). The Underwriter will agree to purchase the Certificates at a price of \$_____ (representing an aggregate principal amount of the Certificates of \$_____, plus a net original issue premium of \$_____, and less an Underwriter’s discount of \$_____). The Purchase Agreement relating to the Certificates provides that the Underwriter will purchase all of the Certificates if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said Purchase Agreement, approval of certain legal matters by counsel and certain other conditions. After a bona fide initial public offering at the price stated on the cover page hereof, the Underwriter may offer and sell the Certificates to certain dealers and others at prices lower than the initial public offering price. The offering price may be changed from time to time by the Underwriter.

RATING

Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”), has assigned the rating of “A” to the Certificates. This rating reflects only the views of S&P and an explanation of the significance of such rating may be obtained from S&P. There is no assurance that such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by S&P, if in the judgment of the S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates.

FINANCIAL STATEMENTS

The District’s Audited Financial Statements for fiscal year ended June 30, 2013, which include the District’s 2013 audited financial statements and the District’s Auditor’s Report regarding such financial statements, are set forth in APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2013. The District’s Auditor was not requested to consent to the inclusion of its report in Appendix B and it has not undertaken to update financial statements included in Appendix B. No opinion is expressed by the District’s Auditor with respect to any event subsequent to its report.

ADDITIONAL INFORMATION

All of the preceding summaries of the Certificates, the Trust Agreement, the Lease Agreement, the Assignment Agreement, the Site and Facility Lease, and other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the District for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the Certificates.

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

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

The District will furnish a certificate dated the date of delivery of the Certificates, from an appropriate officer of the District, to the effect that to the best of such officer's knowledge and belief, and after reasonable investigation, (i) neither the Official Statement or any amendment or supplement thereto contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading; (ii) since the date of the Official Statement, no event has occurred which should have been set forth in an amendment or supplement to the Official Statement which has not been set forth in such an amendment or supplement, and the Certificates, the Trust Agreement, the Lease Agreement, the Assignment Agreement, the Site and Facility Lease, and other applicable agreements conform as to form and tenor to the descriptions thereof contained in the Official Statement; and (iii) the District has complied with all the agreements and has satisfied all the conditions on its part to be performed or satisfied under the Trust Agreement at and prior to the date of the issuance of the Certificates.

The execution and delivery of the Official Statement by the District have been duly authorized by the District Council on behalf of the District.

CORCORAN JOINT UNIFIED SCHOOL
DISTRICT

By _____
Superintendent

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APPENDIX A

GENERAL, ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO THE CITY OF CORCORAN AND KINGS COUNTY

The information in this section of the Official Statement is presented as general background data. The Certificates are payable solely from the revenues of the District's General Fund and other sources as described in the Official Statement. The taxing power of the City, the State of California, or any political subdivision thereof is not pledged to the payment of the Certificates.

Introduction

Kings County (the "County"), located approximately 220 miles south of San Francisco, was created in 1893 from a section of Tulare County. In 1908, one hundred square miles of territory were added to the County from Fresno County, bringing the County's total area to approximately 1,390 square miles. The County is bordered by Fresno County to the north, Kern and San Luis Obispo Counties to the south, Monterey County to the west and Tulare County to the east. There are four incorporated cities in the County: Hanford, Lemoore, Corcoran and Avenal. The City of Hanford serves as the County Seat.

The City of Corcoran (the "City") is located 17 miles (27 km) south-southeast of Hanford, at an elevation of 207 feet (63 m). The city has a total area of 6.4 square miles (17 km²), all of it land.

Population

The City is the site of the California State Prison, Corcoran, and the California Substance Abuse Treatment Facility and State Prison. Inmates are counted as city residents by both the United States Census and the California Department of Finance. Thus, the incarcerated persons in the two prisons comprise approximately 45% of the total population of the City.

The table below summarizes population of the City and the County.

POPULATION City of Corcoran and Kings County

Year ⁽¹⁾	City of Corcoran	Kings County
2010	24,813	152,982
2011	24,059	152,553
2012	23,559	151,774
2013	23,069	151,127
2014	22,515	150,181

Source: California Department of Finance, Demographic Research Unit. E-4 Population Estimates for Cities, Counties, and the State, 2011-2014 with 2010 Census Benchmark.

(1) Measured as of January 1 for each year except 2010 which is measured as of April 1.

Employment

The following table summarizes the historical numbers of workers by industry in the County for the last five years:

	2009	2010	2011	2012	2013 ⁽¹⁾
Total All Industries	43,800	42,800	42,500	42,800	43,200
Total Farm	6,500	6,600	6,200	6,300	6,400
Total Nonfarm	37,300	36,300	36,200	36,500	36,800
Goods Producing	5,200	5,000	5,200	5,200	5,300
Mining, Logging, and Construction	900	900	900	800	800
Manufacturing	4,300	4,100	4,300	4,400	4,500
Service Providing	32,100	31,300	31,000	31,300	31,500
Trade, Transportation & Utilities	5,200	5,200	5,300	5,400	5,700
Information	300	200	200	200	200
Financial Activities	1,000	900	1,000	1,000	900
Professional & Business Services	1,400	1,700	1,200	1,300	1,300
Educational & Health Services	5,400	5,200	5,300	5,400	5,500
Leisure & Hospitality	2,700	2,700	2,800	2,800	2,900
Other Services	500	500	500	600	600
Government	15,600	14,900	14,800	14,600	14,300

Source: California Employment Development Department, Industry Employment & Labor Force - by Annual Average, based on March 2013 benchmark.

(1) Last available full year data.

*Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households, and persons involved in labor/management trade disputes. Employment reported by place of work. Items may not add to totals due to independent rounding.

The following tables summarize historical employment and unemployment for the County, the State and the United States for the past five years:

**KINGS COUNTY, CALIFORNIA, AND UNITED STATES
Civilian Labor Force, Employment, and Unemployment
(Annual Averages)**

Year	Area	Labor Force	Employment	Unemployment	Unemployment Rate ⁽¹⁾
2009	Kings County	60,600	51,800	8,800	14.5%
	California	18,208,300	16,144,500	2,063,900	11.3
	United States	154,142,000	139,877,000	14,265,000	9.3
2010	Kings County	61,600	51,400	10,200	16.5%
	California	18,316,400	16,051,500	2,264,900	12.4
	United States	153,889,000	139,064,000	14,825,000	9.6
2011	Kings County	61,200	51,200	9,900	16.2%
	California	18,384,900	16,226,600	2,158,300	11.7
	United States	153,617,000	139,869,000	13,747,000	8.9
2012	Kings County	60,800	51,600	9,200	15.1%
	California	18,494,900	16,560,300	1,934,500	10.5
	United States	154,975,000	142,469,000	12,506,000	8.1
2013	Kings County	60,000	51,900	8,100	13.5%
	California	18,596,800	16,933,300	1,663,500	8.9
	United States	155,389,000	143,929,000	11,460,000	7.4

Sources: California Employment Development Department, Industry Employment & Labor Force - by Annual Average, based on March 2013 benchmark, US Department of Labor, Federal Bureau of Labor Statistics.

(1) The unemployment rate is computed from unrounded data, therefore, it may differ from rates computed from rounded figures available in this table.

Major Employers

The table below sets forth the principal employers of the County.

KINGS COUNTY 2014 Major Employers

Company	Location	Industry
Adventist Medical Ctr-Hanford	Hanford	Hospitals
Badasci & Wood Transport	Lemoore	Trucking
California State Prison	Corcoran	State Govt-Correctional Institutions
California State Prison	Corcoran	State Govt-Correctional Institutions
Central Valley Meat Co Inc	Hanford	Meat Packers (Mfrs)
Del Monte Foods	Hanford	Canned Specialties (Mfrs)
Hanford Comm Medical Ctr	Hanford	Health Services
Hanford Regional Healthcare	Hanford	Physicians & Surgeons
Hanford Sentinel	Hanford	Newspapers (Publishers/Mfrs)
Hotel At Tachi Palace	Lemoore	Casinos
J G Boswell Co	Corcoran	Manufacturers
Kings County Admin	Hanford	Government Offices-County
Kings County Government Ctr	Hanford	Government Offices-County
Kmart	Lemoore	Department Stores
Lemoore High School	Lemoore	Schools
Leprino Foods Co	Lemoore	Grocers-Retail
Leprino Foods Co	Lemoore	Cheese Processors (Mfrs)
Naval Air Station	Lemoore	Military Bases
Olam Spices & Vegetables	Hanford	Agricultural Products
US Naval Air Station	Lemoore	Federal Government-National Security
US Naval Hospital	Lemoore	Hospitals
Walmart Distribution Ctr	Hanford	Distribution Centers (Whls)
Walmart Supercenter	Hanford	Department Stores
Warmerdam Packing	Hanford	Fruits & Vegetables-Growers & Shippers
West Hills College-Lemoore	Lemoore	Schools-Universities & Colleges Academic

Source: California Employment Development Department. Data retrieved October 8, 2014.

Construction Activity

The following tables reflects the five-year history of building permit valuation for the City and County:

CITY OF CITY OF CORCORAN Building Permits and Valuation (Dollars in Thousands)

	2009	2010	2011	2012	2013
<u>Permit Valuation:</u>					
New Single-family	\$ 6,086	\$ 3,372	\$ 1,709	\$ 161	\$ 237
New Multi-family	-	-	-	-	-
Res. Alterations/Additions	706	615	1,181	425	606
Total Residential	6,793	3,988	2,890	586	843
Total Nonresidential	3,415	4,928	454	4,797	2,580
Total All Building	\$ 10,209	\$ 8,917	\$ 3,344	\$ 5,383	\$ 3,424
<u>New Dwelling Units:</u>					
Single Family	43	22	11	1	1
Multiple Family	-	-	-	-	-
Total	43	22	11	1	1

KINGS COUNTY Building Permits and Valuation (Dollars in Thousands)

	2009	2010	2011	2012	2013
<u>Permit Valuation:</u>					
New Single-family	\$ 28,761	\$ 26,005	\$ 18,733	\$ 38,696	\$ 36,406
New Multi-family	-	10,693	6,125	-	1,500
Res. Alterations/Additions	5,421	5,580	8,884	5,330	5,531
Total Residential	34,182	42,279	33,742	44,026	43,438
Total Nonresidential	35,539	51,955	22,139	33,717	67,713
Total All Building	\$ 69,722	\$ 94,234	\$ 55,881	\$ 77,744	\$ 111,151
<u>New Dwelling Units:</u>					
Single Family	188	169	115	247	232
Multiple Family	-	72	80	-	6
Total	188	241	195	247	238

Sources: Construction Industry Research Board: "Building Permit Summary."

Note: Totals may not add due to independent rounding.

Commercial Activity

Taxable sales in the County are shown below. Beginning in 2009, reports summarize taxable sales and permits using the NAICS codes. As a result of the coding change, however, industry-level data for 2009 are not comparable to prior years.

TAXABLE SALES, 2008-2012 KINGS COUNTY (dollars in thousands)

	2008			
Retail Stores				
Apparel Stores				\$ 34,296
General Merchandise				195,143
Food Stores				97,704
Eating and Drinking				114,749
Household Group				17,892
Building Material Group				57,010
Automotive Group				137,155
Service Stations				139,711
All Other Retail Stores				128,238
Retail Stores Totals				921,899
Business & Personal Services				55,037
All Other Outlets				412,473
Total All Outlets ⁽²⁾				\$ 1,389,409

	2009 ⁽¹⁾	2010 ⁽¹⁾	2011 ⁽¹⁾	2012 ⁽¹⁾⁽³⁾
Retail and Food Services				
Motor Vehicles and Parts Dealers	\$ 109,406	\$ 112,865	\$ 142,967	\$ 156,367
Furniture and Home Furnishings Stores	10,777	11,183	11,375	11,742
Electronics and Appliance Stores	6,633	7,446	21,082	9,871
Bldg Mtrl. and Garden Equip. and Supplies	78,132	81,301	89,777	87,512
Food and Beverage Stores	75,363	74,792	79,085	81,947
Health and Personal Care Stores	20,418	20,331	21,454	23,094
Gasoline Stations	119,863	141,009	168,438	174,535
Clothing and Clothing Accessories Stores	46,267	49,450	50,077	51,980
Sporting Goods, Hobby, Book and Music Stores	13,046	12,743	12,849	12,745
General Merchandise Stores	156,093	153,502	155,030	153,928
Miscellaneous Store Retailers	30,288	29,645	29,959	30,544
Nonstore Retailers	6,946	7,702	10,440	12,004
Food Services and Drinking Places	114,110	115,283	117,891	124,430
Total Retail and Food Services	787,342	817,260	910,423	930,699
All Other Outlets	387,639	371,071	413,615	455,163
Totals All Outlets ⁽²⁾	\$ 1,174,981	\$ 1,188,331	\$ 1,324,038	\$ 1,385,862

Source: California Board of Equalization, Taxable Sales in California (Sales & Use Tax).

(1) Starting in 2009, categories were revised from prior years.

(2) Totals may not add up due to independent rounding.

(3) Last available full year data.

Median Household Income

The following table summarizes the median household effective buying income for the City, the County, the State of California and the nation for the years 2008 through 2012.

CITY OF CORCORAN, KINGS COUNTY, CALIFORNIA AND UNITED STATES Effective Buying Income

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2009	City of Corcoran	128,835	35,396
	Kings County	2,102,750	41,266
	California	844,823,319	49,736
	United States	6,571,536,768	43,252
2010	City of Corcoran	111,820	31,535
	Kings County	1,953,315	38,319
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2011	City of Corcoran	112,563	30,711
	Kings County	2,041,173	38,001
	California	814,578,457	47,062
	United States	6,438,704,663	41,253
2012	City of Corcoran	142,300	29,751
	Kings County	2,053,198	39,204
	California	864,088,827	47,307
	United States	6,737,867,730	41,358
2013	City of Corcoran	135,020	28,745
	Kings County	2,241,710	43,288
	California	858,676,636	48,340
	United States	6,982,757,379	43,715

Source: Nielsen, Inc.

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2013

The Auditor was not requested to consent to the inclusion of its report in this Appendix B and it has not undertaken to update financial statements included in this Appendix B. No opinion is expressed by the Auditor with respect to any event subsequent to its report.

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**CORCORAN UNIFIED
SCHOOL DISTRICT
COUNTY OF KINGS
CORCORAN, CALIFORNIA
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2013**

**M. GREEN AND COMPANY LLP
Certified Public Accountants
Visalia, CA 93277**

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Introductory Section

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Corcoran Unified School District
 Audit Report
 For The Year Ended June 30, 2013

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Management's Discussion and Analysis

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**CORCORAN UNIFIED SCHOOL DISTRICT
KINGS COUNTY**

**MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

INTRODUCTION

The goal of the Corcoran Unified School District is to provide, in an atmosphere of respect and responsibility, an opportunity for every student to recognize and fully develop his/her particular academic, technical, vocational, physical, and social skills. District students will graduate prepared to succeed in tomorrow's world. The main academic goal of the District is to see growth in writing skills for every student in grades K-12. Key academic goals also include 85% pass rates of all Corcoran high school sophomores in the California High School Exit Exam (CAHEE) and continued improvement in the high school graduation rate of 93%. The District continues to focus expertise and resources to improve pedagogy focused toward student achievement. This includes the District's initiative to use technology to improve opportunities for teaching and learning for students to acquire and develop 21st century learning skills especially aligned to the New Common Core.

The Vision of the District is to be a "Destination District" where people are drawn to Corcoran due to the quality, reputation, and accomplishments of our schools.

The Mission of the District is to create a positive learning environment where all students learn, achieve academically, and are motivated to realize their full potential in and beyond CUSD.

The Management Discussion and Analysis of the District's financial statements provides an overall review of the District's financial activities for the fiscal year ended June 30, 2013. This analysis will look at the District's financial performance as a whole. The Management Discussion and Analysis should be reviewed in conjunction with the auditor's transmittal letter, notes to the basic financial statements, and the basic governmental wide financial statements, to enhance the understanding of the District's financial performance.

The District is a small, rural school district offering instruction to students from preschool-kindergarten through twelfth grade, including programs for alternative education, vocational, and adult education. During the 2012/2013 school year the District operated one (1) pre-school, three (3) elementary schools, one (1) middle school, one (1) high school, and one (1) alternative education school with an adult education program. The District has partnered with California Pacific Charter Schools (CalPac), a virtual on-line curriculum school, to provide additional alternative services to students. The District is on a traditional September through June schedule, for the instruction of approximately 3,300 students.

USING THE ANNUAL FINANCIAL REPORT

This annual financial report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a whole, and then proceed to provide an increasingly detailed look at specific financial activities.

The Management Discussion and Analysis Statement is provided to assist our citizens, taxpayers, and investors in reviewing the District's finances and to show the accountability for the money it receives.

FINANCIAL HIGHLIGHTS

The District's Government-Wide Statement of Net Position illustrates total net position of \$23,783,998 the result of assets of \$32,157,985 minus liabilities of \$8,373,987.

General revenues accounted for \$19,932,680 or 68% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$9,290,758 or 32%, for a total of \$29,223,438 in revenue.

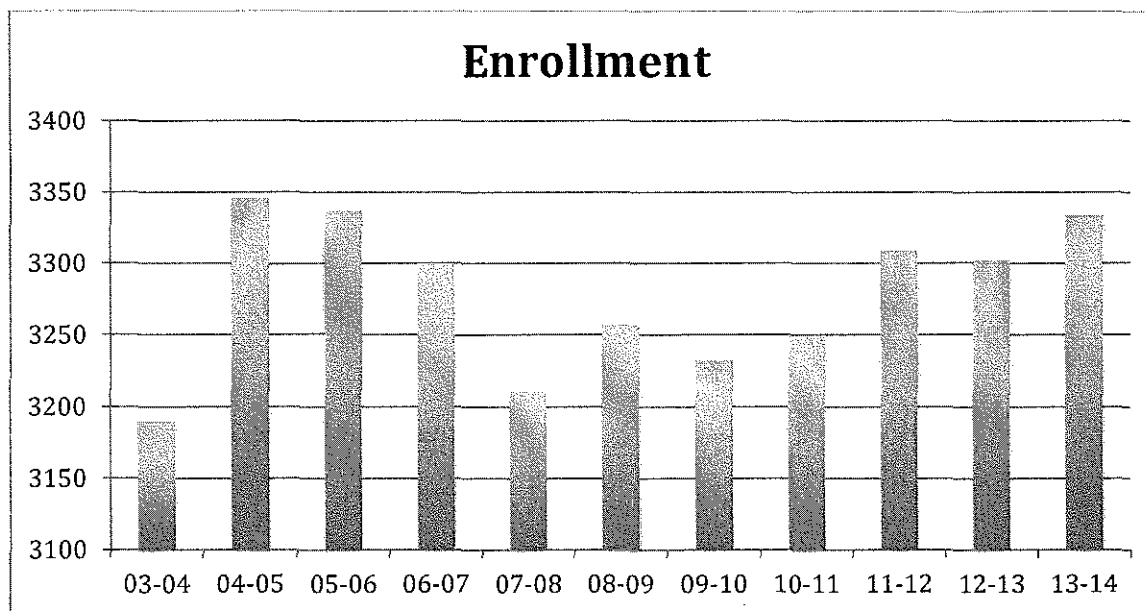
The District had \$29,334,581 in expenses related to governmental activities.

The General Fund reported a positive fund balance of \$6,817,208.

STUDENT ENROLLMENT & DEMOGRAPHIC TRENDS

The District had an enrollment of 3,302 students for the 2012/2013 school year. The enrollment has increased by 32 for the 2013/2014 school year for a total of 3,334. An increase in enrollment is anticipated to be 1% to 2% per year, at best, due to the current economic conditions and the lack of employment opportunities in the area. Figure 1 summarizes a historical analysis of the District's enrollment.

Figure 1



In addition to enrollment, the District also records actual Average Daily Attendance (ADA) of students. The ADA is lower than a District's enrollment due to absences of students from school. Although the two terms are often used interchangeably they are not the same. The enrollment for 2013/2014 is 3,334 with an anticipated ADA of 3,067 for a 92% attendance rate.

School districts have traditionally placed great importance on the accurate projection of student enrollment and ADA for the ensuing budget year, due to the broad range of funding and programs impacted by these numbers. These impacts range from the very basic funding for California school districts to how much the District may receive from a particular program or grant. ADA is calculated by

adding each day's student attendance and dividing by the total number of days in the school year. (Up to the P-2 date.) This will give the average daily attendance (ADA). This is multiplied by a unique "base revenue limit amount" which is the funding the District receives for operational expenditures. In most districts, this is between \$5,000 and \$7,000 per ADA.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and Statement of Activities

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" "The Statement of Net Position" and the "Statement of Activities" report information about the District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the District's net position and changes in it. The change in net position provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors, such as property tax base, current property tax laws, student enrollment, and facility conditions in arriving at their conclusion regarding the overall health of the District.

Fund Financial Statements

The Fund Financial Statements provide detailed information about the most significant funds, not the District as a whole. Some funds are required to be established by State statute, while other funds are established by the District to help manage money for particular purposes and compliance with various regulations. The District's two types of funds, governmental and proprietary, use different accounting approaches as further described in the notes to the financial statements.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows in to and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting. Governmental fund statements provide a detailed short-term view of the District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance District programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in Exhibits A-4 and A-6 in the financial statements.

Governmental funds include most of the major funds of the District. A more detailed discussion of Governmental funds follows.

Proprietary Funds

Proprietary funds use the same basis of accounting as business-type activity, therefore the statements will essentially match. These would include the Internal Service Fund, and the Recreation and Community Services Fund, which the District does not maintain at this time.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the District's own programs. The District uses an agency fund to account for resources held for student activities and groups. These funds include Associated Student Body funds and a Foundation Trust Fund for scholarships.

The District is the trustee, or fiduciary, for its student activity funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Notes to the Financial Statements

The notes provide additional information which is essential for a full understanding of the data provided in the government-wide and fund financial statements.

The District as a Whole

The "Statement of Net Position" provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position for fiscal year 2012/2013.

Table 1
Statement of Net Position

	<u>Governmental Activities</u>		
	<u>2011/2012</u>	<u>2012/2013</u>	<u>Variance</u>
Assets			
Current and Other Assets	\$ 15,657,329	\$ 14,053,146	\$ (1,604,183)
Capital Assets	19,003,336	18,104,839	(898,497)
Total Assets	34,660,665	32,157,985	(2,502,680)
Liabilities			
Current Liabilities	2,859,686	2,732,882	(126,804)
Current Loans	4,015,000	2,705,000	(1,310,000)
Other Postemployment Benefit Obligation	321,065	360,288	39,223
Long-Term Debt	3,369,230	2,575,817	(793,413)
Total Liabilities	10,564,981	8,373,987	(2,190,994)
Net Position			
Net Investment in			
Capital Assets	17,313,175	16,698,318	(614,857)
Restricted	1,328,296	1,999,286	670,990
Unrestricted	5,454,213	5,086,394	(367,819)
Total Net Position	\$ 24,095,684	\$ 23,783,998	\$ (311,686)

GOVERNMENTAL FUNDS

The District's governmental funds include the Child Development, Cafeteria, Deferred Maintenance, Capital Facilities, Debt Service, Special Reserve for Capital Projects, and most importantly, the General Fund. The Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Funds, summarizes District revenue by source of the District's Governmental Funds and expenditures by function.

Table 2 shows the comparison of revenue and expenses between 2011/2012 and 2012/2013.

Table 2
Statement of Activities

	Governmental Activities		
	<u>2011/2012</u>	<u>2012/2013</u>	<u>Variance</u>
Revenues			
Program Revenues			
Charges for Services	\$ 156,590	\$ 141,197	\$ 15,393
Operating Grants & Contributions	8,651,289	9,149,561	(498,272)
<i>General Revenues</i>			
Revenue Limit Sources	16,000,159	16,099,386	(99,227)
Federal Revenues	255,637	1,011	254,626
State Revenues	3,229,936	3,327,427	(97,491)
Local Revenues	902,806	504,856	397,950
Total Revenues	<u>29,196,417</u>	<u>29,223,438</u>	<u>(27,021)</u>
Expenses			
Instructional	16,863,025	17,043,909	(180,884)
Instructional Related	3,743,595	3,154,185	589,410
Pupil Services	2,647,143	2,793,300	(146,157)
Ancillary Services	461,819	411,197	50,622
Community Services	5,489	4,226	1,263
Enterprise	55,699	64,616	(8,917)
General Administration	2,192,586	1,528,839	663,747
Plant Services	3,926,161	4,085,869	(159,708)
Other Outgo	250,540	248,440	2,100
Total Expenses	<u>30,146,057</u>	<u>29,334,581</u>	<u>811,476</u>
Deficiency	(949,640)	(111,143)	(838,497)
Prior Period Adjustment	-	(200,543)	200,543
Change In Net Position	<u>\$ (949,640)</u>	<u>\$ (311,686)</u>	<u>\$ (637,954)</u>

GENERAL FUND BUDGET INFORMATION

The District's budget is prepared in accordance with California law and is based on the cash basis of accounting, utilizing cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

The District begins the budget process in January of each year, to be completed by June 30. After updating of the forecast for changes in revenue and expenditure assumptions, the operating budget begins at the school level. Each school in the District receives a small discretionary allocation. The departments provide input to the business office for their budget needs. The site and department budgets are reviewed periodically to ensure management is aware of any significant variations during the year.

General Fund Budget Variations

In June of each year, a budget is adopted by the District's Board of Trustees, effective July 1 through June 30. The budget is based on the most current information available at the time of adoption. As the year progresses the budget is revised and updated based on new information and District needs. The budget changes are presented with various financial reports and presented at a public meeting of the District's Board of Trustees. Finally, in August of the following year, the books are closed for the July 1 through June 30 fiscal year, and the results are audited, yielding actual final numbers.

There are several reasons for budget revisions. Most notable are any salary increases granted by the Board of Trustees for employees as the original budget does not presume salary increases. Also, any changes in the number of staff and/or staff utilization of health and welfare benefits that vary from the original projections would also yield budget revisions.

The implementation of new instructional or categorical programs can also affect budget projections. The increased emphasis on closing the achievement gap for all of our students will push forward several academic-focused programs that will impact expenditures in personnel, instructional materials, outside services, support services, technology infrastructure, and supplies.

The District is currently faced with the fluctuating fiscal condition of the State of California and the potential impact of their problems on public education. The State and Federal budget issues have an impact on the District's budget. As revenues from these two sources change, so do district revenues. The implementation of new instructional or categorical programs can also affect budget projections.

The final actual numbers of the General Fund that will be certified by February of the next year will be the reflection of the culmination of these factors.

The net difference in fund balance between the original adopted budget and the final revised (actual) budget was an increase of \$2,090,247 and may be summarized as follows:

\$ 3,444,983	Increase in total revenue
<u>1,354,736</u>	Increase in total expenditures
\$ 2,090,247	Net increase in fund balance

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2012/2013, the District had \$37,822,432 invested in land, buildings, building and site improvements, and equipment. Table 3 shows fiscal year 2012/2013 balances.

Table 3
Net Capital Assets

	<u>Historical Cost</u>	<u>Less Depreciation</u>	<u>Net Capital Assets</u>
Land	\$ 486,865	\$ -	\$ 486,865
Land Improvements	13,631,488	(9,813,032)	3,818,456
Buildings	19,911,662	(7,720,732)	12,190,930
Equipment	3,342,136	(2,183,829)	1,158,307
Work In Progress	<u>450,281</u>	<u>-</u>	<u>450,281</u>
Total	<u>\$ 37,822,432</u>	<u>\$ (19,717,593)</u>	<u>\$ 18,104,839</u>

DEBT

At June 30, 2013 the District had outstanding debt as summarized in Table 4.

Table 4
Long-Term Debt

		<u>District Wide Governmental Activities</u>
6/30/13 Balances:		
Capital Leases:		
Energy Project of 2006/2007	\$ 734,190	
Apple Leases (5)	537,760	
Pre-School Construction	<u>615,341</u>	\$ 1,887,291
PARS Supplementary Retirement Plan		569,993
Other Long Term Debt (COP)		56,988
Compensated Absences		61,545
Total		<u><u>\$ 2,575,817</u></u>
<i>This year's major changes included:</i>		
Additions:		
Apple Lease Dec 2012 (Mark Twain)		\$ 471,348
Reductions:		
Paid principal on Capital Leases		\$ 951,000
Paid principal on PARS		\$ 200,304
Paid principal on Other Long Term Debts (COP)		\$ 110,732

FOR THE FUTURE

The District will continue to use resources in an efficient manner in order to fulfill its mission and vision as well as continue to seek other sources of funding. The administration will continue their focus on the needs of the District. They are: The need to provide a competitive salary and health and welfare compensation for its employees; to find funding to upgrade and repairs to 50-80 year old facilities; and to maintain the District's vision of providing every student grades 6-12 with an iPad or a laptop to take home, including infrastructure, equipment, and staff development. The District's system of budgeting and internal controls is well regarded and it will take all of the District's financial abilities to meet the challenges of the future.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, 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 additional financial information, contact the Chief Business Officer, 1520 Patterson Avenue, Corcoran, California 93212, (559)992-8888 extension 1232.

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Financial Section



M. Green and Company LLP

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Independent Auditors' Report

Board of Trustees
Corcoran Unified School District
1520 Patterson Avenue
Corcoran, California 93212

Members of the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Corcoran Unified School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditors' 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, the major fund, and the aggregate remaining fund information of Corcoran Unified School District, as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note A to the financial statements, Corcoran Unified School District adopted the provisions of *Governmental Accounting Standards Board Statement No. 61, Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34* and adopted the provisions of *Governmental Accounting Standards Board Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* for the fiscal year ended June 30, 2013. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedule of funding progress for OPEB benefits on pages 1-9 and 41-42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

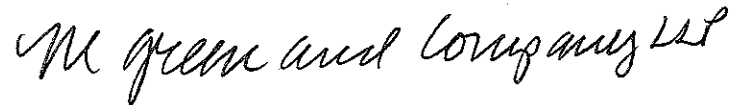
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corcoran Unified School District's basic financial statements. The schedule of expenditures of federal awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying other required supplementary schedules as other supplementary information as required by the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-13*, published by the Education Audit Appeals Panel are not a required part of the basic financial statements.

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

The budgetary comparison schedules presented as other supplementary information on pages 43 through 48 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2013, on our consideration of Corcoran Unified 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Corcoran Unified School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "M Green and Company LLP". The signature is written in a cursive, flowing style.

Visalia, California
December 15, 2013

Basic Financial Statements

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CORCORAN UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2013

	Governmental Activities
ASSETS:	
Cash in County Treasury	\$ 9,104,376
Cash in Revolving Fund	8,500
Accounts Receivable	4,899,707
Stores inventories	40,563
Capital Assets:	
Land	486,865
Land Improvements, Net	3,818,456
Buildings, Net	12,190,930
Equipment, Net	1,158,307
Work in Progress	450,281
Total Assets	<u>32,157,985</u>
LIABILITIES:	
Accounts Payable	2,711,930
Unearned Revenue	20,952
Tax Revenue Anticipation Notes	2,705,000
Noncurrent Liabilities:	
Other Postemployment Benefit Obligation	360,288
Due within one year	588,503
Due in more than one year	1,987,314
Total Liabilities	<u>8,373,987</u>
NET POSITION	
Net Investment in Capital Assets	16,698,318
Restricted For:	
Debt Service	53
Capital Projects	330,801
Legally Restricted Balances	201,230
Specific Programs	1,467,202
Unrestricted	5,086,394
Total Net Position	<u>\$ 23,783,998</u>

The accompanying notes are an integral part of this statement.

CORCORAN UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
PRIMARY GOVERNMENT:				
Government Activities:				
Instruction	\$ 17,043,909	\$ 47,989	\$ 5,579,120	\$ (11,416,800)
Instruction-Related Services	3,154,185	8,436	706,940	(2,438,809)
Pupil Services	2,793,300	43,047	1,983,381	(766,872)
Ancillary Services	411,197	-	-	(411,197)
Community Services	4,226	924	7,567	4,265
Enterprise	64,616	-	-	(64,616)
General Administration	1,528,839	2,338	273,507	(1,252,994)
Plant Services	4,085,869	38,463	439,383	(3,608,023)
Other Outgo	248,440	-	159,663	(88,777)
Total Governmental Activities	<u>29,334,581</u>	<u>141,197</u>	<u>9,149,561</u>	<u>(20,043,823)</u>
Total Primary Government	<u>\$ 29,334,581</u>	<u>\$ 141,197</u>	<u>\$ 9,149,561</u>	<u>(20,043,823)</u>
General Revenues:				
Revenue Limit Sources				16,099,386
Federal Revenues				1,011
State Revenues				3,327,427
Local Revenues				504,856
Transfers				-
Total General Revenues and Transfers				<u>19,932,680</u>
Change in Net Position				(111,143)
Net Position - Beginning				24,095,684
Prior Period Adjustment				(200,543)
Net Position - Ending				<u>\$ 23,783,998</u>

The accompanying notes are an integral part of this statement.

CORCORAN UNIFIED SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2013

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:			
Cash in County Treasury	\$ 8,030,140	\$ 1,074,236	\$ 9,104,376
Cash in Revolving Fund	5,000	3,500	8,500
Accounts Receivable	4,643,329	256,378	4,899,707
Due from Other Funds	41,000	637,326	678,326
Stores Inventories	-	40,563	40,563
Total Assets	<u>\$ 12,719,469</u>	<u>\$ 2,012,003</u>	<u>\$ 14,731,472</u>
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	\$ 2,586,588	\$ 125,342	\$ 2,711,930
Due to Other Funds	590,270	88,056	678,326
Tax Revenue Anticipation Notes	2,705,000	-	2,705,000
Unearned Revenue	20,403	549	20,952
Total Liabilities	<u>5,902,261</u>	<u>213,947</u>	<u>6,116,208</u>
Fund Balance:			
Nonspendable Fund Balances:			
Revolving Cash	5,000	3,500	8,500
Stores Inventories	-	40,563	40,563
Restricted Fund Balances	201,230	1,753,760	1,954,990
Assigned Fund Balances	1,434,370	233	1,434,603
Unassigned:			
Reserve for Economic Uncertainty	3,269,978	-	3,269,978
Other Unassigned	1,906,630	-	1,906,630
Total Fund Balance	<u>6,817,208</u>	<u>1,798,056</u>	<u>8,615,264</u>
Total Liabilities and Fund Balances	<u>\$ 12,719,469</u>	<u>\$ 2,012,003</u>	<u>\$ 14,731,472</u>

The accompanying notes are an integral part of this statement.

CORCORAN UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

Total fund balances - governmental funds balance sheet	\$ 8,615,264
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	18,104,839
Payables for capital leases which are not due in the current period are not reported in the funds.	(1,887,291)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(61,545)
Payables for retirement incentives which are not due in the current period are not reported in the funds.	(569,993)
Payables for COPS which are not due and payable in the current period are not reported in the funds.	(56,988)
Other postemployment benefit liabilities which are not due and payable in the current period are not reported in the funds.	<u>(360,288)</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 23,783,998</u>

The accompanying notes are an integral part of this statement.

CORCORAN UNIFIED SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Revenue Limit Sources:			
State Apportionments	\$ 13,832,092	\$ -	\$ 13,832,092
Local Sources	2,267,290	-	2,267,290
Federal Revenue	2,172,024	1,409,088	3,581,112
Other State Revenue	6,619,020	644,071	7,263,091
Other Local Revenue	2,208,690	71,163	2,279,853
Total Revenues	<u>27,099,116</u>	<u>2,124,322</u>	<u>29,223,438</u>
Expenditures:			
Instruction	16,668,301	217,525	16,885,826
Instruction - Related Services	3,091,367	52,458	3,143,825
Pupil Services	1,257,925	1,432,602	2,690,527
Ancillary Services	410,681	-	410,681
Community Services	4,226	-	4,226
Enterprise	64,616	-	64,616
General Administration	1,434,812	78,947	1,513,759
Plant Services	3,098,753	338,933	3,437,686
Other Outgo	153,455	-	153,455
Debt Service:			
Principal	1,081,017	181,019	1,262,036
Interest	75,814	19,171	94,985
Total Expenditures	<u>27,340,967</u>	<u>2,320,655</u>	<u>29,661,622</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(241,851)</u>	<u>(196,333)</u>	<u>(438,184)</u>
Other Financing Sources (Uses):			
Transfers In	-	813,960	813,960
Transfers Out	(591,670)	(222,290)	(813,960)
Other Sources	471,348	-	471,348
Total Other Financing Sources (Uses)	<u>(120,322)</u>	<u>591,670</u>	<u>471,348</u>
Net Change in Fund Balance	(362,173)	395,337	33,164
Fund Balance, July 1	7,379,924	1,402,719	8,782,643
Prior Period Adjustment	(200,543)	-	(200,543)
Fund Balance, June 30	<u>\$ 6,817,208</u>	<u>\$ 1,798,056</u>	<u>\$ 8,615,264</u>

The accompanying notes are an integral part of this statement.

CORCORAN UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds	\$	33,164
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:		
Capital outlays are not reported as expenses in the SOA.		206,686
The depreciation of capital assets used in governmental activities is not reported in the funds.		(1,105,183)
Proceeds of long-term debt are recognized as other sources in the funds but not as revenue in the SOA.		(471,348)
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.		951,000
Repayment of COPS principal is an expenditure in the funds but is not an expense in the SOA.		110,732
Other postemployment benefit obligation in excess of the "pay as you go" amount is an expense in the SOA but not an expenditure in the funds.		(39,223)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.		2,725
Special termination benefits are reported as the amount earned in the SOA but as the amount paid in the funds.		<u>200,304</u>
Change in net position of governmental activities - Statement of Activities	\$	<u>(111,143)</u>

The accompanying notes are an integral part of this statement.

CORCORAN UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2013

	Private-purpose Trust Fund	Agency Fund
	Scholarship Fund	Student Body Fund
ASSETS:		
Cash on Hand and in Banks	\$ 17,630	\$ 140,642
Total Assets	<u>17,630</u>	<u>140,642</u>
LIABILITIES:		
Due to Student Groups	-	140,642
Total Liabilities	<u>-</u>	<u>140,642</u>
NET POSITION:		
Restricted	17,630	-
Total Net Position	<u>\$ 17,630</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

CORCORAN UNIFIED SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	Private- Purpose Trusts
Additions:	
Plan Member Contributions	\$ 20,020
Total Additions	<u>20,020</u>
Deductions:	
Scholarship Awards	18,950
Total Deductions	<u>18,950</u>
Change in Net Position	1,070
Net Position-Beginning of the Year	16,560
Net Position-End of the Year	<u>\$ 17,630</u>

The accompanying notes are an integral part of this statement.

CORCORAN UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

A. Summary of Significant Accounting Policies

Corcoran Unified School District (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 accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

1. Financial Reporting Entity

A reporting entity is comprised of the primary government and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Corcoran Unified School District, this includes general operations, food service and student related activities of the District. The District evaluated whether any other entity should be included in these financial statements based on the criteria set forth in GASB Statement No. 61 "The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34". Based on criteria, the District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by the GASB Statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities 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 revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. 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.

The District reports the following major governmental fund:

The General Fund is the District's primary operating fund. It is used to account for all financial resources of the District except those required to be accounted for in another fund.

In addition, the District reports the following fund types:

Non-Major Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The following special revenue funds are utilized by the District:

The Child Development Fund is used to account separately for federal, state, and local revenues to operate child development programs.

CORCORAN UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

The Cafeteria Fund is used to account separately for federal, state, and local resources to operate the food service program and is used only for those expenditures as necessary for the operation of the District's food service program.

The Deferred Maintenance Fund is used to account separately for state apportionments, District contributions, and expenditures made in accordance with the District's five year plan for deferred maintenance purposes. During 2009, legislation was passed that allowed the fund balance and state apportionments to be flexible for expenditure purposes until fiscal year 2012-13, which was extended through 2014-15 by Senate Bill 70. The District has elected to continue the use of the Deferred Maintenance Fund and has committed these resources for the purpose of deferred maintenance expenditures.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The following debt service fund is maintained by the District.

The Debt Service Fund is used to account for the accumulation of resources for, and the repayment of, the District's capital leases.

Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets. The District maintains the following capital projects funds:

The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).

The County School Facilities Fund is established to receive apportionments from the State School Facilities Fund authorized by the State Allocation board for facility construction, modernization projects, and facility hardship grants. There was no activity in this fund during the year, therefore, a budgetary comparison schedule has not been presented.

The Special Reserve Fund for Capital Outlay Projects is used to accumulate necessary funding for various projects.

In addition, the District reports the following fund types:

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are, therefore, not available to support District programs, these funds are not included in the government-wide statements.

Agency Funds: The District maintains student body funds, which are used to account for the activities of student groups.

Private - Purpose Trust Funds: These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

CORCORAN UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

b. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They 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. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers revenues collected within 60 days after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

4. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board and district superintendent during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was used as a management control device during the year for all budgeted funds. The District employs budget control by minor object and function and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object code. All appropriations lapse at year end.

5. Assets, Liabilities, and Equity

a. Deposits and Investments

Cash balances held in banks and in revolving funds are fully insured or collateralized.

CORCORAN UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

In accordance with Education Code Section 41001, the District maintains substantially all its cash in the Kings County Treasury. The County pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

The County is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

Information regarding the amount of dollars invested in derivatives with the Kings County Treasury indicates the amount was less than 1% for the year ended June 30, 2013.

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. Inventories of the General Fund are immaterial and have been omitted from these statements.

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure when incurred.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	25-50
Building Improvements	20
Land Improvements	20
Vehicles	5-15
Office Equipment	5-15
Computer Equipment	3-15

CORCORAN UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

d. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

e. Unearned Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded to the extent cash received on specific projects and programs exceeds qualified expenditures.

f. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The entire compensated absence liability is reported on the government-wide statement of net position.

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 since 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.

g. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as stores inventories and revolving cash) or legally required to remain intact.

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board, the District's highest level of decision making authority. Formal board action must be taken on or before June 30th of each fiscal year. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. The committed amount subject to the constraint may be determined after June 30th. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted fund balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the General Fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

CORCORAN UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

In fiscal year 2011, the District adopted a minimum fund balance policy for the General Fund. 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 unpredictable expenditures. Therefore, the District will maintain an unassigned Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than prescribed for fiscal solvency review purposes pursuant to Education Code Section 33127. In the event that the balance drops below the established minimum level, the District's governing board will develop a plan to replenish the fund balance to the established minimum level within two years.

h. Property Taxes

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on December 10 and April 10. Unsecured property taxes are payable in one installment on or before August 31. The County of Kings bills and collects the taxes for the District.

i. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

6. Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, "The Financial Reporting Entity: Omnibus-an amendment of GASB Statements No. 14 and No. 34". The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 34 "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments", were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit or burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. Further, for organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the primary government's management determines that it would be misleading to exclude them, this Statement clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

CORCORAN UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. For component units that currently are blended based on the "substantively the same governing body" criterion, it additionally requires that (1) the primary government and the component unit have a financial benefit or burden relationship or (2) management (below the level of the elected officials) of the primary government have operational responsibility (as defined in paragraph 81) for the activities of the component unit. New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government. The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the primary government. Lastly, additional reporting guidance is provided for blending a component unit if the primary government is a business-type activity that uses a single column presentation for financial reporting.

This Statement also clarifies the reporting of equity interest in legally separate organizations. It requires a primary government to report its equity interest in a component unit as an asset.

The District adopted GASB 61 for the fiscal year ended June 30, 2013. The statements contained herein reflect the changes in component unit reporting and presentation.

In June 2011, the GASB issued Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, "Elements of Financial Statements", introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as a net position, rather than net assets.

The District adopted GASB 63 for the fiscal year ended June 30, 2013. The statements contained herein reflect the changes in deferred outflows of resources, deferred inflows of resources and net position reporting and presentation.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Net Position of Individual Funds

Following are funds having deficit fund balances or net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

CORCORAN UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

C. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Kings County Treasury as part of the common investment pool (\$9,104,376 as of June 30, 2013). The book value of \$9,104,376 approximates fair value. The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was \$9,032,966. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

2. Cash on Hand, in Banks, and in Revolving Fund

Cash balances on hand and in banks (\$158,272 as of June 30, 2013) and in the revolving fund (\$8,500) are fully insured or collateralized.

3. Analysis of Specific Deposits and Investments

Cash and investments as of June 30, 2013, are classified in the accompanying financial statements as follows:

Statement of net position:

	<u>Credit Quality Rating</u>	<u>Fair Value</u>
Cash in County Treasury	Not Rated	\$ 9,104,376
Cash in Revolving Fund	Not Applicable	8,500
Fiduciary Funds:		
Cash on Hand and in Banks	Not Applicable	<u>158,272</u>
Total		<u>\$ 9,271,148</u>

Cash and investments as of June 30, 2013, consist of the following:

Cash in County Treasury	\$ 9,104,376
Deposits with Financial Institutions	<u>166,772</u>
Total	<u>\$ 9,271,148</u>

Investments Authorized by the District's Investment Policy

Education Code Section 41001 and the District's investment policy require operating funds to be deposited into the County Treasury and invested in accordance with the current investment policy of the Kings County Treasurer. Education Code Section 41015 authorizes the investment of surplus monies, not required for the immediate necessities of the District in any of the investments specified in Section 16430 or 53601 of the Government Code. Additionally, a variety of operational bank accounts are authorized, including but not limited to: Scholarship Accounts, Clearing Accounts and Revolving Cash Accounts. The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk. The District held no investments at June 30, 2013.

Disclosures Relating to 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 held no investments at June 30, 2013.

CORCORAN UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

Disclosures Relating to Credit Risk

Generally, 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 District held no investments at June 30, 2013.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code, which is investments in any one issuer (other than U.S. Treasury Securities, mutual funds, and external investment pools) that represent 5% or more of total District investments. The District held no investments at June 30, 2013.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by public agencies. California law also allows financial institutions to secure governmental agency deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Investment Accounting Policy

The District is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost. The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The District's investments in external investment pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

CORCORAN UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

D. Accounts Receivable

Accounts receivable as of June 30, 2013, consist of the following:

	General Fund	Other Governmental Funds	Total
Federal Government:			
Federal Programs	\$ 298,755	\$ 205,921	\$ 504,676
State Government:			
Categorical Programs	1,227,760	20,566	1,248,326
State Aid	2,996,775	-	2,996,775
Child Nutrition	-	16,672	16,672
Total State Government	<u>4,224,535</u>	<u>37,238</u>	<u>4,261,773</u>
Local Government	94,431	-	94,431
Miscellaneous	25,608	13,219	38,827
Totals	<u>\$ 4,643,329</u>	<u>\$ 256,378</u>	<u>\$ 4,899,707</u>

E. Capital Assets

Capital asset activity for the year ended June 30, 2013, was as follows:

	Beginning Balances	Increases	Reclassifications/ Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 486,865	\$ -	\$ -	\$ 486,865
Work in progress	329,921	120,360	-	450,281
Total capital assets not being depreciated	<u>816,786</u>	<u>120,360</u>	<u>-</u>	<u>937,146</u>
Capital assets being depreciated:				
Land Improvements	13,599,247	32,241	-	13,631,488
Buildings and Improvements	17,153,909	-	-	17,153,909
Buildings and Improvements under capital leases	2,757,753	-	-	2,757,753
Equipment	3,364,731	54,085	(76,680)	3,342,136
Total capital assets being depreciated	<u>36,875,640</u>	<u>86,326</u>	<u>(76,680)</u>	<u>36,885,286</u>
Less accumulated depreciation for:				
Land Improvements	(9,427,889)	(385,143)	-	(9,813,032)
Buildings and Improvements	(6,661,134)	(354,096)	-	(7,015,230)
Buildings and Improvements under capital leases	(561,155)	(144,347)	-	(705,502)
Equipment	(2,038,912)	(221,597)	76,680	(2,183,829)
Total accumulated depreciation	<u>(18,689,090)</u>	<u>(1,105,183)</u>	<u>76,680</u>	<u>(19,717,593)</u>
Total capital assets being depreciated, net	<u>18,186,550</u>	<u>(1,018,857)</u>	<u>-</u>	<u>17,167,693</u>
Governmental activities capital assets, net	<u>\$ 19,003,336</u>	<u>\$ (898,497)</u>	<u>\$ -</u>	<u>\$ 18,104,839</u>

Depreciation was charged to functions as follows:

Instruction	\$ 143,832
Instruction-Related Services	7,688
Pupil Services	93,591
Ancillary Services	516
General Administration	28,863
Plant Services	830,693
	<u>\$ 1,105,183</u>

CORCORAN UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

F. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2013, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
Other Governmental Funds	General Fund	\$ 590,270	Cash flow
General Fund	Other Governmental Funds	41,000	Cash flow
Other Governmental Funds	Other Governmental Funds	47,056	Cash flow
	Total	<u>\$ 678,326</u>	

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds during the year ended June 30, 2013, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Other Governmental Funds	\$ 591,670	Capital outlay, deferred maintenance
Other Governmental Funds	Other Governmental Funds	222,290	Debt service payment, preschool installment, Williams contribution
	Total	<u>\$ 813,960</u>	

G. Short-Term Debt Obligations

The District accounts for current loans for cash flow purposes through the General Fund. The District chooses Tax and Revenue Anticipation Notes for cash flow purposes.

<u>Description</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Tax and Revenue Anticipation Note	\$ 4,015,000	\$ -	\$ 4,015,000	\$ -
Tax and Revenue Anticipation Note	-	2,705,000	-	2,705,000
Totals	<u>\$ 4,015,000</u>	<u>\$ 2,705,000</u>	<u>\$ 4,015,000</u>	<u>\$ 2,705,000</u>

The District entered into a contract on February 9, 2012, to purchase a Tax and Revenue Anticipation Note (TRAN) in the amount of \$4,015,000. The TRAN was purchased for cash flow purposes with unspent funds earning interest at 2.0%. The transaction closed on February 24, 2012, with a cost of issuance charge of \$16,500. The note was issued at a premium of \$57,015 and discount of \$4,015. The TRAN matured on December 31, 2012.

The District entered into a contract on February 20, 2013, to purchase a Tax and Revenue Anticipation Note (TRAN) in the amount of \$2,705,000. The TRAN was purchased for cash flow purposes with unspent funds earning interest at 2.0%. The transaction closed on February 27, 2013, with a cost of issuance charge of \$14,201. The note was issued at a premium of \$28,524 and discount of \$2,705. The TRAN matured on October 1, 2013.

CORCORAN UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

H. Long-Term Debt Obligations

1. Long-Term Debt Obligation Summary

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2013, are as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
<u>Governmental activities:</u>					
Certificates of Participation	\$ 167,720	\$ -	\$ 110,732	\$ 56,988	\$ 56,988
Capital Leases	1,681,315	471,348	880,713	1,271,950	260,777
Child Care Facilities Revolving Fund Lease	685,628	-	70,287	615,341	71,693
PARS Supplementary Retirement Plan	770,297	-	200,304	569,993	199,045
Compensated Absences *	64,270	-	2,725	61,545	-
Total governmental activities	<u>\$ 3,369,230</u>	<u>\$ 471,348</u>	<u>\$ 1,264,761</u>	<u>\$ 2,575,817</u>	<u>\$ 588,503</u>

*Because of the nature of compensated absences and uncertainty over when vacations will be taken, a statement of debt service requirements to maturity has not been presented.

The funds typically used to liquidate other long-term liabilities in the past, are as follows:

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Certificates of Participation	Governmental	Debt Service Fund
Capital Leases	Governmental	General Fund, Debt Service Fund
Child Care Facilities	Governmental	Child Development Fund
Early Retirement Incentives	Governmental	General Fund
Compensated Absences	Governmental	General Fund, Child Development Fund, Cafeteria Fund

In the government-wide financial statements, interest expense for the year ended June 30, 2013 was \$94,985 and is included in the functional expenses as a direct charge.

2. Certificates of Participation

During the 1998-99 fiscal year, The Kern County Superintendent of Schools issued \$1,155,000 of certificates of participation on behalf of the District to assist in financing the modernization of Bret Harte Elementary School. In December 2003, the District refinanced this debt with Government Strategies by issuing new certificates of participation totaling \$955,000. The certificates are demand certificates with a fixed interest rate of 3.89%. Interest on the certificates is due semi-annually on June 1 and December 1 and commenced on June 1, 2004. As of June 30, 2013, the District's portion of the principal balance outstanding was \$56,988. The certificates of participation were paid in full on October 25, 2013.

CORCORAN UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

3. Capital Leases

The District leases an energy management system valued in total at \$1,279,600. The District also leases computer equipment valued at \$1,306,692. The computer equipment was not capitalized, as the individual items were below the \$5,000 threshold set by the District. The agreements provide for title to pass upon expiration of the lease periods. Interest on these leases range from 1.90% to 6.21%. Amortization of leased buildings and improvements under capital assets is included with depreciation expense. Minimum future lease payments as of June 30, 2013, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 260,777	\$ 45,411	\$ 306,188
2015	498,033	35,876	533,909
2016	118,967	25,913	144,880
2017	124,973	19,907	144,880
2018	124,974	19,906	144,880
2019	144,226	654	144,880
Total minimum rentals	<u>\$ 1,271,950</u>	<u>\$ 147,667</u>	<u>\$ 1,419,617</u>

The District will receive no sublease rental revenues nor pay any contingent rentals associated with these leases.

4. Child Care Facilities Revolving Fund Leases

The District entered into two contracts and lease-to-own agreements on March 9, 2010 for funding through the California Department of Education under a Child Care Facilities Revolving Fund Program. Under these contracts up to \$840,000 would be paid to the District, to be expended pursuant to Education Code Section 8278.3 to purchase and install facilities to be used for the purpose of child care. The final project has been completed with a total project cost of \$1,478,154. The repayment for each contract will begin six months after the final funds are released. These contracts will be repaid over a period of ten years, interest free. An imputed interest rate of four percent is being used. Amortization of leased buildings and improvements under capital assets is included with depreciation expense.

The estimated annual repayments based upon the initial release as of June 30, 2013, are as follows:

<u>Year Ending June 30,</u>	<u>Lease Payment</u>
2014	\$ 84,000
2015	84,000
2016	84,000
2017	84,000
2018	84,000
2019-2022	252,000
Total	<u>672,000</u>
Less amount representing imputed interest	<u>56,659</u>
Present value of net minimum lease payments	<u>\$ 615,341</u>

The District will receive no sublease rental revenues nor pay any contingent rentals associated with these leases.

CORCORAN UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

5. PARS Supplementary Retirement Plan

On February 24, 2010, the District purchased an annuity for 11 participants of the Corcoran Unified School District PARS Supplementary Retirement Plan (SRP) 403(b). It is a fixed, guaranteed annuity that the District will pay over four years. An imputed interest rate of 2.8% using IRS rates was used to calculate the principal and interest portion of the annual payments of \$104,670.

On July 3, 2011, the District purchased an annuity for four participants of the Corcoran Unified School District PARS Supplementary Retirement Plan (SRP) 403(b). It is a fixed, guaranteed annuity that the District will pay over two years. An imputed interest rate of 2.4% using IRS rates was used to calculate the principal and interest portion of the annual payments of \$12,766.

On May 8, 2012, the District entered into an annuity contract for 10 participants of the Corcoran Unified School District PARS Supplementary Retirement Plan (SRP) 403(b). It is a fixed, guaranteed annuity that the District will pay over five years. An imputed interest rate of 1.2% using IRS rates was used to calculate the principal and interest portion of the annual payments of \$91,883.

Future commitments for early retirement incentives as of June 30, 2013, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 199,045	\$ 7,467	\$ 206,512
2015	190,437	8,924	199,361
2016	89,717	2,166	91,883
2017	90,794	1,089	91,883
Totals	<u>\$ 569,993</u>	<u>\$ 19,646</u>	<u>\$ 589,639</u>

6. Debt Service Requirements

Debt service requirements on long-term debt at June 30, 2013, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 588,503	\$ 66,294	\$ 654,797
2015	761,597	62,436	824,033
2016	283,273	37,490	320,763
2017	291,849	28,915	320,764
2018	202,578	26,303	228,881
2019	386,472	10,407	396,879
Totals	<u>\$ 2,514,272</u>	<u>\$ 231,845</u>	<u>\$ 2,746,117</u>

CORCORAN UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

I. Fund Balances and Restricted Net Position

Fund balances at June 30, 2013, are as follows:

	General Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:			
Revolving Cash	\$ 5,000	\$ 3,500	\$ 8,500
Stores Inventories	-	40,563	40,563
Total Nonspendable	<u>5,000</u>	<u>44,063</u>	<u>49,063</u>
Restricted:			
Economic Impact Aid - LEP	2,091	-	2,091
Lottery - Instructional Materials	100,216	-	100,216
Special Education	98,923	-	98,923
Child Nutrition	-	289,033	289,033
Deferred Maintenance	-	1,134,106	1,134,106
Developer Fees	-	330,568	330,568
Debt Service	-	53	53
Total Restricted	<u>201,230</u>	<u>1,753,760</u>	<u>1,954,990</u>
Assigned:			
Site Carryover	412,433	-	412,433
Other Educational Purposes	360,060	-	360,060
Solar Project	352,425	-	352,425
State Lottery	97,271	-	97,271
Instructional Material	85,091	-	85,091
Vehicle Replacement	35,850	-	35,850
Safety Credits	35,143	-	35,143
Motorpool Van	35,000	-	35,000
Mandated Cost	18,600	-	18,600
Block Grant	2,497	-	2,497
Capital Projects	-	233	233
Total Assigned	<u>1,434,370</u>	<u>233</u>	<u>1,434,603</u>
Unassigned:			
Reserve for Economic Uncertainty	3,269,978	-	3,269,978
Other Unassigned	1,906,630	-	1,906,630
Total Unassigned	<u>5,176,608</u>	<u>-</u>	<u>5,176,608</u>
Total Fund Balances	<u>\$ 6,817,208</u>	<u>\$ 1,798,056</u>	<u>\$ 8,615,264</u>

The government-wide statement of net position reports \$1,999,286 of restricted net position, none of which is restricted by enabling legislation.

CORCORAN UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

J. Commitments Under Noncapitalized Leases

The District has entered into operating leases for copier equipment with lease terms in excess of one year. These agreements contain no purchase options. These agreements contain a termination clause providing for cancellation after a specified number of days' written notice to lessors, but it is unlikely that the District will cancel these agreements prior to the expiration dates.

Commitments under these operating (noncapitalized) lease agreements provide for minimum future rental payments as of June 30, 2013, as follows:

<u>Year Ending June 30,</u>	
2014	\$ 56,597
2015	7,716
2016	3,272
2017	3,272
2018	205
Total minimum rentals	<u>\$ 71,062</u>

The District will receive no sublease rental revenues nor pay any contingent rentals associated with these leases. Rent expense for the year ended June 30, 2013 was \$109,573.

K. Participation In Public Entity Risk Pools and Joint Powers Authorities

The Corcoran Unified School District participates in three public entity risk pools and a joint powers agreement for transportation services under joint powers agreements (JPAs): the California Risk Management Authority (C.R.M.A.), the Self-Insured Schools of California III (S.I.S.C. III), the Kings County Self-Insured Schools (K.C.S.I.S.) and the Kings Schools Transportation Authority (K.S.T.A.). The relationship between the District and the JPAs is such that none of the JPAs is a component unit of the District for financial reporting purposes.

C.R.M.A. provides for the payment of liability and property claims against the public educational agency members.

S.I.S.C. III provides a self-insurance program that provides for the payment of medical, dental, vision and prescription claims of member public educational agency employees and their covered dependents.

K.C.S.I.S. is an insurance purchasing pool for workers' compensation insurance.

K.S.T.A. funds, establishes, develops, and maintains transportation services for handicapped students.

Membership in the JPAs consists of various public educational agencies.

The JPAs are governed by boards consisting of representatives from the member public educational agencies and related associations. The boards control the operations of each JPA, including selection of management and approval of operating budgets, independent of any influence by member public educational agencies beyond their representation on the board. Surpluses remain in each fund or JPA, while deficits are covered by assessments on the member districts in proportion to their participation in each JPA.

During the last three fiscal (claims) years none of the above programs (risk pools) have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

L. Employee Retirement Systems

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS), and classified employees are members of the Public Employees' Retirement System (PERS).

CORCORAN UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

PERS:

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 Law. 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, California 95814.

Funding Policy

Active plan members are required to contribute 7% of their salary 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 the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-13 was 11.417% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal year ending June 30, 2013, 2012 and 2011 were \$374,824, \$363,111 and \$393,343, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$0.

STRS:

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8% of their salary 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 the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-13 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal year ending June 30, 2013, 2012 and 2011 were \$986,417, \$1,008,045 and \$1,039,447, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was \$649,941.

CORCORAN UNIFIED SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2013

M. Postemployment Benefits Other Than Pension Benefits

Plan Description

The District provides a self-funded, single employer, defined benefit plan to provide medical, dental, vision and behavioral health plans for all eligible active and retired District employees and their dependents. The program is intended to offer a comprehensive coverage of most medical with prescription drugs, dental and vision benefits. As established by board policy, the plan covers all employees who retire from the District on or after attaining age 55 with at least 10 years of service for management employees and at least 14 years of service for certificated employees. A minimum 18 years of service to the District for classified employees is required under the CSEA contract. Benefits are paid until they attain the age of 65 or until they qualify for Medicare whichever is earlier. The District is a member in a joint powers agreement (JPA), the Self Insured Schools of California (S.I.S.C.III) as described in Note K, to provide this health coverage.

Funding Policy

The District funds the benefits on a pay-as-you-go basis. The District pays the premiums for certificated retirees at a rate ranging from 50% to 80% of the cost, depending on length of service and age at retirement. The District pays the premiums for classified retirees at 60% and for management retirees at 100%. Classified retirees have a District cap of \$3,000 per year if retired at ages 55 through 59.

Annual OPEB and Net OPEB Obligation

The District's annual other postemployment benefits (OPEB) cost is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year, the amount contributed to the plan and changes in the District's net OPEB obligation to the retiree health plan:

Annual required contribution (ARC)	\$ 275,010
Interest on prior year net OPEB obligation	16,053
Adjustment to annual required contribution	<u>(20,886)</u>
Annual OPEB cost	270,177
Employer contributions	<u>(230,954)</u>
Increase in net OPEB obligation	39,223
Beginning OPEB obligation	<u>321,065</u>
Ending OPEB obligation	<u>\$ 360,288</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the current and prior years, are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	\$ 326,845	110.23%	\$ 284,038
6/30/2012	\$ 270,735	86.32%	\$ 321,065
6/30/2013	\$ 270,177	85.48%	\$ 360,288

CORCORAN UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

Funded Status and Funding Progress

As of May 1, 2012, the funded status of the retiree health plan, was as follows:

Actuarial accrued liability (AAL)	\$ 2,955,824
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	\$ <u>2,955,824</u>
Funded ratio (actuarial value of plan asset/AAL)	-
Annual covered payroll (active plan members)	\$ 15,531,507
UAAL as a percentage of annual covered payroll	19.03%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about future employment, mortality and health care cost trends. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and actual value of assets, consistent with long-term perspective of the calculations.

In the actuarial valuation as of May 1, 2012, the "entry age normal" actuarial cost method was used to measure accruing costs. Under the entry age normal cost method, an average age at hire and average retirement age are determined for eligible employees. Then, the actuary determines what amount needs to be expensed each year from hire until retirement to fully accrue the expected cost of retiree health benefits. This amount is the normal cost. Under GASB 43 and 45, the normal cost can be expressed either as a level dollar amount or as a level percentage of payroll. The actuarial assumptions included a 3% inflation rate, a 5% discount rate, and a 3% salary growth rate. A medical trend rate was used beginning at 4% per year. The initial unfunded actuarial accrued liability (UAAL) is being amortized using a closed 30 year amortization period and level percentage of payroll method. An open 30 year amortization period and level dollar method is being used for any residual UAAL.

N. Commitments and Contingencies

Lease-Leaseback Agreement

On April 9, 2013, the District entered into a lease-leaseback agreement with David A. Bush Construction, Inc. for the construction of an auditorium alteration and HVAC upgrade project at Corcoran High School for \$1,414,430. The District has paid \$577,298 on this contract as of the issuance of these financial statements.

Short-Term Debt Obligations

The District entered into a contract on June 25, 2013 to purchase a Tax and Revenue Anticipation Note (TRAN) in the amount of \$1,340,000. The TRAN was purchased for cash flow purposes with unspent funds earning interest at 2.0%. The transaction closed on July 15, 2013 with a cost of issuance charge of \$10,050. The note was issued at a premium of \$16,908 and discount of \$1,340. The TRAN matures on April 1, 2014.

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

CORCORAN UNIFIED SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

O. Prior Period Adjustment

An adjustment to prior year net position and fund balance within the Statement of Activities and the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds, respectively, in the amount of \$200,543 represents an overstatement of federal revenues at June 30, 2012.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

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CORCORAN UNIFIED SCHOOL DISTRICT

EXHIBIT B-1

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Revenue Limit Sources:				
State Apportionments	\$ 13,211,138	\$ 13,832,092	\$ 13,832,092	\$ -
Local Sources	1,595,319	2,267,290	2,267,290	-
Federal Revenue	2,296,262	2,172,024	2,172,024	-
Other State Revenue	5,567,651	6,619,020	6,619,020	-
Other Local Revenue	1,455,111	2,208,690	2,208,690	-
Total Revenues	<u>24,125,481</u>	<u>27,099,116</u>	<u>27,099,116</u>	<u>-</u>
Expenditures:				
Current:				
Certificated Salaries	12,149,089	12,081,923	12,081,923	-
Classified Salaries	3,009,531	2,971,842	2,971,842	-
Employee Benefits	5,453,823	5,534,810	5,534,810	-
Books And Supplies	2,393,120	2,255,750	2,255,750	-
Services And Other Operating Expenditures	2,822,011	3,049,010	3,049,010	-
Other Outgo	180,344	153,455	153,455	-
Direct Support/Indirect Costs	(46,664)	(74,840)	(74,840)	-
Capital Outlay	194,634	212,186	212,186	-
Debt Service:				
Principal	328,955	1,081,017	1,081,017	-
Interest	50,408	75,814	75,814	-
Total Expenditures	<u>26,535,251</u>	<u>27,340,967</u>	<u>27,340,967</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,409,770)</u>	<u>(241,851)</u>	<u>(241,851)</u>	<u>-</u>
Other Financing Sources (Uses):				
Transfers Out	(42,650)	(591,670)	(591,670)	-
Other Sources	-	471,348	471,348	-
Total Other Financing Sources (Uses)	<u>(42,650)</u>	<u>(120,322)</u>	<u>(120,322)</u>	<u>-</u>
Net Change in Fund Balance	(2,452,420)	(362,173)	(362,173)	-
Fund Balance, July 1	7,379,924	7,379,924	7,379,924	-
Prior Period Adjustment	-	-	(200,543)	(200,543)
Fund Balance, June 30	<u>\$ 4,927,504</u>	<u>\$ 7,017,751</u>	<u>\$ 6,817,208</u>	<u>\$ (200,543)</u>

CORCORAN UNIFIED SCHOOL DISTRICT

EXHIBIT B-2

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFIT PLAN
YEAR ENDED JUNE 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
3/1/2007	\$ -	\$ 3,756,592	\$ 3,756,592	-	\$ 17,471,007	21.5%
9/1/2009	\$ -	\$ 3,411,084	\$ 3,411,084	-	\$ 17,082,476	20.0%
5/1/2012	\$ -	\$ 2,955,824	\$ 2,955,824	-	\$ 15,531,507	19.0%

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

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CORCORAN UNIFIED SCHOOL DISTRICT

EXHIBIT C-1

CHILD DEVELOPMENT FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other State Revenue	\$ 320,755	\$ 297,116	\$ 297,116	\$ -
Other Local Revenue	2,378	494	494	-
Total Revenues	<u>323,133</u>	<u>297,610</u>	<u>297,610</u>	<u>-</u>
Expenditures:				
Current:				
Certificated Salaries	103,188	103,301	103,301	-
Classified Salaries	91,745	94,697	94,697	-
Employee Benefits	68,649	64,344	64,344	-
Books And Supplies	2,000	3,098	3,098	-
Services And Other Operating Expenditures	3,860	4,543	4,543	-
Direct Support/Indirect Costs	10,893	13,093	13,093	-
Debt Service:				
Principal	84,000	70,287	70,287	-
Interest	-	13,713	13,713	-
Total Expenditures	<u>364,335</u>	<u>367,076</u>	<u>367,076</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(41,202)</u>	<u>(69,466)</u>	<u>(69,466)</u>	<u>-</u>
Other Financing Sources (Uses):				
Transfers In	42,650	23,637	23,637	-
Total Other Financing Sources (Uses)	<u>42,650</u>	<u>23,637</u>	<u>23,637</u>	<u>-</u>
Net Change in Fund Balance	1,448	(45,829)	(45,829)	-
Fund Balance, July 1	45,829	45,829	45,829	-
Fund Balance, June 30	<u>\$ 47,277</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CORCORAN UNIFIED SCHOOL DISTRICT

EXHIBIT C-2

CAFETERIA FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Federal Revenue	\$ 1,180,000	\$ 1,409,088	\$ 1,409,088	\$ -
Other State Revenue	102,000	111,609	111,609	-
Other Local Revenue	51,000	41,387	41,387	-
Total Revenues	<u>1,333,000</u>	<u>1,562,084</u>	<u>1,562,084</u>	<u>-</u>
Expenditures:				
Current:				
Classified Salaries	463,684	458,969	458,969	-
Employee Benefits	172,256	176,193	176,193	-
Books And Supplies	686,633	770,721	770,721	-
Services And Other Operating Expenditures	18,737	29,359	29,359	-
Direct Support/Indirect Costs	30,000	61,748	61,748	-
Total Expenditures	<u>1,371,310</u>	<u>1,496,990</u>	<u>1,496,990</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(38,310)</u>	<u>65,094</u>	<u>65,094</u>	<u>-</u>
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(38,310)	65,094	65,094	-
Fund Balance, July 1	<u>268,002</u>	<u>268,002</u>	<u>268,002</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 229,692</u>	<u>\$ 333,096</u>	<u>\$ 333,096</u>	<u>\$ -</u>

CORCORAN UNIFIED SCHOOL DISTRICT

EXHIBIT C-3

DEFERRED MAINTENANCE FUND
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other State Revenue	\$ 229,604	\$ 114,322	\$ 114,322	\$ -
Other Local Revenue	-	4,040	4,040	-
Total Revenues	<u>229,604</u>	<u>118,362</u>	<u>118,362</u>	<u>-</u>
Expenditures:				
Current:				
Books And Supplies	-	10,100	10,100	-
Services And Other Operating Expenditures	50,000	141,430	141,430	-
Capital Outlay	54,604	-	-	-
Total Expenditures	<u>104,604</u>	<u>151,530</u>	<u>151,530</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>125,000</u>	<u>(33,168)</u>	<u>(33,168)</u>	<u>-</u>
Other Financing Sources (Uses):				
Transfers In	-	610,911	610,911	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>610,911</u>	<u>610,911</u>	<u>-</u>
Net Change in Fund Balance	125,000	577,743	577,743	-
Fund Balance, July 1	556,363	556,363	556,363	-
Fund Balance, June 30	<u>\$ 681,363</u>	<u>\$ 1,134,106</u>	<u>\$ 1,134,106</u>	<u>\$ -</u>

CORCORAN UNIFIED SCHOOL DISTRICT

EXHIBIT C-4

DEBT SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other Local Revenue	\$ 500	\$ 61	\$ 61	\$ -
Total Revenues	<u>500</u>	<u>61</u>	<u>61</u>	<u>-</u>
Expenditures:				
Debt Service:				
Principal	98,719	110,732	110,732	-
Interest	18,044	5,458	5,458	-
Total Expenditures	<u>116,763</u>	<u>116,190</u>	<u>116,190</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(116,263)</u>	<u>(116,129)</u>	<u>(116,129)</u>	<u>-</u>
Other Financing Sources (Uses):				
Transfers In	115,711	115,522	115,522	-
Total Other Financing Sources (Uses)	<u>115,711</u>	<u>115,522</u>	<u>115,522</u>	<u>-</u>
Net Change in Fund Balance	(552)	(607)	(607)	-
Fund Balance, July 1	660	660	660	-
Fund Balance, June 30	<u>\$ 108</u>	<u>\$ 53</u>	<u>\$ 53</u>	<u>\$ -</u>

CORCORAN UNIFIED SCHOOL DISTRICT

EXHIBIT C-5

CAPITAL FACILITIES FUND
 CAPITAL PROJECTS FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other Local Revenue	\$ 55,000	\$ 23,932	\$ 23,932	\$ -
Total Revenues	<u>55,000</u>	<u>23,932</u>	<u>23,932</u>	<u>-</u>
Expenditures:				
Current:				
Services And Other Operating Expenditures	4,000	4,106	4,106	-
Total Expenditures	<u>4,000</u>	<u>4,106</u>	<u>4,106</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>51,000</u>	<u>19,826</u>	<u>19,826</u>	<u>-</u>
Other Financing Sources (Uses):				
Transfers Out	(115,711)	(139,159)	(139,159)	-
Total Other Financing Sources (Uses)	<u>(115,711)</u>	<u>(139,159)</u>	<u>(139,159)</u>	<u>-</u>
Net Change in Fund Balance	(64,711)	(119,333)	(119,333)	-
Fund Balance, July 1	449,901	449,901	449,901	-
Fund Balance, June 30	<u>\$ 385,190</u>	<u>\$ 330,568</u>	<u>\$ 330,568</u>	<u>\$ -</u>

CORCORAN UNIFIED SCHOOL DISTRICT
SPECIAL RESERVE FUND FOR CAPITAL OUTLAY PROJECTS
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013

EXHIBIT C-6

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other State Revenue	\$ 568,026	\$ 121,024	\$ 121,024	\$ -
Other Local Revenue	5,000	1,249	1,249	-
Total Revenues	<u>573,026</u>	<u>122,273</u>	<u>122,273</u>	<u>-</u>
Expenditures:				
Current:				
Services And Other Operating Expenditures	568,026	184,763	184,763	-
Capital Outlay	85,367	-	-	-
Total Expenditures	<u>653,393</u>	<u>184,763</u>	<u>184,763</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(80,367)</u>	<u>(62,490)</u>	<u>(62,490)</u>	<u>-</u>
Other Financing Sources (Uses):				
Transfers In	-	63,890	63,890	-
Transfers Out	-	(83,131)	(83,131)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(19,241)</u>	<u>(19,241)</u>	<u>-</u>
Net Change in Fund Balance	<u>(80,367)</u>	<u>(81,731)</u>	<u>(81,731)</u>	<u>-</u>
Fund Balance, July 1	<u>81,964</u>	<u>81,964</u>	<u>81,964</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 1,597</u>	<u>\$ 233</u>	<u>\$ 233</u>	<u>\$ -</u>

CORCORAN UNIFIED SCHOOL DISTRICT

TABLE D-1

LOCAL EDUCATION AGENCY
ORGANIZATION STRUCTURE
JUNE 30, 2013

The Corcoran Unified School District was organized on July 1, 1954. There were no changes in the boundaries of the District during the fiscal year ended June 30, 2012. The District includes three elementary schools, one middle school, one high school and one alternative education school.

Governing Board		
Name	Office	Term and Term Expiration
Karen Frey	President	Four year term expires 12/1/2016
Robert Alcorn	Vice President	Four year term expires 12/1/2014
Steve White	Clerk	Four year term expires 12/1/2014
Mary Gonzales - Gomez	Member	Four year term expires 12/1/2014
Mary Wadsworth	Member	Four year term expires 12/1/2016

Administration		
Name	Office	Tenure
Rich Merlo	Superintendent	Nine years
Marie Cates	Chief Business Officer	Ten years

CORCORAN UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 YEAR ENDED JUNE 30, 2013

TABLE D-2

	Second Period Report		Annual Report	
	Per Report	Per Audit	Per Report	Per Audit
Elementary:				
Kindergarten	283.18	283.18	283.43	283.43
Grades 1 through 3	758.02	758.02	754.92	754.92
Grades 4 through 6	690.17	690.17	687.74	687.74
Grades 7 and 8	381.72	381.72	380.22	380.22
Home and hospital	0.52	0.52	0.43	0.43
Special education - SDC	52.12	52.12	53.46	53.46
Community day school	3.94	3.94	5.40	5.40
Elementary totals	<u>2,169.67</u>	<u>2,169.67</u>	<u>2,165.60</u>	<u>2,165.60</u>
High School:				
Grades 9 through 12, regular classes	791.89	791.89	783.91	783.91
Continuation education	29.09	29.48	29.60	29.91
Home and hospital	5.02	5.02	5.76	5.76
Special education - SDC	40.15	40.15	39.05	39.05
Community day school	4.01	4.01	4.90	4.90
High school totals	<u>870.16</u>	<u>870.55</u>	<u>863.22</u>	<u>863.53</u>
ADA totals	<u><u>3,039.83</u></u>	<u><u>3,040.22</u></u>	<u><u>3,028.82</u></u>	<u><u>3,029.13</u></u>

Average daily attendance 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.

CORCORAN UNIFIED SCHOOL DISTRICT

TABLE D-3

SCHEDULE OF INSTRUCTIONAL TIME
 YEAR ENDED JUNE 30, 2013

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>1982-83 Adjusted & Reduced</u>	<u>1986-87 Minutes Requirement</u>	<u>1986-87 Adjusted & Reduced</u>	<u>2012-13 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	31,680	N/A	36,000	N/A	56,555	180	Complied
Grade 1	46,160	N/A	50,400	N/A	56,555	180	Complied
Grade 2	46,160	N/A	50,400	N/A	55,380	180	Complied
Grade 3	46,160	N/A	50,400	N/A	55,380	180	Complied
Grade 4	52,270	N/A	54,000	N/A	60,420	180	Complied
Grade 5	52,270	N/A	54,000	N/A	60,420	180	Complied
Grade 6	52,270	N/A	54,000	N/A	57,386	180	Complied
Grade 7	52,270	N/A	54,000	N/A	63,778	180	Complied
Grade 8	52,270	N/A	54,000	N/A	63,778	180	Complied
Grade 9	57,856	N/A	64,800	N/A	69,424	180	Complied
Grade 10	57,856	N/A	64,800	N/A	69,424	180	Complied
Grade 11	57,856	N/A	64,800	N/A	69,424	180	Complied
Grade 12	57,856	N/A	64,800	N/A	69,424	180	Complied

Districts, including basic aid districts, must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by Education Code Section 46201. This schedule is required of all districts, including basic aid districts.

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

CORCORAN UNIFIED SCHOOL DISTRICT
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 YEAR ENDED JUNE 30, 2013

TABLE D-4

General Fund	Budget (1) 2014	2013	2012	2011
Revenues and other financial sources	\$ 24,184,518	\$ 27,570,464	\$ 27,410,586	\$ 28,651,773
Expenditures	27,088,606	27,340,967	27,030,867	27,255,177
Other uses and transfers out	115,000	591,670	370,814	-
Total outgo	27,203,606	27,932,637	27,401,681	27,255,177
Change in fund balance (deficit)	(3,019,088)	(362,173)	8,905	1,396,596
Ending fund balance	\$ 3,798,120	\$ 6,817,208	\$ 7,379,924	\$ 7,371,019
Available reserves (2)	\$ 3,167,445	\$ 5,176,608	\$ 793,861	\$ 5,399,057
Available reserves as a percentage of total outgo (3)	11.6%	19.0%	3.0%	20.2%
Total long-term debt	\$ 2,347,602	\$ 2,936,105	\$ 3,690,295	\$ 3,117,478
Average daily attendance at P-2	3,046	3,040	3,046	3,034

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.

The General Fund balance has decreased by \$553,811(7.51%) over the past two years. The fiscal year 2013-2014 budget projects a decrease of \$3,019,088 (44.29%). For a district of this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out and other uses (total outgo).

The District has enjoyed operating surpluses for two of the past three years, but projects a deficit during the 2013-2014 fiscal year. Total long-term debt has decreased by \$181,373 over the past two years.

Average daily attendance has increased by six over the past two years. An increase of six ADA is anticipated during the fiscal year 2013-2014.

NOTES:

- (1) Budget 2014 is included for analytical purposes only and has not been subjected to audit.
- (2) Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.
- (3) On behalf payments of \$644,673, \$642,176, and \$537,353, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2013, 2012 and 2011.

CORCORAN UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2013

TABLE D-5

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the SACS report to the audited financial statements. None of the funds required adjustments at June 30, 2013.

CORCORAN UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

YEAR ENDED JUNE 30, 2013

TABLE D-6

The following charter school is chartered by Corcoran Unified School District.

<u>Charter Schools</u>	<u>Included In Audit?</u>
California Pacific Charter School of Central California	No

CORCORAN UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

TABLE D-7

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed Through California Department of Education: Medi-Cal Billing Option *	93.778	10013	\$ 16,872
Total U. S. Department of Health and Human Services			<u>16,872</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>			
Passed Through Tulare County Office of Education: NCLB: Title I, Part C, Migrant Education	84.011	14326	60,838
NCLB: Title I, Migrant Ed Summer Program	84.011	10005	19,158
Total Passed Through Tulare County Office of Education			<u>79,996</u>
Passed Through California Department of Education: NCLB: Title I, Part A, Basic Grants Low Income & Neglected *	84.010	14329	1,312,601
Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec Sec 611 *	84.027	13379	123,398
Special Ed: IDEA Mental Health *	84.027A	14468	23,435
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	33,361
NCLB: Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14535	134,508
NCLB: Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14349	59,870
NCLB: Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14604	215
NCLB: Advanced Placement Test Fee Program	84.330	14504	1,011
NCLB: Title III, Limited English Proficient (LEP) Student Program	84.365	14346	112,399
NCLB: Title II, Part B, CA Mathematics and Science Partnership	84.366	14512	78,104
NCLB: Title II, Part A, Improving Teacher Quality	84.367	14341	278,837
Total Passed Through California Department of Education			<u>2,157,740</u>
Total U. S. Department of Education			<u>2,237,736</u>
<u>U. S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through California Department of Education: Child Nutrition: School Program (School Breakfast Basic)* *	10.553	13390	329,939
Child Nutrition: School Programs (NSL) *	10.555	13396	1,074,098
Child Nutrition: Summer Food Service Program *	10.559	13004	4,022
Total Passed Through California Department of Education			<u>1,408,059</u>
Total U. S. Department of Agriculture			<u>1,408,059</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>3,662,667</u>

* Indicates clustered program under OMB Circular A-133 Compliance Supplement

The accompanying notes are an integral part of this schedule.

CORCORAN UNIFIED SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Corcoran Unified School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Other Independent Auditors' Reports

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Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards

Independent Auditors' Report

Board of Trustees
Corcoran Unified School District
1520 Patterson Avenue
Corcoran, California 93212

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Corcoran Unified School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Corcoran Unified School District's basic financial statements and have issued our report thereon dated December 15, 2013.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 06-1, that we consider to be a significant deficiency.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Corcoran Unified School District in a separate letter dated December 15, 2013.

Corcoran Unified School District's Response to Findings

Corcoran Unified School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Corcoran Unified 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.

M Green and Company LLP

Visalia, California
December 15, 2013



M. Green and Company LLP

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Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133

Independent Auditors' Report

Board of Trustees
Corcoran Unified School District
1520 Patterson Avenue
Corcoran, California 93212

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited Corcoran Unified School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Corcoran Unified School District's major federal program for the year ended June 30, 2013. Corcoran Unified School District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Corcoran Unified School District's major federal program 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Corcoran Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Corcoran Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Corcoran Unified School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Corcoran Unified School District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Corcoran Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Corcoran Unified 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

McQueen and Company LLP

Visalia, California
December 15, 2013



M. Green and Company LLP

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Independent Auditors' Report on State Compliance

Board of Trustees
Corcoran Unified School District
1520 Patterson Avenue
Corcoran, California 93212

Members of the Board of Trustees:

Report on State Compliance

We have audited the District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-13*, published by the California Education Audit Appeals Panel that could have a direct and material effect on each of the District's state programs identified below for the fiscal year ended June 30, 2013.

Management's Responsibility for State Compliance

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-13* published by the Education Audit Appeals Panel. 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 State's audit guide *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-13* published by the Education Audit Appeals Panel. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

Description	Procedures In Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No (see below)
Continuation Education	10	No (see below)

Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	N/A
Instructional Materials, General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	N/A
GANN Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	N/A
Class Size Reduction (Including Charter Schools):		
General Requirements	7	Yes
Option One	3	Yes
Option Two	4	N/A
Only One School Serving Grades K-3	4	N/A
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes
Before School	6	N/A
Charter Schools:		
Contemporaneous Records of Attendance	1	N/A
Mode of Instruction	1	N/A
Nonclassroom-Based Instruction/Independent Study	15	N/A
Determination of Funding for Nonclassroom-Based Instruction	3	N/A
Annual Instructional Minutes - Classroom Based	4	N/A

The term "N/A" is used above to mean either the District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

We did not perform testing for independent study or continuation education because the independent study and continuation education ADA was under the level that requires testing.

Opinion on State Compliance

In our opinion, Corcoran Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2013. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-13*, published by the Education Audit Appeals Panel and which are described in the accompanying schedule of findings and questioned costs as items 13-1 and 13-2.

M. Green and Company LLP

Visalia, California
December 15, 2013

Findings and Recommendations Section

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CORCORAN UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

A. Summary of Auditors' Results

1. Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? X Yes None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes X No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	NCLB: Title I, Part A, Basic Grants Low Income and Neglected

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes No

3. State Awards

Internal control over state programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

CORCORAN UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Type of auditors' report issued on compliance
for state programs:

Unmodified

B. Financial Statement Findings

Finding 06-1

30000

SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL - STUDENT BODY FUNDRAISERS

Criteria

Generally Accepted Accounting Principles (GAAP) require the adoption of adequate internal controls to safeguard assets and ensure proper recording of all activity.

Condition

In our testing of football cash receipts at the high school, it was noted that the number of tickets sold for one football game did not match cash collections. The number of tickets sold appeared to be understated at the north gate and overstated at the south gate. In our testing of student body revenues at John Muir Middle School there was insufficient documentation of revenue for one fundraiser. Adequate documents were not kept to track potential revenue for this fundraiser.

Questioned Costs

Not Applicable

Context

This was isolated to the Student Body funds for the junior high school and high school.

Effect

The lack of documentation exposes the Student Body funds to the possibility of defalcation.

Cause

At the high school, the people responsible for cash collections and tearing tickets at the ticket booths did not properly track ticket sales and/or did not give the correct amount of change from sales. At the junior high school established controls over documentation of student body fundraisers were not followed.

Recommendation

We recommend the high school make a greater effort to ensure that all ticket sales are properly accounted for and reasons for any overages or shortages should be noted on the ticket summary sheet. We also recommend the junior high keep detailed fundraiser documentation that substantiates each type of revenue raised and deposited in any given fundraiser. Documentation should include detailed information of cost of sales and quantity and sales price of any items sold. Also when applicable, inventory should be accounted for in each fundraising project.

LEA's Response

The District has procedures in place to properly assure internal controls of inventory, sales, and cash. The site administration will be instructed to review procedures with any group prior to ordering merchandise for a fundraiser and will make sure all documentation is complete before accepting deposits.

CORCORAN UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

C. Federal Award Findings and Questioned Costs

NONE

D. State Award Findings and Questioned Costs

Finding 13-1

10000

STATE COMPLIANCE - ATTENDANCE GRADES 9 THROUGH 12

Criteria

Pursuant to Education Code Section 14503(a), if the LEA is not in compliance with a requirement that is a condition of eligibility for the receipt of State funds, the audit report shall include the number of units of Average Daily Attendance (ADA), if any that were inappropriately reported for apportionment. In addition, Education Code Section 46300(a) states, "In computing ADA of a school district..., there shall be included the attendance of pupils while engaged in educational activities required of those pupils and under the immediate supervision and control of an employee of the District...who possessed a valid certification document, registered as required by law".

Condition

During our testing of attendance we selected to review month 6 attendance for grade 10 at the high school. As a result of that testing we noted one day of attendance where one student was marked present on the weekly teacher roll sheet, but was counted as absent on the monthly attendance report.

Questioned Costs

Not Applicable

Context

The error was isolated to Grades 9 through 12 attendance reporting.

Effect

Discrepancies did not result in a difference of ADA reported. There is no fiscal impact.

Cause

This was caused by a discrepancy that was found between a teacher roll sheet and corresponding monthly attendance report.

Recommendation

We recommend the District review ADA supporting data by teacher by week.

LEA's Response

Teachers will be instructed to take more care in taking attendance. Office staff will be instructed to check weekly registers with monthly attendance reports.

CORCORAN UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Finding 13-2

10000

STATE COMPLIANCE - ATTENDANCE REPORTING - CONTINUATION EDUCATION

Criteria

Pursuant to Education Code Section 14503(a), if the LEA is not in compliance with a requirement that is a condition of eligibility for the receipt of State funds, the audit report shall include the number of units of Average Daily Attendance (ADA), if any that were inappropriately reported for apportionment. In addition, Education Code Section 46300(a) states, "In computing ADA of a school district..., there shall be included the attendance of pupils while engaged in educational activities required of those pupils and under the immediate supervision and control of an employee of the District...who possessed a valid certification document, registered as required by law".

Condition

ADA for Continuation Education, line A-6 was understated by 0.39 on the P-2 and understated by 0.31 on the Annual Attendance reports.

Questioned Costs

Not Applicable

Context

The error was isolated to attendance reporting for Continuation Education.

Effect

There is no fiscal impact.

Cause

Monthly totals for independent study used to calculate ADA did not include all grade levels.

Recommendation

We recommend the District staff review ADA supporting data and calculations for accuracy before filing attendance reports. We also recommend the District amend the P-2 and Annual Attendance reports to reflect the correct audited figures.

LEA's Response

A coding change to a student's attendance after P2 for a prior period caused the error. Site staff will be instructed not to make any code changes without notifying the District office so that appropriate report revisions can be made.



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Letter to Management

Board of Trustees
Corcoran Unified School District
1520 Patterson Avenue
Corcoran, California 93212

Dear Members of the Board of Trustees:

We have completed the audit of Corcoran Unified School District for the fiscal year ended June 30, 2013. The following item came to our attention which we are providing for your consideration:

Student Body Disbursements

During our audit of cash disbursements for the Student Body, we found four out of eight instances where there was no indication that the District verified that goods ordered had been received. We recommend when goods are ordered, the person writing the check for payment verify receipt of goods before sending out the payment. This could be accomplished by stamping or writing on a packing slip, or copy of the invoice that the goods were received, indicating who they were received by and the date they were received.

Prior Year Issues

Cafeteria Inventory: During our review of cafeteria inventory, we found that the District did not adjust the inventory in the general ledger to the actual inventory count at year end. We recommended the District adjust this account at year end once the physical inventory count had been taken, to properly reflect the account balance in the general ledger. This recommendation has been implemented.

Journal Entries: Two out of thirteen journal entries tested did not contain proper approvals. We recommended that all journal entries be reviewed and approved by someone other than the person who inputs the journal entry to ensure proper monitoring of adjustments. This recommendation has been implemented.

Student Body Disbursements: During our audit of cash disbursements for the Student Body, we found one instance where there was no indication that the District verified that goods ordered had been received. We recommended when goods were ordered, the person writing the check for payment verify receipt of goods before sending out the payment. This could be accomplished by stamping or writing on a packing slip, or copy of the invoice that the goods were received, indicating who they were received by and the date they were received. This recommendation has been repeated.

We would like to thank management and all office personnel of the District for the cooperation which we received during our audit, and look forward to working with you again in 2014 and beyond.

Very truly yours,

A handwritten signature in cursive script that reads "M. Green and Company LLP".

M. GREEN AND COMPANY LLP
Certified Public Accountants

December 15, 2013

CORCORAN UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>06-1 In our testing of football cash receipts, it was noted that the number of tickets sold for one football game did not match cash collections. The number of tickets sold appeared to be understated. We recommended the District make a greater effort to ensure that all ticket sales be properly accounted for and reasons for any overages or shortages be noted on the ticket summary sheet.</p>	Not implemented	See current year finding 06-1
<p>12-1 At the John C. Fremont Elementary School we identified a total of 26 attendance days where students departed early from the After School Education and Safety program with the reason for early departure being that the student had completed a minimum of three hours of the program (reason number 10). This was not an allowed reason for early departure according to State guidelines. We recommended that the early release policy be updated and the sign in/sign out sheets be updated at all sites to remove the reason number 10 from the sheet.</p>	Implemented	

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APPENDIX C

FORM OF SPECIAL COUNSEL OPINION

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

Board of Trustees of the
Corcoran Joint Unified School District
1520 Patterson Avenue
Corcoran, California 93212

OPINION: \$13,000,000* Certificates of Participation (2014 School Modernization Financing Project) Evidencing Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be Made by the Corcoran Joint Unified School District, as the Rental for Certain Property Pursuant to a Lease Agreement with the Local Facilities Finance Corporation

Members of the Board of Trustees:

We have acted as special counsel in connection with the delivery by the Corcoran Joint Unified School District (the "District"), of its \$13,000,000* Lease Agreement, dated as of December 1, 2014, by and between the Local Facilities Finance Corporation (the "Corporation") and the District (the "Lease Agreement"), pursuant to the California Education Code. The Corporation has, pursuant to the Assignment Agreement, dated as of December 1, 2014 (the "Assignment Agreement"), by and between the Corporation and Wilmington Trust, N.A., as trustee (the "Trustee"), assigned certain of its rights under the Lease Agreement, including its right to receive a portion of the lease payments made by the District thereunder (the "Lease Payments"), to the Trustee. Pursuant to the Trust Agreement, dated as of December 1, 2014, by and among the Trustee, the Corporation and the District (the "Trust Agreement"), the Trustee has executed and delivered certificates of participation (the "Certificates") evidencing direct, undivided fractional interests of the owners thereof in the Lease Payments. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the District contained in the Lease Agreement and in the certified proceedings and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon our examination, we are of the opinion, under existing law, as follows:

1. The District is duly created and validly existing as a unified school district organized and existing under the laws of the State of California with the power to enter into the Lease Agreement and the Trust Agreement and to perform the agreements on its part contained therein.
2. The Lease Agreement has been duly authorized, executed and delivered by the District and is an obligation of the District valid, binding and enforceable against the District in accordance with its terms.

* Preliminary, subject to change.

3. The Trust Agreement and the Assignment Agreement are valid, binding and enforceable in accordance with their terms.

4. Subject to the terms and provisions of the Lease Agreement, the Lease Payments to be made by the District are payable from general funds of the District lawfully available therefor. By virtue of the Assignment Agreement, the owners of the Certificates are entitled to receive their fractional share of the Lease Payments in accordance with the terms and provisions of the Trust Agreement.

5. Subject to the District's compliance with certain covenants, interest with respect to the Certificates is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such covenants could cause interest with respect to the Certificates to be includable in gross income for federal income tax purposes retroactively to the date of delivery of the Certificates.

6. The portion of the Lease Payments designated as and comprising interest and received by the owners of the Certificates is exempt from personal income taxation imposed by the State of California.

Ownership of the Certificates may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Certificates.

The rights of the owners of the Certificates and the enforceability of the Lease Agreement, the Assignment Agreement and the Trust Agreement may be subject to the Bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

In rendering this opinion, we have relied upon certifications of the District and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX D

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of certain provisions of the Site and Facility Lease, the Lease Agreement, the Assignment Agreement and the Trust Agreement prepared for Certificates. The following also includes definitions of certain terms used therein and in this Official Statement. Such summary is not intended to be definitive. Reference is directed to said documents for the complete text thereof. Except as otherwise defined in this summary, the terms previously defined in this Official Statement have the respective meanings previously given. Copies of said documents are available from the District and from the Trustee.

DEFINITIONS

“*Additional Payments*” means the payments so designated and required to be paid by the District pursuant to the Lease Agreement.

“*Assignment Agreement*” means the Assignment Agreement, dated as of December 1, 2014, by and between the Corporation and the Trustee, together with any duly authorized and executed amendments thereto.

“*Board*” means the Board of Education of the District.

“*Bond Counsel*” means (a) Quint & Thimmig LLP, or (b) any other attorney or firm of attorneys appointed by or acceptable to the District of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Code.

“*Business Day*” means a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the state in which the Principal Corporate Trust Office is located or in the State are closed or are required to close or a day on which the New York Stock Exchange is closed.

“*Certificate of Completion*” means the certificate of a District Representative certifying that the construction of the Project has been completed by the District and that all costs relating thereto have been paid.

“*Certificates*” means the certificates of participation to be executed and delivered pursuant to the Trust Agreement which evidence direct, undivided fractional Interests of the Owners thereof in Lease Payments.

“*Closing Date*” means December 18, 2014, the date upon which there is a physical delivery of the Certificates in exchange for the amount representing the purchase price of the Certificates by the Original Purchaser.

“*Code*” means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced in the Lease Agreement or the Trust Agreement) as it may be amended to apply to obligations issued on the Closing Date, together with applicable temporary and final regulations promulgated under the Code.

“*Completion Date*” means the date of completion of the Project as evidenced by the filing with the Trustee of a Certificate of Completion.

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

“*Corporation*” means the Local Facilities Finance Corporation, a nonprofit, public benefit corporation organized and existing under and by virtue of the laws of the State.

“*Corporation Representative*” means the President, the Executive Director, the Treasurer and the Secretary of the Corporation, or the designee of any such official, or any other person authorized by resolution delivered to the Trustee to act on behalf of the Corporation under or with respect to the Site and Facility Lease, the Lease Agreement, the Assignment Agreement and the Trust Agreement.

“*Defeasance Obligations*” means (a) cash, (b) direct non-callable obligations of the United States of America, (c) securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, to which direct obligation or guarantee the full faith and credit of the United States of America has been pledged, (d) Refcorp interest strips, (e) CATS, TIGRS, STRPS, and (f) defeased municipal bonds rated AAA by S&P or Aaa by Moody’s (or any combination of the foregoing).

“*Delivery Costs*” means all items of expense directly or indirectly payable by or reimbursable to the District or the Corporation relating to the execution and delivery of the Site and Facility Lease, the Lease Agreement, the Trust Agreement and the Assignment Agreement or the execution, sale and delivery of the Certificates, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, costs for statistical data, initial fees and charges of the Trustee (including the fees and expenses of its counsel), financing discounts, legal fees and charges, insurance fees and charges (including title insurance), financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Certificates and charges and fees in connection with the foregoing.

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

“*District*” means Corcoran Joint Unified School District, a unified school district, duly organized and existing under and by virtue of the laws of the State.

“*District Representative*” means the President, the Superintendent, the Chief Business Officer, or the designee of any such official, or any other person authorized by resolution delivered to the Trustee to act on behalf of the District under or with respect to the Site and Facility Lease, the Lease Agreement and the Trust Agreement.

“*Event of Default*” means an event of default under the Lease Agreement.

“*Facility*” means those certain existing facilities more particularly described in the Site and Facility Lease and in the Lease Agreement.

“*Federal Securities*” means (a) Cash (insured at all times by the Federal Deposit Insurance Corporation), and (b) obligations of, or obligations guaranteed as to principal and interest by, the United States or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States including: (i) United States treasury obligations, (ii) all direct or fully guaranteed obligations, (iii) Farmers Home Administration, (iv) General Services Administration, (v) Guaranteed Title XI financing, (vi) Government National Mortgage Association (GNMA), and (vi) State and Local Government Series.

“*Fiscal Year*” means the twelve-month period beginning on July 1 of any year and ending on June 30 of the next succeeding year, or any other twelve-month period selected by the District as its fiscal year.

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

“*Information Services*” means the Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board (at <http://emma.msrb.org>) or, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other national

information services providing information or disseminating notices of redemption of obligations similar to the Certificates.

“*Insurance and Condemnation Fund*” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“*Interest Payment Date*” means the first (1st) day of June and December in each year, commencing June 1, 2015, so long as any Certificates are Outstanding.

“*Lease Agreement*” means that certain agreement for the lease of the Property by the Corporation to the District, dated as of December 1, 2014, together with any duly authorized and executed amendments thereto.

“*Lease Payment Date*” means the fifteenth (15th) day of May and November in each year during the Term of the Lease Agreement, commencing May 15, 2015.

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

“*Lease Payments*” means the total payments required to be paid by the District pursuant to the Lease Agreement, including any prepayment thereof pursuant to the Lease Agreement, which payments consist of an interest component and a principal component, as set forth in the Lease Agreement.

“*Moody’s*” means Moody’s Investors Service, New York, New York, or its successors.

“*Net Proceeds*,” when used with respect to insurance or condemnation proceeds, means any insurance proceeds or condemnation award paid with respect to the Property, to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

“*Original Purchaser*” means the first purchaser of the Certificates upon their delivery by the Trustee on the Closing Date.

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

- (a) Certificates theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;
- (b) Certificates for the payment or redemption of which funds or Defeasance Obligations in the necessary amount shall have theretofore been deposited with the Trustee or an escrow holder (whether upon or prior to the maturity or redemption date of such Certificates), provided that, if such Certificates are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Trust Agreement or provision satisfactory to the Trustee shall have been made for the giving of such notice; and
- (c) Certificates in lieu of or in exchange for which other Certificates shall have been executed and delivered by the Trustee pursuant to the Trust Agreement.

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

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

“*Permitted Encumbrances*” means, as of any particular time: (a) liens for general *ad valorem* taxes and assessments, if any, not then delinquent, or which the District may, pursuant to provisions of the Lease Agreement, permit to remain unpaid; (b) the Site and Facility Lease; (c) the Lease Agreement; (d) the Assignment Agreement; (e) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (f) easements, rights-of-way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the Closing Date and which the District certifies in writing will not materially impair the use of the Property; and (g) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the date of recordation of the Lease Agreement and to which the Corporation and the District agree in writing do not reduce the value of the Property.

“*Permitted Investments*” means any of the following:

- (a) Federal Securities;
- (b) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including: (i) Export-Import Bank, (ii) Rural Economic Community Development Administration, (iii) U.S. Maritime Administration, (iv) Small Business Administration, (v) U.S. Department of Housing & Urban Development (PHAs), (vi) Federal Housing Administration, and (vii) Federal Financing Bank;
- (c) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: (i) senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC), (ii) obligations of the Resolution Funding Corporation (REFCORP), and (iii) senior debt obligations of the Federal Home Loan Bank System;
- (d) U.S. dollar denominated deposit accounts, federal funds and bankers’ acceptances with domestic commercial banks, which may include the Trustee and its affiliates, which have a rating on their short term certificates of deposit on the date of purchase of “P-1” by Moody’s and “A-1” or “A-1+” by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);
- (e) Commercial paper which is rated at the time of purchase in the single highest classification, “P-1” by Moody’s and “A-1+” by S&P and which matures not more than 270 calendar days after the date of purchase;
- (f) Investments in a money market fund rated “AAAm” or “AAAm-G” or better by S&P, including such funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services or for which the Trustee or an affiliate of the Trustee serves as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to this Trust Agreement, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this Trust Agreement may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee;
- (g) Pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (A) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest rating category of Moody’s or S&P or any successors thereto; or (B) (i) which are fully secured as to principal, interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (a) above, which escrow may be applied only to the payment of such principal, interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii)

which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal, interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(h) Municipal obligations rated “Aaa/AAA” or general obligations of states with a rating of “A2/A” or higher by both Moody’s and S&P;

(i) the Local Agency Investment Fund maintained by the State; and

(j) Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the California Government Code which invests exclusively in investments permitted by section 53635 of Title 5, Division 2, Chapter 4 of the California Government Code, as it may be amended, including but not limited to the California Asset Management Program (CAMP).

“*Principal Corporate Trust Office*” means the corporate trust office of the Trustee located at 650 Town Center Drive, Suite 600, Costa Mesa, CA 92926, Attention: Corporate Trust Department, or, solely for the purposes of the presentation of Certificates for payment, transfer or exchange, the designated corporate trust operations office of the Trustee or such other office designated by the Trustee from time to time.

“*Proceeds*,” when used with reference to the Certificates, means the face amount of the Certificates, less original issue discount.

“*Project*” means school modernization projects throughout the boundaries of the District, more particularly described in the Trust Agreement.

“*Project Costs*” means all costs of payment of, or reimbursement for, the Project.

“*Project Fund*” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“*Property*” means, collectively, the Site and the Facility.

“*Rating Category*” means, with respect to any Permitted Investment, one of the generic categories of rating by Moody’s or S&P applicable to such Permitted Investment, without regard to any refinement or graduation of such rating category by a plus or minus sign or a numeral.

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

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

“*Rental Period*” means each twelve-month period during the Term of the Lease Agreement commencing on December 2 in any year and ending on December 1 in the next succeeding year; *provided, however*, that the first Rental Period shall commence on the Closing Date and shall end on December 1, 2015.

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

“*Reserve Requirement*” means an amount equal to the maximum annual Lease Payments, which amount shall be \$ _____ on the Closing Date. The amount of the Reserve Requirement shall not be reduced unless the Certificates are partially refunded, in which such amount shall be reduced to an amount equal to the maximum

annual Lease Payments relating to the Certificates not so refunded, as specified in a certificate of a District Representative delivered to the Trustee.

“S&P” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, New York, New York, or its successors.

“*Securities Depositories*” means The Depository Trust Company, 55 Water Street, 50th Floor, New York, NY 10041 Attention: Call Notification Department; or to such other addresses and/or such other registered securities depositories holding substantial amounts of obligations of types similar to the Certificates.

“*Site*” means that certain real property more particularly described in the Site and Facility Lease and in the Lease Agreement.

“*Site and Facility Lease*” means the Site and Facility Lease, dated as of December 1, 2014, by and between the District, as lessor, and the Corporation, as lessee, together with any duly authorized and executed amendments thereto.

“*State*” means the State of California.

“*Term of the Lease Agreement*” means the time during which the Lease Agreement is in effect, as provided in the Lease Agreement.

“*Trust Agreement*” means the Trust Agreement, dated as of December 1, 2014, by and among the District, the Corporation and the Trustee, together with any duly authorized amendments thereto.

“*Trustee*” means Wilmington Trust, N.A., or any successor thereto, acting as Trustee pursuant to the Trust Agreement.

SITE AND FACILITY LEASE

The Site and Facility Lease is entered into between the District and the Corporation. The District agrees to lease the Site and the Facility to the Corporation for a term continuous with the term of the Lease Agreement. The District and the Corporation agree that the lease to the Corporation of the District’s right, title and interest in the Site and the Facility pursuant to the Site and Facility Lease serves the public purposes of the District by enabling the Corporation to lease the Site and Facility back to the District.

LEASE AGREEMENT

Deposit of Money

On the Closing Date, the Corporation shall cause to be deposited with the Trustee the net proceeds of sale of the Certificates. Amounts required to pay Delivery Costs shall be deposited in the Delivery Costs Fund, an amount equal to the Reserve Requirement will be deposited in the Reserve Fund and amounts estimated to be required to pay Project Costs, shall be deposited in the Project Fund.

Payment of Project Costs Payment of Project Costs shall be made from the moneys deposited in the Project Fund, which moneys shall be disbursed for such purpose in accordance and upon compliance with the Trust Agreement.

Payment of Delivery Costs

Payment of Delivery Costs shall be made from the moneys deposited in the Delivery Costs Fund, which moneys shall be disbursed for such purpose in accordance and upon compliance with the Trust Agreement.

Lease

The Corporation leases the Property to the District, and the District leases the Property from the Corporation, upon the terms and conditions set forth in the Lease Agreement. The leasing of the Property by the District to the Corporation pursuant to the Site and Facility Lease shall not affect or result in a merger of the District's leasehold estate pursuant to the Lease Agreement and its fee estate as lessor under the Site and Facility Lease.

Term of Agreement; Possession

The Term of the Lease Agreement shall commence on the Closing Date, and shall end on December 1, 2039, unless such term is extended. If, on December 1, 2039, the Trust Agreement shall not be discharged by its terms or if the Lease Payments payable under the Lease Agreement shall have been abated at any time and for any reason, then the Term of the Lease Agreement shall be extended without the need to execute any amendment to the Lease Agreement until there has been deposited with the Trustee an amount sufficient to pay all obligations due under the Lease Agreement, but in no event shall the Term of the Lease Agreement extend beyond May 1, 2049. If, prior to December 1, 2039, the Trust Agreement shall be discharged by its terms, the Term of the Lease Agreement shall thereupon end. The Trustee shall notify the Corporation of the termination of the Lease Agreement pursuant to the Trust Agreement.

The District agrees to accept and take possession of the Property on or prior to the date of recordation of the Lease Agreement. The first Lease Payment shall be due on January 15, 2014.

Lease Payments

Obligation to Pay. The District agrees to pay to the Corporation, its successors and assigns, as rental for the use and occupancy of the Property during each Rental Period, the Lease Payments (denominated into components of principal and interest) in the respective amounts specified in the Lease Agreement, to be due and payable on the respective Lease Payment Dates specified in the Lease Agreement. Any amount held in the Lease Payment Fund on any Lease Payment Date (other than amounts resulting from the prepayment of the Lease Payments in part but not in whole and other than amounts required for payment of Certificates not yet surrendered) shall be credited towards the Lease Payment then due and payable; and no Lease Payment need be made on any Lease Payment Date if the amounts then held in the Lease Payment Fund are at least equal to the Lease Payment then required to be paid. The Lease Payments for the Property payable in any Rental Period shall be for the use of the Property for such Rental Period.

Effect of Prepayment. In the event that the District prepays all remaining Lease Payments and all additional payments due under the Lease Agreement in full, the District's obligations under the Lease Agreement shall thereupon cease and terminate including, but not limited to, the District's obligation to pay Lease Payments under the Lease Agreement; subject however, to the provisions of the Lease Agreement in the case of prepayment by application of a security deposit. In the event that the District optionally prepays the Lease Payments in part but not in whole, such prepayment shall be credited entirely towards the prepayment of the Lease Payments as follows: (i) the principal components of each remaining such Lease Payments shall be reduced in such order as shall be selected by the District in integral multiples of \$5,000; and (ii) the interest component of each remaining Lease Payment shall be reduced by the aggregate corresponding amount of interest which would otherwise be payable with respect to the Certificates redeemed pursuant to the Trust Agreement.

Rate on Overdue Payments. In the event the District should fail to make any of the payments required in the Lease Agreement, the payment in default shall continue as an obligation of the District until the amount in default shall have been fully paid and the District agrees to pay the same with interest thereon, to the extent permitted by law, from the date of default to the date of payment at the rate per annum payable with respect to the Certificates. Such interest, if received, shall be deposited in the Lease Payment Fund or in the Reserve Fund to replenish the Reserve Fund if withdrawals were made therefrom as a result of the default.

Fair Rental Value. The Lease Payments for each Rental Period shall constitute the total rental for the Property for each such Rental Period and shall be paid by the District in each Rental Period for and in consideration of the right of the use and occupancy and the continued quiet use and enjoyment of the Property during each Rental Period. The parties to the Lease Agreement have agreed and determined that the total Lease Payments represent the fair rental value of the Property. In making such determination, consideration has been given to the obligations of the parties under the Lease Agreement, the uses and purposes which may be served by the Property and the benefits therefrom which will accrue to the District and the general public.

Source of Payments; Budget and Appropriation. Lease Payments shall be payable from any source of available funds of the District. The District covenants to take such action as may be necessary to include all Lease Payments due under the Lease Agreement in each of its budgets during the Term of the Lease Agreement and to make the necessary annual appropriations for all such Lease Payments and for additional payments due under the Lease Agreement. To that end, the Board of Supervisors shall direct budgetary staff to include in each annual budget proposal to the Board of Supervisors an appropriation sufficient to pay Lease Payments and Additional Payments. The District expresses its present intent to appropriate Lease Payments and additional payments due under the Lease Agreement during the Term of the Lease Agreement. The covenants on the part of the District contained in the Lease Agreement shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the District to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the District to carry out and perform the covenants and agreements in the Lease Agreement agreed to be carried out and performed by the District.

Assignment. The District understands and agrees that all Lease Payments have been assigned by the Corporation to the Trustee in trust, pursuant to the Assignment Agreement, for the benefit of the Owners of the Certificates, and the District assents to such assignment. The Corporation directs the District, and the District agrees to pay to the Trustee at the Principal Corporate Trust Office, all payments payable by the District pursuant to the Lease Agreement.

Additional Payments

In addition to the Lease Payments, the District shall pay when due the following additional payments:

(a) Any fees and expenses incurred by the District in connection with or by reason of its leasehold estate in the Property as and when the same become due and payable;

(b) Any amounts due to the Trustee pursuant to the Trust Agreement for all services rendered under the Trust Agreement and for all reasonable expenses, charges, costs, liabilities, legal fees and other disbursements incurred in and about the performance of its powers and duties under the Trust Agreement;

(c) Any reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the District, the Corporation or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Lease Agreement or the Trust Agreement;

(d) Any reasonable out-of-pocket expenses of the District in connection with the execution and delivery of the Lease Agreement or the Trust Agreement, or in connection with the execution and delivery of the Certificates, including any and all expenses incurred in connection with the authorization, execution, sale and delivery of the Certificates, or incurred by the Corporation in connection with any litigation which may at any time be instituted involving the Lease Agreement, the Trust Agreement, the Certificates or any of the other documents contemplated

or thereby, or incurred by the Corporation in connection with the Continuing Disclosure Certificate, or otherwise incurred in connection with the administration thereof.

Title

During the Term of the Lease Agreement, the Corporation shall hold leasehold title to the Property and shall hold fee title to those portions of the Property which are newly acquired or constructed and any and all additions which comprise fixtures, repairs, replacements or modifications to the Property, except for those fixtures, repairs, replacements or modifications which are added to the Property by the District at its own expense and which may be removed without damaging the Property and except for any items added to the Property by the District pursuant to the Lease Agreement.

If the District prepays the Lease Payments in full or makes the security deposit permitted by the Lease Agreement, or pays all Lease Payments during the Term of the Lease Agreement as the same become due and payable, all right, title and interest of the Corporation in and to the Property shall be terminated. The Corporation agrees to take any and all steps and execute and record any and all documents reasonably required by the District to consummate any such transfer of title.

Maintenance, Utilities, Taxes and Assessments

Throughout the Term of the Lease Agreement, as part of the consideration for the rental of the Property, all improvement, repair and maintenance of the Property shall be the responsibility of the District and the District shall pay, or otherwise arrange, for the payment of all utility services supplied to the Property which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Property resulting from ordinary wear and tear or want of care on the part of the District or any assignee or sublessee thereof. In exchange for the Lease Payments, the Corporation agrees to provide only the Property. The District waives the benefits of subsections 1 and 2 of section 1932 of the California Civil Code, but such waiver shall not limit any of the rights of the District under the terms of the Lease Agreement.

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

The District may, at the District's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Corporation shall notify the District that, in the opinion of Independent Counsel, by nonpayment of any such items, the interest of the Corporation in the Property will be materially endangered or the Property or any part thereof will be subject to loss or forfeiture, in which event the District shall promptly pay such taxes, assessments or charges or provide the Corporation with full security against any loss which may result from nonpayment, in form satisfactory to the Corporation. The District shall provide the Corporation with written notice of any such contest and shall provide such updates on the contest as the Corporation may reasonably request.

Modification of Property

The District shall, at its own expense, have the right to remodel the Property or to make additions, modifications and improvements to the Property. All additions, modifications and improvements to the Property shall thereafter comprise part of the Property and be subject to the provisions of the Lease Agreement. Such additions, modifications and improvements shall not in any way damage the Property, substantially alter its nature, cause the interest component of Lease Payments to be subject to federal income taxes or cause the Property to be

used for purposes other than those authorized under the provisions of State and federal law; and the Property, upon completion of any additions, modifications and improvements made thereto pursuant to the Lease Agreement, shall be of a value which is not substantially less than the value of the Property immediately prior to the making of such additions, modifications and improvements. The District will not permit any mechanic's or other lien to be established or remain against the Property for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the District pursuant to the Lease Agreement; provided that if any such lien is established and the District shall first notify the Corporation of the District's intention to do so, the District may in good faith contest any lien filed or established against the Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and shall provide the Corporation with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Corporation. The Corporation will cooperate fully in any such contest, upon the request and at the expense of the District.

Insurance

Public Liability and Property Damage Insurance. The District shall maintain or cause to be maintained, throughout the Term of the Lease Agreement, insurance policies, including a standard comprehensive general insurance policy or policies in protection of the Corporation, the District and the Trustee and their respective members, officers, agents and employees. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the District, and may be maintained through a joint exercise of powers authority created for such purpose or in the form of self-insurance by the District. Said policy or policies shall provide for indemnification of said parties against direct or consequential loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Property. Said policy or policies shall provide coverage in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of \$100,000 (subject to a deductible clause of not to exceed \$5,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the District and may be maintained in the form of insurance maintained through a joint exercise of powers authority created for such purpose or in the form of self-insurance by the District. The Net Proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds shall have been paid.

Fire and Extended Coverage Insurance; No Earthquake Insurance. The District shall maintain, or cause to be maintained throughout the Term of the Lease Agreement, insurance against loss or damage to any part of the Property constituting structures, if any, by fire and lightning, with extended coverage and vandalism and malicious mischief insurance; *provided, however,* that the District shall not be required to maintain earthquake insurance with respect to the Property. Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in an amount equal to one hundred percent (100%) of the replacement cost of such portion of the Property, if any. Such insurance may be subject to deductible clauses of not to exceed \$100,000 for any one loss. Such insurance may be maintained as part of or in conjunction with any other fire and extended coverage insurance carried by the District and may be maintained in whole or in part in the form of insurance maintained through a joint exercise of powers authority created for such purpose. The Net Proceeds of such insurance shall be applied as provided in the Lease Agreement. The District may not satisfy the requirements of the Lease Agreement for fire and extended coverage insurance with self-insurance.

Rental Interruption Insurance. The District shall maintain, or cause to be maintained, throughout the Term of the Lease Agreement rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any part of the Property during the Term of the Lease Agreement as a result of any of the hazards covered in the insurance required by the Lease Agreement, if any, in an amount at least equal to two times maximum annual Lease Payments. The Net Proceeds of such insurance shall be paid to the Trustee and deposited in the Lease Payment Fund and shall be credited towards the payment of the Lease Payments in the order in which such Lease Payments

come due and payable. Such insurance may be maintained as part of or in conjunction with any other insurance carried by the District and may be maintained in whole or in part in the form of insurance maintained through a joint exercise of powers authority created for such purpose. The District may not satisfy the requirements of the Lease Agreement for rental interruption insurance with self-insurance.

Title Insurance. The District shall provide, from moneys in the Delivery Costs Fund or at its own expense, on the Closing Date, an CLTA title insurance policy in the amount of not less than the principal amount of the Certificates, insuring the District's leasehold estate in the Property, subject only to Permitted Encumbrances.

Insurance Net Proceeds; Form of Policies. Each policy or other evidence of insurance required by the Lease Agreement shall provide that all proceeds thereunder shall be payable to the Trustee as and to the extent required under the Lease Agreement, shall name the Trustee as an additional insured and shall be applied as provided in the Lease Agreement. Insurance must be provided by an insurer rated "A" or better by S&P or A.M. Best Company. The District shall pay or cause to be paid when due the premiums for all insurance policies required by the Lease Agreement. The Trustee shall not be responsible for the sufficiency of any insurance required in the Lease Agreement, including any forms of self-insurance and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss. The District shall cause to be delivered annually on or before each September 1 to the Trustee a certification, signed by a District Representative, stating compliance with the provisions of the Lease Agreement. The Trustee shall be entitled to rely on such certification without independent investigation. The District shall have the adequacy of any insurance reserves maintained by the District or by a joint exercise of powers authority, if applicable, for purposes of the insurance required by the Lease Agreement reviewed at least annually, on or before each September 1, by an independent insurance consultant and shall maintain reserves in accordance with the recommendations of such consultant to the extent moneys are available for such purpose and not otherwise appropriated.

Tax Covenants

Private Activity Bond Limitation. The District shall assure that proceeds of the Certificates are not so used as to cause the Certificates or the Lease Agreement to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

Federal Guarantee Prohibition. The District shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Certificates or the Lease Agreement to be "federally guaranteed" within the meaning of section 149(b) of the Code.

Rebate Requirement. The District shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Certificates and the Lease Agreement.

No Arbitrage. The District shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Certificates which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Certificates or the Lease Agreement to be "arbitrage bonds" within the meaning of section 148 of the Code.

Maintenance of Tax-Exemption. The District shall take all actions necessary to assure the exclusion of interest with respect to the Certificates from the gross income of the Owners of the Certificates to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the Closing Date.

No Condemnation

The District covenants and agrees, to the extent it may lawfully do so, that so long as any of the Certificates remain outstanding and unpaid, the District will not exercise the power of condemnation with respect to the Property. The District further covenants and agrees, to the extent it may lawfully do so, that if for any reason the

foregoing covenant is determined to be unenforceable or if the District should fall or refuse to abide by such covenant and condemns the Property, the appraised value of the Property shall not be less than the greater of (i) if the Certificates are then subject to redemption, the principal and interest components of the Certificates Outstanding through the date of their redemption, or (ii) if the Certificates are not then subject to redemption, the amount necessary to defease the Certificates to the first available redemption date in accordance with the Trust Agreement.

Eminent Domain

If all of the Property shall be taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of the Lease Agreement shall cease as of the day possession shall be so taken. If less than all of the Property shall be taken permanently, or if all of the Property or any part thereof shall be taken temporarily under the power of eminent domain, (1) the Lease Agreement shall continue in full force and effect and shall not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and (2) there shall be a partial abatement of Lease Payments as a result of the application of the Net Proceeds of any eminent domain award to the prepayment of the Lease Payments, in an amount to be agreed upon by the District and the Corporation and communicated to the Trustee such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Property, except to the extent of special funds, such as amounts in the Reserve Fund available for the payment of Lease Payments.

Application of Net Proceeds

From Insurance Award. The Net Proceeds of any insurance award resulting from any damage to or destruction of any portion of the Property constituting structures, if any, by fire or other casualty shall be paid by the District to the Trustee, as assignee of the Corporation under the Assignment Agreement, deposited in the Insurance and Condemnation Fund held by the Trustee and applied as set forth in the Trust Agreement.

From Eminent Domain Award. The Net Proceeds of any eminent domain award shall be paid by the District to the Trustee, as assignee of the Corporation under the Assignment Agreement, deposited in the Insurance and Condemnation Fund and applied as set forth in the Trust Agreement.

From Title Insurance. The Net Proceeds of any title insurance award shall be paid to the Trustee, as assignee of the Corporation under the Assignment Agreement, deposited in the Insurance and Condemnation Fund and applied as set forth in the Trust Agreement.

Abatement of Lease Payments in the Event of Damage or Destruction

Lease Payments shall be abated during any period in which, by reason of damage or destruction, there is substantial interference with the use and occupancy by the District of the Property or any portion thereof to the extent to be agreed upon by the District and the Corporation and communicated by a District Representative to the Trustee. The parties agree that the amounts of the Lease Payments under such circumstances shall not be less than the amounts of the unpaid Lease Payments as are then set forth in the Lease Agreement, unless such unpaid amounts are determined to be greater than the fair rental value of the portions of the Property not damaged or destroyed, based upon the opinion of an MAI appraiser with expertise in valuing such properties, or other appropriate method of valuation, in which event the Lease Payments shall be abated such that they represent said fair rental value. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction as communicated by a District Representative to the Trustee. In the event of any such damage or destruction, the Lease Agreement shall continue in full force and effect and the District waives any right to terminate the Lease Agreement by virtue of any such damage and destruction. Notwithstanding the foregoing, there shall be no abatement of Lease Payments to the extent that (a) the proceeds of rental interruption insurance or (b) amounts in the Reserve Fund, if cash funded, and/or the Insurance and Condemnation Fund and/or the Lease Payment Fund are available to pay Lease Payments which would otherwise be

abated, it being declared that such proceeds and amounts constitute special funds for the payment of the Lease Payments.

Access to the Property

The District agrees that the Corporation and any Corporation Representative, and the Corporation's successors or assigns, shall have the right at all reasonable times to enter upon and to examine and inspect the Property. The District further agrees that the Corporation, any Corporation Representative, and the Corporation's successors or assigns, shall have such rights of access to the Property as may be reasonably necessary to cause the proper maintenance of the Property in the event of failure by the District to perform its obligations under the Lease Agreement.

Release and Indemnification Covenants

The District shall and agrees to indemnify and save the Corporation and the Trustee and their officers, agents, directors, employees, successors and assigns harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of (i) the use, maintenance, condition or management of, or from any work or thing done on the Property by the District, (ii) any breach or default on the part of the District in the performance of any of its obligations under the Lease Agreement or the Trust Agreement, (iii) any act or omission of the District or of any of its agents, contractors, servants, employees or licensees with respect to the Property, (iv) any act or omission of any sublessee of the District with respect to the Property, or (v) the authorization of payment of the Delivery Costs. Such indemnification shall include the costs and expenses of defending any claim or liability arising under the Lease Agreement or the Trust Agreement and the transactions contemplated thereby. No indemnification is made in the Lease Agreement for willful misconduct, negligence or breach of duty under the Lease Agreement by the Corporation, its officers, agents, directors, employees, successors or assigns.

Assignment by the Corporation

The Corporation's rights under the Lease Agreement, including the right to receive and enforce payment of the Lease Payments to be made by the District under the Lease Agreement, have been assigned to the Trustee pursuant to the Assignment Agreement.

Assignment and Subleasing by the District

The Lease Agreement may not be assigned by the District. The District may sublease the Property or any portion thereof, but only with the written consent of the Corporation and subject to, and delivery to the Corporation of a certificate as to, all of the following conditions:

- (a) The Lease Agreement and the obligation of the District to make Lease Payments shall remain obligations of the District;
- (b) The District shall, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to the Corporation and the Trustee a true and complete copy of such sublease;
- (c) No such sublease by the District shall cause the Property to be used for a purpose other than as may be authorized under the provisions of the Constitution and laws of the State; and
- (d) The District shall furnish the Corporation and the Trustee with a written opinion of Bond Counsel, which shall be an Independent Counsel, stating that such sublease does not cause the interest components of the Lease Payments to become subject to federal income taxes or State personal income taxes.

Amendment of Lease Agreement

(a) *Substitution of Site or Facility.* The District shall have, and is granted, the option at any time and from time to time during the Term of the Lease Agreement to substitute other land (a "Substitute Site") and/or a substitute facility (a "Substitute Facility") for the Site (the "Former Site"), or a portion thereof, and/or the Facility (the "Former Facility"), or a portion thereof, provided that the District shall satisfy all of the following requirements (to the extent applicable) which are declared to be conditions precedent to such substitution:

(i) If a substitution of the Site, the District shall file with the Corporation and the Trustee an amendment to the Site and Facility Lease which adds thereto a description of such Substitute Site and deletes therefrom the description of the Former Site;

(ii) If a substitution of the Site, the District shall file with the Corporation and the Trustee an amendment to the Lease Agreement which adds thereto a description of such Substitute Site and deletes therefrom the description of the Former Site;

(iii) If a substitution of the Facility, the District shall file with the Corporation and the Trustee an amendment to the Site and Facility Lease which adds thereto a description of such Substitute Facility and deletes therefrom the description of the Former Facility;

(iv) If a substitution of the Facility, the District shall file with the Corporation and the Trustee an amendment to the Lease Agreement which adds thereto a description of such Substitute Facility and deletes therefrom the description of the Former Facility;

(v) The District shall certify in writing to the Corporation and the Trustee that such Substitute Site and/or Substitute Facility serve the purposes of the District, constitutes property that is unencumbered, subject to Permitted Encumbrances, and constitutes property which the District is permitted to lease under the laws of the State;

(vi) The District delivers to the Corporation and the Trustee evidence (which may be insurance values or any other reasonable basis of valuation and need not require an appraisal) that the value of the Property following such substitution is equal to or greater than the Outstanding principal amount of the Certificates and confirms in writing to the Trustee that the indemnification provided pursuant to the Trust Agreement applies with respect to the Substitute Site and/or Substitute Facility;

(vii) The Substitute Site and/or Substitute Facility shall not cause the District to violate any of its covenants, representations and warranties made in the Lease Agreement and in the Trust Agreement;

(viii) The District shall obtain an amendment to the title insurance policy required pursuant to the Lease Agreement which adds thereto a description of the Substitute Site and deletes therefrom the description of the Former Site;

(ix) The District shall certify that the Substitute Site and/or the Substitute Facility is of the same or greater essentiality to the District as was the Former Site and/or the Former Facility;

(x) The District shall provide notice of the substitution to any rating agency then rating the Certificates which rating was provided at the request of the District or the Corporation; and

(xi) The District shall furnish the Corporation and the Trustee with a written opinion of Bond Counsel, which shall be an Independent Counsel, stating that such substitution does not cause the interest components of the Lease Payments to become subject to federal income taxes or State personal income taxes.

(b) *Release of Site.* The District shall have, and is granted, the option at any time and from time to time during the Term of the Lease Agreement to release any portion of the Site, provided that the District shall satisfy all of the following requirements which are declared to be conditions precedent to such release:

(i) The District shall file with the Corporation and the Trustee an amendment to the Site and Facility Lease which describes the Site, as revised by such release;

(ii) The District delivers to the Corporation and the Trustee evidence (which may be insurance values or any other reasonable basis of valuation and need not require an appraisal) that the value of the Site, as revised by such release, is equal to or greater than the Outstanding principal amount of the Certificates and confirms in writing to the Trustee and the Corporation that the indemnification provided pursuant to the Trust Agreement applies with respect to the Site, as revised by such release;

(iii) Such release shall not cause the District to violate any of its covenants, representations and warranties made in the Lease Agreement and in the Trust Agreement; and

(iv) The District shall provide notice of the release to any rating agency then rating the Certificates which rating was provided at the request of the District or the Corporation.

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

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

(ii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Lease Agreement, or in any other respect whatsoever as the Corporation and the District may deem necessary or desirable, provided that, in the opinion of Bond Counsel, such modifications or amendments will not materially adversely affect the interests of the Owners; or

(iii) to amend any provision thereof relating to the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest with respect to the Certificates under the Code, in the opinion of Bond Counsel.

Events of Default and Remedies

Events of Default. The following shall be “events of default” under the Lease Agreement and the terms “Events of Default” and “Default” shall mean, whenever they are used in the Lease Agreement, any one or more of the following events:

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

(b) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Lease Agreement or under the Trust Agreement, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Corporation, the Trustee or the Owners of not less than five percent (5%) in aggregate principal amount of Certificates then outstanding; *provided, however*, if the failure stated in the notice can be corrected, but not within the applicable period, the Corporation, the Trustee and such Owners shall not unreasonably withhold their consent to an

extension of such time if corrective action is instituted by the District within the applicable period and diligently pursued until the default is corrected.

(c) The filing by the District of a voluntary petition in bankruptcy, or failure by the District promptly to lift any execution, garnishment or attachment, or adjudication of the District as a bankrupt, or assignment by the District for the benefit of creditors, or the entry by the District into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the District in any proceedings instituted under the provisions of the Federal Bankruptcy Act, as amended, or under any similar acts which may hereafter be enacted.

Remedies on Default. The Trustee shall have the right to re-enter and re-let the Property and to terminate the Lease Agreement.

Whenever any Event of Default shall have happened and be continuing, it shall be lawful for the Corporation to exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement; *provided, however*, that notwithstanding anything in the Lease Agreement or in the Trust Agreement to the contrary, there shall be no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable. Each and every covenant in the Lease Agreement to be kept and performed by the District is expressly made a condition and upon the breach thereof, the Corporation may exercise any and all rights of entry and re-entry upon the Property, and also, at its option, with or without such entry, may terminate the Lease Agreement; provided, that no such termination shall be effected either by operation of law or acts of the parties to the Lease Agreement, except only in the manner expressly provided in the Lease Agreement. In the event of such default and notwithstanding any re-entry by the Corporation, the District shall, as expressly provided in the Lease Agreement, continue to remain liable for the payment of the Lease Payments and/or damages for breach of the Lease Agreement and the performance of all conditions therein contained and, in any event such rent and/or damages shall be payable to the Corporation at the time and in the manner as provided in the Lease Agreement, to wit:

(a) In the event the Corporation does not elect to terminate the Lease Agreement in the manner provided for below, the District agrees to and shall remain liable for the payment of all Lease Payments and the performance of all conditions contained in the Lease Agreement and shall reimburse the Corporation for any deficiency arising out of the re-leasing of the Property, or, in the event the Corporation is unable to re-lease the Property, then for the full amount of all Lease Payments to the end of the Term of the Lease Agreement, but said Lease Payments and/or deficiency shall be payable only at the same time and in the same manner as hereinabove provided for the payment of Lease Payments, notwithstanding such entry or re-entry by the Corporation or any suit in unlawful detainer, or otherwise, brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of the Property or the exercise of any other remedy by the Corporation. The District irrevocably appoints the Corporation as the agent and attorney-in-fact of the District to enter upon and re-lease the Property in the event of default by the District in the performance of any covenants contained in the Lease Agreement to be performed by the District and to remove all personal property whatsoever situated upon the Property, to place such property in storage or other suitable place within Riverside District, for the account of and at the expense of the District, and the District exempts and agrees to save harmless the Corporation from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and re-leasing of the Property and the removal and storage of such property by the Corporation or its duly authorized agents in accordance with the provisions contained in the Lease Agreement. The District waives any and all claims for damages caused or which may be caused by the Corporation in re-entering and taking possession of the Property as provided in the Lease Agreement and all claims for damages that may result from the destruction of or injury to the Property and all claims for damages to or loss of any property belonging to the District that may be in or upon the Property. The District agrees that the terms of the Lease Agreement constitute full and sufficient notice of the right of the Corporation to re-lease the Property in the event of such re-entry without effecting a surrender of the Lease Agreement, and further agrees that no acts of the Corporation in effecting such re-leasing shall constitute a surrender or termination of the Lease Agreement irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise, but that, on the contrary, in the event of

such default by the District the right to terminate the Lease Agreement shall vest in the Corporation to be effected in the sole and exclusive manner provided for in paragraph (b) below.

(b) In an Event of Default, the Corporation at its option may terminate the Lease Agreement and re-lease all or any portion of the Property. In the event of the termination of the Lease Agreement by the Corporation at its option and in the manner provided in the Lease Agreement on account of default by the District (and notwithstanding any re-entry upon the Property by the Corporation in any manner whatsoever or the re-leasing of the Property), the District nevertheless agrees to pay to the Corporation all costs, loss or damages howsoever arising or occurring payable at the same time and in the same manner as is provided in the Lease Agreement in the case of payment of Lease Payments. Any surplus received by the Corporation from such re-leasing shall be credited towards the Lease Payments next coming due and payable. Neither notice to pay rent or to deliver up possession of the premises given pursuant to law nor any proceeding in unlawful detainer taken by the Corporation shall of itself operate to terminate the Lease Agreement, and no termination of the Lease Agreement on account of default by the District shall be or become effective by operation of law, or otherwise, unless and until the Corporation shall have given written notice to the District of the election on the part of the Corporation to terminate the Lease Agreement. The District covenants and agrees that no surrender of the Property and/or of the remainder of the Term of the Lease Agreement or any termination of the Lease Agreement shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Corporation by such written notice.

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

Security Deposit

Notwithstanding any other provision of the Lease Agreement, the District may, on any date, secure the payment of all or a portion of the Lease Payments remaining due by an irrevocable deposit with the Trustee or an escrow holder under an escrow deposit and trust agreement, of: (a) in the case of a security deposit relating to all Lease Payments, either (i) cash in an amount which, together with amounts on deposit in the Lease Payment Fund, the Insurance and Condemnation Fund and the Reserve Fund, is sufficient to pay all unpaid Lease Payments, including the principal and interest components thereof, in accordance with the Lease Payment schedule set forth in the Lease Agreement, or (ii) Defeasance Obligations in such amount as will, in the written opinion of an independent certified public accountant or other firm of recognized experts in such matters, together with interest to accrue thereon and, if required, all or a portion of moneys or Defeasance Obligations or cash then on deposit and interest earnings thereon in the Lease Payment Fund, the Insurance and Condemnation Fund and the Reserve Fund, be fully sufficient to pay all unpaid Lease Payments on their respective Lease Payment Dates; or (b) in the case of a security deposit relating to a portion of the Lease Payments, a certificate executed by a District Representative designating the portion of the Lease Payments to which the deposit pertains, and either (i) cash in an amount which is sufficient to pay the portion of the Lease Payments designated in such District Representative's certificate, including the principal and interest components thereof, or (ii) Defeasance Obligations in such amount as will, together with interest to be received thereon, if any, in the written opinion of an independent certified public accountant or other firm of recognized experts in such matters, be fully sufficient to pay the portion of the Lease Payments designated in the aforesaid District Representative's certificate.

In the event of a deposit pursuant as to all Lease Payments and the payment of all fees, expenses and indemnifications owed to the Trustee, all obligations of the District under the Lease Agreement shall cease and terminate, excepting only the obligation of the District to make, or cause to be made, all payments from the deposit made by the District and the obligations of the District pursuant to the Lease Agreement and title to the Property shall vest in the District on the date of said deposit automatically and without further action by the District or the

Corporation. Said deposit and interest earnings thereon shall be deemed to be and shall constitute a special fund for the payments and said obligation shall thereafter be deemed to be and shall constitute the installment purchase obligation of the District for the Property. Upon said deposit, the Corporation will execute or cause to be executed any and all documents as may be necessary to confirm title to the Property in accordance with the provisions of the Lease Agreement. In addition, the Corporation appoints the District as its agent to prepare, execute and file or record, in appropriate offices, such documents as may be necessary to place record title to the Property in the District.

Prepayment

Optional Prepayment. The Corporation grants an option to the District to prepay the principal component of the Lease Payments in full, by paying the aggregate unpaid principal components of the Lease Payments, or in part, in a prepayment amount equal to the principal amount of Lease Payments to be prepaid, together with accrued interest to the date fixed for prepayment, without premium.

Said option may be exercised with respect to Lease Payments due on and after November 15, _____, in whole or in part on any Lease Payment Date, commencing November 15, _____. Said option shall be exercised by the District by giving written notice to the Corporation and the Trustee of the exercise of such option at least forty-five (45) days prior to said prepayment date. In the event of prepayment in part, the partial prepayment shall be applied against Lease Payments in such order of payment date as shall be selected by the District. Lease Payments due after any such partial prepayment shall be in the amounts set forth in a revised Lease Payment schedule which shall be provided by, or caused to be provided by, the District to the Trustee and which shall represent an adjustment to the schedule set forth in the Lease Agreement taking into account said partial prepayment. The Trustee agrees to notify the Corporation in the event of any prepayment of Lease Payments, as provided in the Trust Agreement.

Mandatory Prepayment From Net Proceeds of Insurance, Title Insurance or Eminent Domain. The District shall be obligated to prepay the Lease Payments, in whole on any date or in part on any Lease Payment Date, from and to the extent of any Net Proceeds of an insurance, title insurance or condemnation award with respect to the Property theretofore deposited in the Lease Payment Fund for such purpose. The District and the Corporation agree that such Net Proceeds shall be applied first to the payment of any delinquent Lease Payments, and thereafter shall be credited towards the District's obligations under the Lease Agreement. Lease Payments due after any such partial prepayment shall be in the amounts set forth in a revised Lease Payment schedule which shall be provided by, or caused to be provided by, the District to the Trustee and which shall represent an adjustment to the schedule set forth in the Lease Agreement taking into account said partial prepayment.

ASSIGNMENT AGREEMENT

The Assignment Agreement is entered into between the Corporation and the Trustee, pursuant to which the Corporation assigns and transfers to the Trustee, for the benefit of the Owners, certain of the rights of the Corporation under the Lease Agreement, including the right to receive Lease Payments under the Lease Agreement and the rights and remedies of the Corporation under the Lease Agreement to enforce payment of Lease Payments or otherwise to protect and enforce the Lease Agreement in the event of default by the District. Certain rights of the Corporation to payment of advances, indemnification and attorneys' fees and expenses are not assigned.

TRUST AGREEMENT

Project Fund; Payment of Project Costs

There shall be deposited in the Project Fund from the proceeds of the Certificates the amount required to be deposited therein, together with any other amounts from time to time deposited with the Trustee for such purpose as may be identified in writing to the Trustee.

Amounts in the Project Fund shall be disbursed for Project Costs. Disbursements from the Project Fund shall be made by the Trustee upon receipt of a sequentially numbered requisition requesting disbursement executed by a District Representative. Each such requisition shall:

(a) set forth the amounts to be disbursed for payment or reimbursement of previous payments of Project Costs and the person or persons to whom said amounts are to be disbursed;

(b) state that the amounts to be disbursed constitute Project Costs, that said amounts are required to be disbursed pursuant to a contract entered into therefor by or on behalf of the District, or were necessarily and reasonably incurred, and that said amounts are not being paid in advance of the time, if any, fixed for payment;

(c) state that no amount set forth in the requisition was included in any requisition requesting disbursement previously filed with the Trustee ; and

(d) state that there has been compliance with the Lease Agreement relating to the private use limitation and the private loan limitation.

The Trustee shall be responsible for the safekeeping and investment of the moneys held in the Project Fund and the payment thereof in accordance with the Trust Agreement, but the Trustee shall not be responsible for the truth or accuracy of such requisitions, may rely conclusively thereon and shall be under no duty to investigate or verify any statements made therein.

Delivery Costs Fund; Payment of Delivery Costs

There shall be deposited in the Delivery Costs Fund the proceeds of sale of the Certificates required to be deposited therein pursuant to the Trust Agreement and any other funds from time to time deposited with the Trustee for such purpose and identified in writing to the Trustee.

The moneys in the Delivery Costs Fund shall be disbursed by the Trustee to pay the Delivery Costs. Disbursements from the Delivery Costs Fund shall be made by the Trustee on receipt of a sequentially numbered requisition, signed by a District Representative.

The Trustee shall be responsible for the safekeeping and investment (in accordance with the Trust Agreement) of the moneys held in the Delivery Costs Fund and the payment thereof in accordance with the Trust Agreement, but the Trustee shall not be responsible for the truth or accuracy of such requisitions, may rely conclusively thereon and shall be under no duty to investigate or verify any statements made therein.

Upon written notice from a District Representative that all Delivery Costs have been paid, the Trustee shall transfer any moneys then remaining in the Delivery Costs Fund to the Lease Payment Fund and applied for the purposes of such fund, the Delivery Costs Fund shall be closed, the Trustee shall no longer be obligated to make payments for Delivery Costs and all further Delivery Costs shall be paid by the District.

Assignment of Rights in Lease Agreement

The Corporation has, in the Assignment Agreement, transferred, assigned and set over to the Trustee certain of its rights but none of its obligations set forth in the Lease Agreement, including but not limited to all of the Corporation's rights to receive and collect Lease Payments and all other amounts required to be deposited in the Lease Payment Fund pursuant to the Lease Agreement or pursuant to the Trust Agreement. All Lease Payments and such other amounts to which the Corporation may at any time be entitled shall be paid directly to the Trustee and all of the Lease Payments collected or received by the Corporation shall be deemed to be held and to have been collected or received by the Corporation as the agent of the Trustee, and if received by the Corporation at any time shall be deposited by the Corporation with the Trustee within one Business Day after the receipt thereof, and all

such Lease Payments and such other amounts shall be forthwith deposited by the Trustee upon the receipt thereof in the Lease Payment Fund.

Lease Payment Fund

All moneys at any time deposited by the Trustee in the Lease Payment Fund shall be held by the Trustee in trust for the benefit of the Owners of the Certificates. So long as any Certificates are Outstanding, neither the District nor the Corporation shall have any beneficial right or interest in the Lease Payment Fund or the moneys deposited therein, except only as provided in the Trust Agreement.

There shall be deposited in the Lease Payment Fund all Lease Payments received by the Trustee, including any moneys received by the Trustee for deposit therein pursuant to the Trust Agreement or the Lease Agreement, and any other moneys required to be deposited therein pursuant to the Lease Agreement or the Trust Agreement.

All amounts in the Lease Payment Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal and interest with respect to the Certificates as the same shall become due and payable in accordance with the provisions of the Trust Agreement.

Any surplus remaining in the Lease Payment Fund after redemption and/or payment of all Certificates, including accrued interest (if any) and payment of any applicable fees and expenses to the Trustee, or provision for such redemption or payment having been made to the satisfaction of the Trustee, shall be withdrawn by the Trustee and remitted to the District.

Reserve Fund

Transfers of Excess. The Trustee shall, on or before each June 1 and December 1, value investments in the Reserve Fund at market value and transfer any moneys in the Reserve Fund then in excess of the Reserve Requirement; *provided, however,* that the Trustee shall not liquidate an investment to make such transfer of excess unless so directed in writing by a District Representative. The Trustee shall transfer any amount in excess of such sum to the Lease Payment Fund to be applied as a credit against amounts owed by the District for the payment of Lease Payments on each Lease Payment Date thereafter, until depleted.

Application in Event of Deficiency in the Lease Payment Fund. If, on any Interest Payment Date, the moneys available in the Lease Payment Fund do not equal the amount of the principal and interest with respect to the Certificates then coming due and payable, the Trustee shall apply the moneys available in the Reserve Fund to make delinquent Lease Payments by transferring the amount necessary for this purpose to the Lease Payment Fund. Upon receipt of any delinquent Lease Payment with respect to which moneys have been advanced from the Reserve Fund, such Lease Payment shall be deposited in the Reserve Fund to the extent of such advance.

Transfer To Make All Lease Payments. If, on any Interest Payment Date, the moneys on deposit in the Reserve Fund and the Lease Payment Fund (excluding amounts required for payment of principal and interest with respect to Certificates not presented for payment) are sufficient to pay all Outstanding Certificates, including all principal and interest, the Trustee shall transfer all amounts then on deposit in the Reserve Fund to the Lease Payment Fund to be applied to the payment of the Lease Payments, and such moneys shall be distributed to the Owners of Certificates in accordance with the Trust Agreement. Any amounts remaining in the Reserve Fund upon payment in full of all Outstanding Certificates and all amounts due the Trustee under the Trust Agreement, or upon provision for such payment, shall be withdrawn by the Trustee and paid to the District.

Insurance and Condemnation Fund; Application of Net Proceeds of Insurance Award

(a) Any Net Proceeds of insurance against damage to or destruction of any part of the Property collected by the District in the event of any such damage or destruction shall be paid to the Trustee by the District pursuant to the Lease Agreement and deposited by the Trustee promptly upon receipt thereof in a special fund designated as the

“Insurance and Condemnation Fund” to be established by the Trustee when deposits are required to be made therein.

(b) Within ninety (90) days following the date of such deposit, the District shall determine and notify the Trustee in writing of its determination either (i) that the replacement, repair, restoration, modification or improvement of the Property is not economically feasible or in the best interest of the District, or (ii) that all or a portion of such Net Proceeds are to be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Property.

(c) In the event the District’s determination is as set forth in clause (i) of paragraph (b) above, such Net Proceeds shall be promptly transferred by the Trustee to the Lease Payment Fund, applied to the prepayment of Lease Payments pursuant to the Lease Agreement and applied to the redemption of Certificates as provided in the Trust Agreement; *provided, however*, that in the event of damage or destruction of the Property in full, such Net Proceeds may be transferred to the Lease Payment Fund only if sufficient, together with other moneys available therefor, to cause the prepayment of the principal components of all unpaid Lease Payments pursuant to the Lease Agreement, otherwise such Net Proceeds shall be applied to the replacement, repair, restoration, modification or improvement of the Property; *provided further, however*, that in the event of damage or destruction of the Property in part, such Net Proceeds may be transferred to the Lease Payment Fund and applied to the prepayment of Lease Payments only if the resulting Lease Payments represent fair consideration for the remaining portions of the Property, evidenced by a certificate signed by a District Representative and an Corporation Representative.

(d) In the event the District’s determination is as set forth in clause (ii) of paragraph (b) above, Net Proceeds deposited in the Insurance and Condemnation Fund shall be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Property by the District, and disbursed by the Trustee upon receipt of requisitions signed by a District Representative stating with respect to each payment to be made (i) the requisition number, (ii) the name and address of the person, firm or corporation to whom payment is due, (iii) the amount to be paid and (iv) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund, has not been the basis of any previous withdrawal, and specifying in reasonable detail the nature of the obligation, accompanied by a bill or a statement of account for such obligation. The Trustee shall not be responsible for the representations made in such requisitions and may conclusively rely thereon and shall be under no duty to investigate or verify any statements made therein. Any balance of the Net Proceeds remaining after such work has been completed shall be paid to the District.

Application of Net Proceeds of Eminent Domain Award

If all or any part of the Property shall be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain), the Net Proceeds therefrom shall be deposited with the Trustee in the Insurance and Condemnation Fund pursuant to the Lease Agreement and shall be applied and disbursed by the Trustee as follows:

(a) If the District has given written notice to the Trustee of its determination that (i) such eminent domain proceedings have not materially affected the operation of the Property or the ability of the District to meet any of its obligations with respect to the Property under the Lease Agreement, and (ii) such proceeds are not needed for repair or rehabilitation of the Property, the District shall so certify to the Trustee and the Trustee, at the District’s written request, shall transfer such proceeds to the Lease Payment Fund to be credited towards the prepayment of the Lease Payments pursuant to the Lease Agreement and applied to the redemption of Certificates in the manner provided in the Trust Agreement.

(b) If the District has given written notice to the Trustee of its determination that (i) such eminent domain proceedings have not materially affected the operation of the Property or the ability of the District to meet any of its obligations with respect to the Property under the Lease Agreement, and (ii) such proceeds are needed for repair, rehabilitation or replacement of the Property, the District shall so certify to the Trustee and the Trustee, at the District’s written request, shall pay to the District, or to its order, from said proceeds such amounts as the District

may expend for such repair or rehabilitation, upon the filing with the Trustee of requisitions of the District Representative in the form and containing the provisions set forth in the Trust Agreement. The Trustee shall not be responsible for the representations made in such requisitions and may conclusively rely thereon and shall be under no duty to investigate or verify any statements made therein.

(c) If (i) less than all of the Property shall have been taken in such eminent domain proceedings or sold to a government threatening the use of eminent domain powers, and if the District has given written notice to the Trustee of its determination that such eminent domain proceedings have materially affected the operation of the Property or the ability of the District to meet any of its obligations with respect to the Property under the Lease Agreement or (ii) all of the Property shall have been taken in such eminent domain proceedings, then the Trustee shall transfer such proceeds to the Lease Payment Fund to be credited toward the prepayment of the Lease Payments pursuant to the Lease Agreement and applied to the redemption of Certificates in the manner provided in the Trust Agreement.

Application of Net Proceeds of Title Insurance Award

The Net Proceeds from a title insurance award shall be deposited with the Trustee in the Insurance and Condemnation Fund pursuant to the Lease Agreement and shall be transferred to the Lease Payment Fund to be credited towards the prepayment of Lease Payments required to be paid pursuant to the Lease Agreement and applied to the redemption of Certificates in the manner provided in the Trust Agreement.

Moneys in Funds; Investment

Held in Trust. The moneys and investments held by the Trustee under the Trust Agreement are irrevocably held in trust for the benefit of the Owners of the Certificates and for the purposes specified in the Trust Agreement and such moneys, and any income or interest earned thereon, shall be expended only as provided in the Trust Agreement and shall not be subject to levy, attachment or lien by or for the benefit of any creditor of the Corporation, the Trustee, the District or any Owner of Certificates.

Investments Authorized. Moneys held by the Trustee under the Trust Agreement shall, upon written order of a District Representative, be invested and reinvested by the Trustee in Permitted Investments. The Trustee may deem all investments directed by a District Representative as Permitted Investments without independent investigation thereof. If a District Representative shall fail to so direct investments, the Trustee shall hold such moneys uninvested. Such investments, if registrable, shall be registered in the name of and held by the Trustee or its nominee. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by the Trust Agreement. Such investments and reinvestments shall be made giving full consideration to the time at which funds are required to be available. The Trustee may act as principal or agent in the making or disposing of any investment and make or dispose of any investment through its investment department or that of an affiliate and shall be entitled to its customary fees therefor. The Trustee is authorized, in making or disposing of any investment permitted by the Trust Agreement, to deal with itself (in its individual capacity) or with one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or dealing as principal for its own account. The Trustee may rely on the investment directions of the District Representative as to both the suitability and legality of the directed investments.

Allocation of Earnings. Unless and until otherwise directed by the District to the Trustee in writing, all interest or income received by the Trustee on investment of the Lease Payment Fund shall as received, prior to the Completion Date, be transferred to the Project Fund (except as otherwise provided in the Trust Agreement) and thereafter shall be retained in the Lease Payment Fund. Amounts retained or deposited in the Lease Payment Fund shall be applied as a credit against the Lease Payment due by the District pursuant to the Lease Agreement on the Lease Payment Date following the date of deposit. All interest or income in the Project Fund shall be retained in the Project Fund until the Project Fund is closed. All interest received by the Trustee on investment of the Reserve Fund shall be retained in the Reserve Fund in the event that amounts on deposit in the Reserve Fund are less than the Reserve Requirement. Reserve Fund investments may not have maturities extending beyond five years. In the

event that amounts then on deposit in the Reserve Fund on the valuation date described in the Trust Agreement equal or exceed the Reserve Requirement, such excess shall be transferred to the Lease Payment Fund. Transfers to the Lease Payment Fund from the Reserve Fund shall be made by the Trustee on or prior to each June 1 and December 1. All interest or income in the Delivery Costs Fund shall be retained in the Delivery Costs Fund until the Delivery Costs Fund is closed.

Amendments

The Trust Agreement and the rights and obligations of the Owners of the Certificates, the Lease Agreement and the rights and obligations of the parties thereto, the Site and Facility Lease and the rights and obligations of the parties thereto and the Assignment Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement which shall become effective when the written consent of the Owners of at least sixty percent (60%) in aggregate principal amount of the Certificates then Outstanding, exclusive of Certificates disqualified as provided in the Trust Agreement, shall have been filed with the Trustee. No such modification or amendment shall (1) extend or have the effect of extending the fixed maturity of any Certificate or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof, without the express consent of the Owner of such Certificate, or (2) reduce or have the effect of reducing the percentage of Certificates required for the affirmative vote or written consent to an amendment or modification of a Lease Agreement, or (3) modify any of the rights or obligations of the Trustee without its written assent thereto. Any such supplemental agreement shall become effective as provided in the Trust Agreement.

The Trust Agreement and the rights and obligations of the Owners of the Certificates and the Lease Agreement and the rights and obligations of the respective parties thereto, may be modified or amended at any time by a supplemental agreement, without the consent of any such Owners, but only to the extent permitted by law and only (1) to add to the covenants and agreements of the Corporation or the District, (2) to cure, correct or supplement any ambiguous or defective provision contained therein and which shall not, in the opinion of nationally recognized bond counsel, adversely affect the interests of the Owners of the Certificates, (3) in regard to questions arising thereunder, as the parties thereto may deem necessary or desirable and which shall not, in the opinion of nationally recognized bond counsel, materially adversely affect the interests of the Owners of the Certificates; (4) to make such additions, deletions or modifications as may be necessary or appropriate in the opinion of bond counsel to assure the exclusion from gross income for federal income tax purposes of the interest component of Lease Payments and the interest payable with respect to the Certificates, (5) to add to the rights of the Trustee, or (6) to maintain the rating or ratings assigned to the Certificates. Any such supplemental agreement shall become effective upon execution and delivery by the parties thereto, as the case may be.

The Trust Agreement and the Lease Agreement may not be modified or amended at any time by a supplemental agreement which would modify any of the rights and obligations of the Trustee without its written assent thereto.

Certain Covenants

Compliance With and Enforcement of Lease Agreement. The District covenants and agrees with the Owners of the Certificates to perform all obligations and duties imposed on it under the Lease Agreement. The Corporation covenants and agrees with the Owners of the Certificates to perform all obligations and duties imposed on it under the Lease Agreement.

The District will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation or termination of their respective Lease Agreement by the Corporation thereunder. The Corporation and the District, immediately upon receiving or giving any notice, communication or other document in any way relating to or affecting their respective estates, or either of them, in the Property, which may or can in any manner affect such estate of the District or the Corporation, will deliver the same, or a copy thereof, to the Trustee.

Observance of Laws and Regulations. The District and the Corporation will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on them by contract, or prescribed by any law of the United States, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the District or the Corporation, respectively, including its right to exist and carry on business as a public entity, to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Budgets. The District shall supply to the Trustee as soon as practicable, but not later than September 15 in each year, a written determination by a District Representative that the District has made adequate provision in its annual budget for the payment of Lease Payments due under the Lease Agreement in the Fiscal Year covered by such budget. The determination given by the District to the Trustee shall be that the amounts so budgeted are fully adequate for the payment of all Lease Payments and Additional Payments due under the Lease Agreement in the annual period covered by such budget.

Continuing Disclosure. The District covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Trust Agreement, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee may, upon payment of its fees and expenses, including counsel fees, and receipt of indemnity satisfactory to it, at the request of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Certificates, shall or any holder or beneficial owner of the Certificates may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Limitation of Liability

Limited Liability of District. Except for the payment of Lease Payments when due in accordance with the Lease Agreement and the performance of the other covenants and agreements of the District contained in the Lease Agreement and the Trust Agreement, the District shall have no pecuniary obligation or liability to any of the other parties or to the Owners of the Certificates with respect to the Trust Agreement or the terms, execution, delivery or transfer of the Certificates, or the distribution of Lease Payments to the Owners by the Trustee, except as expressly set forth in the Trust Agreement.

No Liability of District or Corporation for Trustee Performance. Neither the District nor the Corporation shall have any obligation or liability to any of the other parties or to the Owners of the Certificates with respect to the performance by the Trustee of any duty imposed upon it under the Trust Agreement.

Indemnification of Trustee. The District shall to the extent permitted by law indemnify and save the Trustee, its officers, employees, directors, affiliates and agents harmless from and against all claims, losses, costs, expenses, liability and damages, including legal fees and expenses (including allocated costs of internal counsel), arising out of (i) the use, maintenance, condition or management of, or from any work or thing done on, the Property by the Corporation or the District; (ii) any breach or default on the part of the Corporation or the District the performance of any of their respective obligations under the Lease Agreement, the Assignment Agreement, the Trust Agreement and any other agreement made and entered into for purposes of the Property; (iii) any act of the Corporation or the District or of any of their respective agents, contractors, servants, employees, licensees with respect to the Property; (iv) any act of any assignee of, or purchaser from the Corporation or the District or of any of its or their respective agents, contractors, servants, employees or licensees with respect to the Property; (v) the authorization of payment of Delivery Costs; (vi) the actions of any other party, including but not limited to the ownership, operation or use of the Property by the Corporation or the District including, without limitation, the use, storage, presence, disposal or release of any Hazardous Substances on or about the Property; (vii) the Trustee's exercise and performance of its powers and duties under the Trust Agreement or as assigned to it under the Assignment Agreement; (viii) the offering and sale of the Certificates; (ix) the presence under or about or release from the Property, or any portion

thereof, of any substance, material or waste which is or becomes regulated or classified as hazardous or toxic under State, local or federal law, or the violation of any such law by the District; or (x) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading, in any official statement or other offering document utilized in connection with the sale of the Certificates. Such indemnification shall include the costs and expenses of defending against any claim or liability arising under the Trust Agreement. No indemnification will be made under the Trust Agreement for willful misconduct or negligence under the Trust Agreement by the Trustee, its officers, affiliates or employees. The District's obligations under the Trust Agreement shall remain valid and binding notwithstanding maturity and payment of the Certificates or resignation or removal of the Trustee.

Assignment of Rights; Remedies. Pursuant to the Assignment Agreement, the Corporation has transferred, assigned and set over to the Trustee certain of the Corporation's rights in and to the Lease Agreement, including without limitation all of the Corporation's rights to exercise such rights and remedies conferred on the Corporation pursuant to the Lease Agreement as may be necessary or convenient (i) to enforce payment of the Lease Payments and any other amounts required to be deposited in the Lease Payment Fund or the Insurance and Condemnation Fund, and (ii) otherwise to exercise the Corporation's rights and take any action to protect the interests of the Trustee or the Certificate Owners in an Event of Default.

If an Event of Default shall happen, then and in each and every such case during the continuance of such Event of Default, the Trustee shall, upon request of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, and upon payment of its fees and expenses, including counsel fees, and being indemnified to its satisfaction therefor shall, exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement; *provided, however*, that notwithstanding anything in the Trust Agreement or in the Lease Agreement to the contrary, there shall be no right under any circumstances to accelerate the maturities of the Certificates or otherwise to declare any Lease Payment not then in default to be immediately due and payable.

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APPENDIX E

DTC'S BOOK-ENTRY ONLY SYSTEM

The information in this Appendix E, concerning The Depository Trust Company, New York, New York ("DTC"), and DTC's book-entry system, has been furnished by DTC for use in official statements and the District takes no responsibility for the completeness or accuracy thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest or principal with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation of ownership interest in the Certificates, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix E. 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. Information Furnished by DTC Regarding its Book-Entry Only System

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Certificates (as used in this Appendix E, the "Securities"). The Securities 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 Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest 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 and www.dtc.org.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

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

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

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

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the paying agent or bond trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the paying agent or bond trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the paying agent or bond trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the District or the paying agent or bond trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

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APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the “Disclosure Certificate”) is executed and delivered by the CORCORAN JOINT UNIFIED SCHOOL DISTRICT (the “District”) in connection with the execution and delivery of \$13,000,000* Corcoran Joint Unified School District Certificates of Participation (2014 School Modernization Financing Project) (the “Certificates”). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of December 1, 2014, by and among Wilmington Trust, N.A., as trustee (the “Trustee”), the District and the Local Facilities Finance Corporation (the “Trust Agreement”). Pursuant to Section 11.08 of the Trust Agreement, the District covenants and agree as follows:

Section 1. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate, unless otherwise defined in this Section 1, the following capitalized terms shall have the following meanings when used in this Disclosure Certificate:

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

“*Dissemination Agent*” shall mean Isom Advisors or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation. In the absence of such a designation, the District shall act as the Dissemination Agent.

“*EMMA*” or “*Electronic Municipal Market Access*” means the centralized on-line repository for documents to be filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

“*Listed Events*” shall mean any of the events listed in Section 5(a) or 5(b) of this Disclosure Certificate.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Participating Underwriter*” shall mean any original underwriter of the Certificates required to comply with the Rule in connection with offering of the Certificates.

“*Rule*” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the owners and Beneficial Owners of the Certificates and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

* Preliminary, subject to change.

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report.* The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (which currently ends on June 30), commencing with the report for the 2013-14 Fiscal Year, which is due not later than March 31, 2015, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that 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.

(b) *Change of Fiscal Year.* 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(b), and subsequent Annual Report filings shall be made no later than nine months after the end of such new fiscal year end.

(c) *Delivery of Annual Report to Dissemination Agent.* Not later than fifteen (15) Business Days prior to the date specified in subsection (a) (or, if applicable, subsection (b)) of this Section 3 for providing the Annual Report to EMMA, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the District.

(d) *Report of Non-Compliance.* If the District is the Dissemination Agent and is unable to file an Annual Report by the date required in subsection (a) (or, if applicable, subsection (b)) of this Section 3, the District shall send a notice to EMMA substantially in the form attached hereto as Exhibit A. If the District is not the Dissemination Agent and is unable to provide an Annual Report to the Dissemination Agent by the date required in subsection (c) of this Section 3, the Dissemination Agent shall send a notice to EMMA in substantially the form attached hereto as Exhibit A.

(e) *Annual Compliance Certification.* The Dissemination Agent shall, if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been filed with EMMA pursuant to Section 3 of this Disclosure Certificate, stating the date it was so provided and filed.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) *Financial Statements.* Audited financial statements of the District for the preceding fiscal year, prepared in accordance generally accepted accounting principles. 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 and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) *Other Annual Information.* To the extent not included in the audited final statements of the District, the Annual Report shall also include financial and operating data with respect to the District for preceding fiscal year, as follows, substantially similar to that provided in the corresponding tables and charts in the official statement for the Certificates:

[TO BE DETERMINED]

(c) *Cross References.* 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 are available to the public on EMMA. The District shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) *Further Information.* In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Listed Events.

(a) *Reportable Events.* The District shall, or shall cause the Dissemination Agent (if not the District) to, give notice of the occurrence of any of the following events with respect to the Certificates:

- (1) Principal and interest payment delinquencies.
- (2) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (3) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (4) Substitution of credit or liquidity providers, or their failure to perform.
- (5) Defeasances.
- (6) Rating changes.
- (7) Tender offers.
- (8) Bankruptcy, insolvency, receivership or similar event of the obligated person.
- (9) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

Note: For the purposes of the event identified in subparagraph (8), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, 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 obligated person.

(b) *Material Reportable Events.* The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates, if material:

- (1) Non-payment related defaults.
- (2) Modifications to rights of security holders.
- (3) Bond calls.
- (4) The release, substitution, or sale of property securing repayment of the securities.
- (5) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such

an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

- (6) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) *Time to Disclose.* The District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of any Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(5) and (b)(3) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Certificates under the Trust Agreement.

Section 6. Identifying Information for Filings with EMMA. All documents provided to EMMA under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent.

(a) *Appointment of Dissemination Agent.* The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate and may discharge any such agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the District, 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. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with EMMA shall be prepared and provided to it by the District. The Dissemination Agent has undertaken no responsibility with respect to the content of any reports, notices or disclosures provided to it under this Disclosure Certificate and has no liability to any person, including any Certificate owner, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the District shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition, except as may be provided by written notice from the District.

(b) *Compensation of Dissemination Agent.* The Dissemination Agent shall be paid reasonable compensation by the District for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the District from time to time and all reasonable expenses, legal fees and expenses and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, owners or Beneficial Owners, or any other party. The Dissemination Agent may rely, and shall be protected in acting or refraining from acting, upon any direction from the District or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the District. The Dissemination Agent shall not be liable hereunder except for its negligence or willful misconduct.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the District that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that all of the following conditions are satisfied:

(a) *Change in Circumstances.* If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a) or (b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Certificates, or the type of business conducted.

(b) *Compliance as of Issue Date.* The undertaking, as amended or taking into account such waiver, would, in the opinion of a nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

(c) *Consent of Holders; Non-impairment Opinion.* The amendment or waiver either (i) is approved by the Certificate owners in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Certificate owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Certificate owners or Beneficial Owners.

If this Disclosure Certificate is amended or any provision of this Disclosure Certificate is waived, the District shall describe such amendment or waiver in the next following 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(c), 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 10. 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 Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Certificate owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. 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 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and no implied covenants or obligations shall be read into this Disclosure Certificate against the Dissemination Agent, and 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 reasonable costs and expenses (including attorneys fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have the same rights, privileges and immunities hereunder as are afforded to the Trustee under the Trust Agreement. The obligations of the District under this Section 12 shall survive resignation or removal of the Dissemination Agent and payment of the Certificates.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and the owners and Beneficial Owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Date: [Closing Date]

CORCORAN JOINT UNIFIED SCHOOL
DISTRICT

By _____
Authorized Officer

ACKNOWLEDGED:

ISOM ADVISORS, as Dissemination Agent

By _____
Authorized Officer

EXHIBIT A

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: Corcoran Joint Unified School District

Name of Issue: Certificates of Participation (2014 School Modernization Financing Project) Evidencing Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be made by the Corcoran Joint Unified School District, as the Rental for Certain Property Pursuant to a Lease Agreement with the Local Facilities Finance Corporation

Date of Issuance: [Closing Date]

NOTICE IS HEREBY GIVEN that the Obligor has not provided an Annual Report with respect to the above-named Issue as required by the Continuing Disclosure Certificate, dated [Closing Date], furnished by the Obligor in connection with the Issue. The Obligor anticipates that the Annual Report will be filed by _____.

Date: _____

ISOM ADVISORS, Dissemination Agent

By _____
Authorized Officer

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