NEW ISSUE—FULL BOOK-ENTRY

INSURED RATING: S&P: "AA"
UNDERLYING RATING: S&P: "A+"
See "MISCELLANEOUS – Ratings" herein

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

$10,000,000
CHARTER OAK UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
Election of 2012 General Obligation Bonds, Series C

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

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

The Charter Oak Unified School District (Los Angeles County, California) Election of 2012 General Obligation Bonds, Series C (the "Bonds") were authorized at an election of the registered voters of the Charter Oak Unified School District (the "District") held on June 5, 2012, at which the requisite 55% or more of the persons voting on the proposition voted to authorize the issuance and sale of not-to-exceed $47,000,000 principal amount of general obligation bonds. The Bonds are being issued to (i) finance the acquisition, construction, modernization and equipping of District sites and facilities, and (ii) pay the costs of issuing the Bonds.

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

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (collectively referred to herein as "DTC"). Purchasers of interests in the Bonds (the "Beneficial Owners") will not receive certificates representing their interests in the Bonds. See "THE BONDS – Book-Entry Only System" herein.

The Bonds will be issued as current interest bonds, such that interest thereon will accrue from the date of delivery of the Bonds and be payable semiannually on February 1 and August 1 of each year, commencing on February 1, 2019. The Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof.

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP. See "THE BONDS – Bond Insurance" herein and "APPENDIX F – SPECIMEN MUNICIPAL BOND INSURANCE POLICY" attached hereto.

ASSURED GUARANTY MUNICIPAL

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

Maturity Schedule
(See inside front cover)

The Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel and Disclosure Counsel to the District. Certain matters will be passed upon for the Underwriter by Norton Rose Fulbright US LLP, Los Angeles, California. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC, in New York, New York, on or about December 11, 2018.

RBC Capital Markets®

Dated: November 20, 2018

MATURITY SCHEDULE

$10,000,000
CHARTER OAK UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
Election of 2012 General Obligation Bonds, Series C

Base CUSIP[(1)]: 161285

$2,570,000 Serial Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP[(1)]
2021	$175,000	4.000%	2.050%	RF0
2022	110,000	4.000	2.120	RG8
2023	190,000	5.000	2.190	RH6
2024	275,000	5.000	2.260	RJ2
2025	370,000	5.000	2.370	RK9
2026	145,000	5.000	2.490	RL7
2027	80,000	5.000	2.630	RM5
2028	195,000	5.000	2.720	RN3
2029	265,000	5.000	2.830[(C)]	RP8
2030	150,000	5.000	2.950[(C)]	RQ6
2031	175,000	5.000	3.020[(C)]	RR4
2032	205,000	5.000	3.120[(C)]	RS2
2033	235,000	5.000	3.210[(C)]	RT0

$570,000 – 3.625% Current Interest Term Bonds due August 1, 2035 - Yield: 3.870%; CUSIP[(1)]: RU7

$1,100,000 – 3.750% Current Interest Term Bonds due August 1, 2038 - Yield: 4.000%; CUSIP[(1)]: RV5

$5,760,000 – 5.000% Current Interest Term Bonds due August 1, 2045 - Yield: 3.600%[(C)]; CUSIP[(1)]: RW3

[(C)] Yield to call at par on August 1, 2028.

[(1)] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. None of the Underwriter, the Municipal Advisor or the District is responsible for the selection or correctness of the CUSIP numbers set forth herein. CUSIP numbers have been assigned by an independent company not affiliated with the District, the Municipal Advisor or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds. None of the District, the Municipal Advisor or the Underwriter are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the District. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District.

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)2 and 3(a)12, respectively, for the issuance and sale of such municipal securities. The Bonds are not registered under the securities laws of any state. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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

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

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

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

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

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

CHARTER OAK UNIFIED SCHOOL DISTRICT

Board of Education

Jane A. Bock, *President*
Dr. Don H. Davis, *Vice President*
Brian R. Akers, *Member*
Jeanette V. Flores, *Member*
Gregg Peterson, *Member*

District Administration

Dr. Mike Hendricks, *Superintendent*
Antoinette Flores, *Fiscal Services Coordinator*

PROFESSIONAL SERVICES

Bond Counsel and Disclosure Counsel

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

Municipal Advisor

Keygent LLC
El Segundo, California

Paying Agent, Registrar and Transfer Agent

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

TABLE OF CONTENTS

Page

INTRODUCTION **1**

CHANGES SINCE DATE OF PRELIMINARY OFFICIAL STATEMENT 1
THE DISTRICT 1
PURPOSE OF THE BONDS 2
AUTHORITY FOR ISSUANCE OF THE BONDS 2
SOURCES OF PAYMENT FOR THE BONDS 2
DESCRIPTION OF THE BONDS 2
TAX MATTERS 3
OFFERING AND DELIVERY OF THE BONDS 3
BOND OWNER'S RISKS 3
CONTINUING DISCLOSURE 3
FORWARD LOOKING STATEMENTS 3
PROFESSIONALS INVOLVED IN THE OFFERING 4
OTHER INFORMATION 4

THE BONDS **5**

AUTHORITY FOR ISSUANCE 5
SECURITY AND SOURCES OF PAYMENT 5
BOND INSURANCE 6
STATUTORY LIEN 9
GENERAL PROVISIONS 9
ANNUAL DEBT SERVICE 10
APPLICATION AND INVESTMENT OF BOND PROCEEDS 11
REDEMPTION 11
BOOK-ENTRY ONLY SYSTEM 15
DISCONTINUATION OF BOOK-ENTRY ONLY SYSTEM; REGISTRATION, EXCHANGE AND TRANSFER OF BONDS 17
DEFEASANCE 18

ESTIMATED SOURCES AND USES OF FUNDS **19**

TAX BASE FOR PAYMENT OF BONDS **20**

AD VALOREM PROPERTY TAXATION 20
ASSESSED VALUATIONS 21
ASSESSED VALUATION BY LAND USE 22
ASSESSED VALUATION BY JURISDICTION 23
ASSESSED VALUATION OF SINGLE FAMILY HOMES 24
APPEALS AND ADJUSTMENTS OF ASSESSED VALUATIONS 24
TAX LEVIES, COLLECTIONS AND DELINQUENCIES 26
ALTERNATIVE METHOD OF TAX APPORTIONMENT – "TEETER PLAN" 26
TAX RATES 27
PRINCIPAL TAXPAYERS 28
STATEMENT OF DIRECT AND OVERLAPPING DEBT 28

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS **30**

ARTICLE XIIIA OF THE CALIFORNIA CONSTITUTION 30
LEGISLATION IMPLEMENTING ARTICLE XIIIA 31
PROPOSITION 50 AND PROPOSITION 171 31
UNITARY PROPERTY 32
ARTICLE XIIIB OF THE CALIFORNIA CONSTITUTION 32
PROPOSITION 26 33
ARTICLE XIIIC AND ARTICLE XIIID OF THE CALIFORNIA CONSTITUTION 33
PROPOSITIONS 98 AND 111 34
PROPOSITION 39 36

TABLE OF CONTENTS (cont'd)

Page

PROPOSITION 1A AND PROPOSITION 22 36
JARVIS VS. CONNELL 37
PROPOSITIONS 30 AND 55 37
PROPOSITION 2 38
PROPOSITION 51 39
FUTURE INITIATIVES 40

DISTRICT FINANCIAL INFORMATION 40

STATE FUNDING OF EDUCATION 40
OTHER REVENUE SOURCES 45
STATE DISSOLUTION OF REDEVELOPMENT AGENCIES 47
ACCOUNTING PRACTICES 48
BUDGET PROCESS 48
COMPARATIVE FINANCIAL STATEMENTS 51
STATE BUDGET MEASURES 53

CHARTER OAK UNIFIED SCHOOL DISTRICT 56

INTRODUCTION 56
ADMINISTRATION 56
AVERAGE DAILY ATTENDANCE AND ENROLLMENT 57
LABOR RELATIONS 58
DISTRICT RETIREMENT SYSTEMS 58
OTHER POST-EMPLOYMENT BENEFITS 64
RISK MANAGEMENT 66
JOINT POWERS AGREEMENTS 66
DISTRICT DEBT STRUCTURE 67

LIMITATIONS ON REMEDIES; BANKRUPTCY 70

TAX MATTERS 71

LEGAL MATTERS 73

LEGALITY FOR INVESTMENT IN CALIFORNIA 73
CONTINUING DISCLOSURE 73
ABSENCE OF MATERIAL LITIGATION 73
INFORMATION REPORTING REQUIREMENTS 73
LEGAL OPINION 73

MISCELLANEOUS 74

RATINGS 74
FINANCIAL STATEMENTS 74
UNDERWRITING 74
ADDITIONAL INFORMATION 76

APPENDIX A: FORM OF OPINION OF BOND COUNSEL FOR THE BONDS A-1
APPENDIX B: THE DISTRICT'S 2016-17 AUDITED FINANCIAL STATEMENTS B-1
APPENDIX C: FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS C-1
APPENDIX D: GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF COVINA AND LOS ANGELES COUNTY D-1
APPENDIX E: LOS ANGELES COUNTY INVESTMENT POOL E-1
APPENDIX F: SPECIMEN MUNICIPAL BOND INSURANCE POLICY F-1

$10,000,000
CHARTER OAK UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
Election of 2012 General Obligation Bonds, Series C

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page and appendices hereto, provides information in connection with the sale of the Charter Oak Unified School District (Los Angeles County, California) Election of 2012 General Obligation Bonds, Series C (the "Bonds").

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

Changes Since Date of Preliminary Official Statement

On November 20, 2018, the District entered into a Master Lease Purchase Agreement to finance the installation of lighting retrofits and energy control systems at District sites. Information regarding the Master Lease Purchase Agreement has been included in the Official Statement under the section "CHARTER OAK UNIFIED SCHOOL DISTRICT – District Debt Structure" herein.

The District

The Charter Oak Unified School District (the "District") is a school district of the State of California (the "State"), formed in 1894. The District is located in the eastern portion of the County of Los Angeles (the "County") and provides public education within an approximately 5.89 square mile area, including portions of the cities of Covina, Glendora and San Dimas and certain unincorporated areas of the County. The District operates five elementary schools, one middle school, one comprehensive high school, and one alternative school which encompasses a continuation high school, an alternative school that houses the independent study and home school programs, a community day school, an adult school and a virtual academy. The District is located in the City of Covina, California. For fiscal year 2018-19, the District has a budgeted average daily attendance ("ADA") of 4,624 students, and taxable property within the District has an assessed valuation of $3,714,516,471.

The District is governed by a five-member Board of Education (the "Board"), each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by the Superintendent appointed by the Board who is responsible for the day-to-day District operations as well as the supervision of the District's other personnel. Dr. Mike Hendricks is currently the District's Superintendent.

See "TAX BASE FOR PAYMENT OF BONDS" herein for more information regarding the District's assessed valuation, and "CHARTER OAK UNIFIED SCHOOL DISTRICT" and "DISTRICT FINANCIAL INFORMATION" herein for more information regarding the District.

Purpose of the Bonds

The Bonds are being issued to (i) finance the acquisition, construction, modernization and equipping of District sites and facilities, and (ii) pay the costs of issuing the Bonds. See "THE BONDS – Application and Investment of Bond Proceeds" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Authority for Issuance of the Bonds

The Bonds are issued pursuant to certain provisions of the Government Code of the State of California (the "Government Code") and other applicable law, and pursuant to a resolution adopted by the Board. See "THE BONDS – Authority for Issuance" herein.

Sources of Payment for the Bonds

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

Description of the Bonds

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

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

Denominations. Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in the denominations of $5,000 principal amount or any integral multiple thereof.

Redemption. The Bonds are subject to optional redemption prior to their stated maturity dates, as further described herein. The Bonds are subject to mandatory sinking fund redemption as further described herein. See "THE BONDS – Redemption" herein.

Payments. The Bonds will be issued as current interest bonds. The Bonds will be dated as of the date of their initial issuance (the "Date of Delivery"). Interest on the Bonds accrues from the Date of Delivery, and is payable semiannually on each February 1 and August 1 (each a "Bond Payment Date"), commencing February 1, 2019. Principal of the Bonds is payable on August 1 in the amounts and years as set forth on the inside cover page hereof.

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

Bond Insurance. The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP. See "THE BONDS – Bond Insurance" herein and "APPENDIX F – SPECIMEN MUNICIPAL BOND INSURANCE POLICY" attached hereto.

Tax Matters

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

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York on or about December 11, 2018.

Bond Owner's Risks

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes which may be levied without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates) on all property within the District subject to taxation by the District, as further described herein. For more complete information regarding the District's taxation of property within the District, and certain other matters, see "TAX BASE FOR PAYMENT OF BONDS," and "LIMITATION ON REMEDIES; BANKRUPTCY" herein.

Continuing Disclosure

The District will covenant for the benefit of the registered Owners and Beneficial Owners of the Bonds to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain listed events, in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule"). The specific nature of the information to be made available and of the notices of listed events is summarized below under "LEGAL MATTERS – Continuing Disclosure" herein and "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto.

Forward-Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and

Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "intend," "expect," "estimate," "project," "budget," "intend," or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein.

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

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. Keygent LLC, El Segundo, California is acting as Municipal Advisor to the District with respect to the Bonds. Stradling Yocca Carlson & Rauth, a Professional Corporation and Keygent LLC will receive compensation from the District contingent upon the sale and delivery of the Bonds. RBC Capital Markets, LLC will serve as Underwriter (the "Underwriter") with respect to the Bonds. Certain legal matters will be passed upon for the Underwriter by Norton Rose Fulbright US LLP, Los Angeles, California.

Other Information

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

Copies of documents referred to herein and information concerning the Bonds are available from the Charter Oak Unified School District, 20240 East Cienega Avenue, Covina, California 91724, telephone: (626) 966-8331. The District may impose a charge for copying, mailing and handling.

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

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

Certain of the information set forth herein, other than that provided by the District, has been obtained from official sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery

of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Resolution (defined below).

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the provisions of Government Code Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5, commencing with Section 53506 *et seq*., as amended, Article XIIIA of the State Constitution and pursuant to a resolution adopted by the Board on October 18, 2018 (the "Resolution").

The District received authorization at an election held on June 5, 2012 by the requisite 55% or more of the votes cast by eligible voters within the District to issue $47,000,000 aggregate principal amount of general obligation bonds (the "2012 Authorization"). On July 7, 2015, the District issued its Election of 2012 General Obligation Bonds, Series A in the aggregate principal amount of $27,000,000 (the "Election of 2012 Series A Bonds"). On June 22, 2017, the District issued its Election of 2012 General Obligation Bonds, Series B in the aggregate principal amount of $10,000,000 (the "Election of 2012 Series B Bonds"). The Bonds are the third and final issuance of bonds under the 2012 Authorization. After the issuance of the Bonds, none of the 2012 Authorization will remain unissued.

Security and Sources of Payment

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

The taxes described above will be levied annually in addition to all other taxes during the period that the Bonds are outstanding in an amount sufficient to pay the principal of and interest thereon when due. Such taxes, when collected, will be placed by the County in the Debt Service Fund (as defined herein), which is required to be segregated and maintained by the County and which is designated for the payment of the Bonds, and interest thereon when due, and for no other purpose. Pursuant to the Resolution, the District has pledged funds on deposit in the Debt Service Fund to the payment of the Bonds. Although the County is obligated to levy *ad valorem* property taxes for the payment of the Bonds as described above, and will maintain the Debt Service Fund, none of the Bonds are a debt of the County.

The moneys in the Debt Service Fund, to the extent necessary to pay the principal of and interest on the Bonds as the same become due and payable, will be transferred to the Paying Agent. The Paying Agent will in turn remit the funds to DTC for remittance of such principal and interest to its Participants for subsequent disbursement to the Beneficial Owners of the Bonds.

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

Considerations Regarding Bond Insurance. In the event of a default in the payment of principal of or interest on the insured portion of such Bonds, when all or some becomes due, any Owner of such insured Bonds may have a claim under the Policy secured in connection with the Bonds. The Policy may not insure against redemption premium, if any, with respect to the Bonds.

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

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

Neither the District, Municipal Advisor, nor Underwriter have made independent investigations into the claims paying ability of AGM and no assurance or representation regarding the financial strength or projected financial strength of AGM is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds, and the claims paying ability of AGM, particularly over the life of the investment.

Bond Insurance

Bond Insurance Policy. Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX F to this Official Statement.

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

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

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

Current Financial Strength Ratings.

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

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

On January 23, 2018, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

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

Capitalization of AGM.

At September 30, 2018:

- The policyholders' surplus of AGM was approximately $2,203 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately $1,187 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.

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

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

Incorporation of Certain Documents by Reference.

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

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

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

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

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

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

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

Miscellaneous Matters.

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

Statutory Lien

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

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

General Provisions

The Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co., as nominee for DTC. Beneficial Owners will not receive physical certificates representing their interests in the Bonds.

Interest on the Bonds accrues from the Date of Delivery, and is payable semiannually on each Bond Payment Date, commencing February 1, 2019. Interest on the Bonds shall be computed on the basis of a 360-day year of twelve, 30-day months. Each Bond shall bear interest from the Bond Payment Date immediately preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to that Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before January 15, 2019 in which event it shall bear interest from the Date of Delivery. The Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof. The Principal of the Bonds is payable on August 1 in the amounts and years set forth on the inside cover page hereof.

Payment. Payment of interest on any Bond on any Bond Payment Date shall be made to the person appearing on the registration books of the Paying Agent as the Owner of such Bond as of the 15th day of the month immediately preceding such Bond Payment Date (the "Record Date"), such interest to be paid by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. The principal and redemption premiums, if any, payable on the Bonds are payable upon maturity or earlier redemption, as applicable, upon surrender of the Bond at the designated office of the Paying

Agent. The principal of, premiums, if any, and interest on, on the Bonds shall be payable in lawful money of the United State of America. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity and to cancel all Bonds upon payment thereof. So long as the Bonds are held in the book-entry system of DTC, all payments of principal of and interest on the Bonds will be made by the Paying Agent to Cede & Co. (as a nominee of DTC), as the registered Owner of the Bonds.

Annual Debt Service

The following table summarizes the annual debt service requirements of the District for the Bonds, assuming no optional redemptions are made:

Year Ending (August 1)	Annual Principal Payment	Annual Interest Payment[(1)]	Total Annual Debt Service
2019	--	$303,831.60	$303,831.60
2020	--	475,562.50	475,562.50
2021	$175,000.00	475,562.50	650,562.50
2022	110,000.00	468,562.50	578,562.50
2023	190,000.00	464,162.50	654,162.50
2024	275,000.00	454,662.50	729,662.50
2025	370,000.00	440,912.50	810,912.50
2026	145,000.00	422,412.50	567,412.50
2027	80,000.00	415,162.50	495,162.50
2028	195,000.00	411,162.50	606,162.50
2029	265,000.00	401,412.50	666,412.50
2030	150,000.00	388,162.50	538,162.50
2031	175,000.00	380,662.50	555,662.50
2032	205,000.00	371,912.50	576,912.50
2033	235,000.00	361,662.50	596,662.50
2034	270,000.00	349,912.50	619,912.50
2035	300,000.00	340,125.00	640,125.00
2036	330,000.00	329,250.00	659,250.00
2037	365,000.00	316,875.00	681,875.00
2038	405,000.00	303,187.50	708,187.50
2039	445,000.00	288,000.00	733,000.00
2040	490,000.00	265,750.00	755,750.00
2041	540,000.00	241,250.00	781,250.00
2042	595,000.00	214,250.00	809,250.00
2043	655,000.00	184,500.00	839,500.00
2044	715,000.00	151,750.00	866,750.00
2045	2,320,000.00	116,000.00	2,436,000.00
Total	$10,000,000.00	$9,336,656.60	$19,336,656.60

[(1)] Interest payments on the Bonds will be made semiannually on February 1 and August 1 of each year, commencing February 1, 2019.

See "CHARTER OAK UNIFIED SCHOOL DISTRICT – District Debt Structure" herein for a complete debt service schedule of all of the District's outstanding general obligation bonded debt.

Application and Investment of Bond Proceeds

The Bonds are being issued to (i) finance the acquisition, construction, modernization and equipping of District sites and facilities, and (ii) pay the costs of issuing the Bonds.

Building Fund. The proceeds of the Bonds, less costs of issuance and any premium on the sale thereof, will be deposited in the fund held by the County and known as the "Charter Oak Unified School District Election of 2012 General Obligation Bonds, Series C Building Fund" (the "Building Fund") and will be applied solely for the purposes authorized by the voters at the Election and for which the Bonds are issued. Any interest earnings on moneys held in the Building Fund will be retained therein.

Debt Service Fund. Any accrued interest or net original premium received by the District from the sale of the Bonds will be deposited in the fund held by the County and known as the "Charter Oak Unified School District Election of 2012 General Obligation Bonds, Series C Debt Service Fund" (the "Debt Service Fund"). The *ad valorem* property taxes levied by the County for the payment of the Bonds, when collected, will also be deposited into the Debt Service Fund. Any interest earnings on moneys held in the Debt Service Fund will be retained therein. If, after all of the Bonds have been redeemed or paid and otherwise cancelled, there are moneys remaining in the Debt Service Fund, said moneys will be transferred to the general fund of the District as provided and permitted by law.

Expected Investment of Bond Proceeds. Moneys in the Debt Service Fund and the Building Fund are expected to be invested through the County's pooled investment fund (the "Treasury Pool"). See "APPENDIX E – LOS ANGELES COUNTY TREASURY POOL" attached herein.

Redemption

Optional Redemption. The Bonds maturing on or before August 1, 2028 are not subject to optional redemption prior to their respective maturity dates. The Bonds maturing on August 1, 2029 through and including August 1, 2033 and on August 1, 2045 are subject to optional redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part, on any date on or after August 1, 2028, at a redemption price equal to the principal amount of the Bonds called for redemption, together with accrued interest thereon to the date fixed for redemption, without premium. The Bonds maturing on August 1, 2035 and on August 1, 2038 are subject to optional redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part, on any date on or after August 1, 2026, at a redemption price equal to the principal amount of the Bonds called for redemption, together with accrued interest thereon to the date fixed for redemption, without premium.

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Mandatory Sinking Fund Redemption. The Term Bonds maturing on August 1, 2035, are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2034, at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, without premium. The principal amounts represented by such Term Bonds to be so redeemed, the dates therefor and the final principal payment date are as indicated in the following table:

Redemption Date (August 1)	**Principal Amount**
2034	$270,000
2035[(1)]	300,000
Total:	$570,000

[(1)] Maturity.

In the event that a portion of the Term Bonds maturing on August 1, 2035 is optionally redeemed prior to maturity, the remaining mandatory sinking fund payments with respect thereto shall be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000 of principal amount, in respect of the portion of such Term Bonds optionally redeemed.

The Term Bonds maturing on August 1, 2038, are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2036, at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, without premium. The principal amounts represented by such Term Bonds to be so redeemed, the dates therefor and the final principal payment date are as indicated in the following table:

Redemption Date (August 1)	**Principal Amount**
2036	$330,000
2037	365,000
2038[(1)]	405,000
Total:	$1,100,000

[(1)] Maturity.

In the event that a portion of the Term Bonds maturing on August 1, 2038 is optionally redeemed prior to maturity, the remaining mandatory sinking fund payments with respect thereto shall be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000 of principal amount, in respect of the portion of such Term Bonds optionally redeemed.

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The Term Bonds maturing on August 1, 2045, are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2039, at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, without premium. The principal amounts represented by such Term Bonds to be so redeemed, the dates therefor and the final principal payment date are as indicated in the following table:

Redemption Date (August 1)	**Principal Amount**
2039	$445,000
2040	490,000
2041	540,000
2042	595,000
2043	655,000
2044	715,000
2045[(1)]	2,320,000
Total:	$5,760,000

[(1)] Maturity.

In the event that a portion of the Term Bonds maturing on August 1, 2045 is optionally redeemed prior to maturity, the remaining mandatory sinking fund payments with respect thereto shall be reduced proportionately, or as otherwise directed by the District, in integral multiples of $5,000 of principal amount, in respect of the portion of such Term Bonds optionally redeemed.

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

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

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

date, such Redemption Notice will be given by (i) registered or certified mail, postage prepaid, or (ii) overnight delivery service, to one of the Information Services; and (d) such Redemption Notice shall be given to such other persons as may be required pursuant to the Continuing Disclosure Certificate.

"Information Services" means the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System ("EMMA"); or, such other services providing information with respect to called municipal obligations as the District may specify in writing to the Paying Agent or as the Paying Agent may select.

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

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

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

Effect of Notice of Redemption. If notice of redemption is given as described above, and the moneys for the redemption (including the interest accrued to the applicable date of redemption) has been set aside as described in "– Defeasance" herein, the Bonds to be redeemed will become due and payable on such date of redemption.

If on such redemption date, moneys for the optional redemption of all the Bonds to be redeemed, together with interest accrued to such redemption date, shall be held in trust so as to be available therefor on such redemption date, and if a Redemption Notice thereof shall have been given as described above, then from and after such redemption date, interest on the Bonds to be redeemed will cease to accrue and

become payable. All money held for the redemption of Bonds will be held in trust for the account of the Owners of the Bonds to be so redeemed.

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

Book-Entry Only System

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 or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants (as defined herein) will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered Owner of the Bonds, or that they will so do on a timely basis or that DTC, Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with Participants are on file with DTC.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and distributions on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent, 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, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and distributions to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying

Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

For every transfer and exchange of Bonds, Owners requesting such transfer or exchange may be charged a sum sufficient to cover any tax, governmental charge or transfer fees that may be imposed in relation thereto, which charge may include transfer fees imposed by the Paying Agent, DTC or the DTC Participant in connection with such transfers or exchanges.

Discontinuation of Book-Entry Only System; Registration, Exchange and Transfer of Bonds

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

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

The principal of the Bonds and any premium and interest upon the redemption thereof will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the designated trust office of the Paying Agent. Interest on the Bonds will be paid by the Paying Agent either (i) by check mailed to such Owner on the Bond Payment Date at his address as it appears on such registration books or at such other address as he may have filed with the Paying Agent for that purpose on or before the Record Date, or (ii) by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for Bonds of like series, tenor, maturity and upon presentation and surrender at the designated office of the Paying Agent, together with a request for exchange signed by the registered Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred on the registration books of the Paying Agent only upon presentation and surrender of such Bond at the designated office of the Paying Agent together with an assignment executed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon such exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the Owner equal to the principal amount of the Bond surrendered and bearing `interest at the same rate and maturing on the same date.

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

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

Defeasance

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

(a) Cash: by irrevocably depositing with an independent escrow agent selected by the District an amount of cash which together with amounts transferred from the Debt Service Fund (if any) is sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all principal thereof, accrued interest thereon and redemption premiums, if any) at or before their maturity date; or

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

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

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

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Bonds are as follows:

Sources of Funds	
Principal Amount of Bonds	$10,000,000.00
Net Original Issue Premium	982,082.75
Total Sources	$10,982,082.75
Uses of Funds	
Building Fund	$9,845,000.00
Debt Service Fund	924,044.60
Costs of Issuance[(1)]	155,000.00
Bond Insurance Premium	28,038.15
Underwriter's Discount	30,000.00
Total Uses	$10,982,082.75

[(1)] Reflects the costs of issuance of the Bonds, including, but not limited to, the rating agency fees, demographics and filing fees, printing costs, legal fees, municipal advisory fees and the costs and fees of the Paying Agent to be paid from proceeds of the Bonds.

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TAX BASE FOR PAYMENT OF BONDS

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

Ad Valorem Property Taxation

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

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

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

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

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

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

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

Assessed Valuations

The following table represents a 10-year history of assessed valuations in the District, as of the date the equalized assessment tax roll is established in August of each year, excluding any exemptions granted after such date in each year. Property within the District has a total assessed valuation for fiscal year 2018-19 of $3,714,516,471.

ASSESSED VALUATIONS
Fiscal Years 2009-10 through 2018-19
Charter Oak Unified School District

Fiscal Year	Secured	Utility	Unsecured	Total
2009-10	$2,757,354,228	$267,182	$35,727,325	$2,793,348,735
2010-11	2,699,776,734	8,120	31,270,765	2,731,055,619
2011-12	2,745,238,841	8,120	28,082,004	2,773,328,965
2012-13	2,771,278,377	8,120	28,242,979	2,799,529,476
2013-14	2,865,935,805	8,120	25,994,404	2,891,938,329
2014-15	3,034,156,315	8,120	27,718,064	3,061,882,499
2015-16	3,176,449,666	8,120	25,137,893	3,201,595,679
2016-17	3,324,623,609	8,120	23,941,068	3,348,572,797
2017-18	3,517,974,853	8,120	22,322,090	3,540,305,063
2018-19	3,692,552,888	8,120	21,955,463	3,714,516,471

Source: California Municipal Statistics, Inc.

The assessed valuation of property in the District is established by the tax assessing authority for the County, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIIIA of the California Constitution. For a discussion of how properties currently are assessed, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" herein.

Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls.

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

pay the debt service with respect to the Bonds. See "THE BONDS – Security and Sources of Payment" herein.

Assessed Valuation by Land Use

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

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

Non-Residential:	**2018-19 Assessed Valuation[(1)]**	**% of Total**	**No. of Parcels**	**% of Total**
Commercial	$146,175,608	3.96%	155	1.44%
Vacant Commercial	1,104,950	0.03	5	0.05
Industrial	78,309,259	2.12	75	0.70
Vacant Industrial	644,609	0.02	2	0.02
Recreational	934,777	0.03	26	0.24
Government/Social/Institutional	68,555,379	1.86	70	0.65
Miscellaneous	1,966,745	0.05	142	1.32
Subtotal Non-Residential	$297,691,327	8.06%	475	4.43%
Residential:				
Single Family Residence	$2,797,835,236	75.77%	8,147	75.93%
Condominium/Townhouse	299,676,168	8.12	1,196	11.15
Mobile Home Park	33,716,399	0.91	12	0.11
2-4 Residential Units	14,586,139	0.40	39	0.36
5+ Residential Units/Apartments	221,772,191	6.01	83	0.77
Vacant Residential	27,275,428	0.74	777	7.24
Subtotal Residential	$3,394,861,561	91.94%	10,254	95.57%
Total	$3,692,552,888	100.00%	10,729	100.00%

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

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Assessed Valuation by Jurisdiction

The following table shows an analysis of taxable property within the District by jurisdiction and the fiscal year 2018-19 assessed valuation of such parcels:

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

Jurisdiction:	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Covina	$1,404,796,333	37.82%	$5,522,724,224	25.44%
City of Glendora	1,126,364,716	30.32	7,535,090,475	14.95
City of San Dimas	324,424,617	8.73	5,452,299,664	5.95
Unincorporated Los Angeles County	858,930,805	23.12	107,666,068,683	0.80
Total District	$3,714,516,471	100.00%		
Los Angeles County	$3,714,516,471	100.00%	$1,518,401,584,349	0.24%

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

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Assessed Valuation of Single Family Homes

The following table is a per-parcel analysis of single family residences within the District, in terms of their fiscal year 2018-19 assessed valuation.

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

	No. of Parcels	2018-19 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	8,147	$2,797,835,236	$343,419	$322,748

2018-19 Assessed Valuation	No. of Parcels [1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999	36	0.442%	0.442%	$1,320,869	0.047%	0.047%
50,000 - 99,999	923	11.329	11.771	67,639,557	2.418	2.465
100,000 - 149,999	487	5.978	17.749	61,276,362	2.190	4.655
150,000 - 199,999	521	6.395	24.144	90,736,846	3.243	7.898
200,000 - 249,999	842	10.335	34.479	190,975,144	6.826	14.724
250,000 - 299,999	908	11.145	45.624	249,409,322	8.914	23.638
300,000 - 349,999	750	9.206	54.830	243,313,629	8.696	32.335
350,000 - 399,999	713	8.752	63.582	266,673,083	9.531	41.866
400,000 - 449,999	648	7.954	71.536	275,330,229	9.841	51.707
450,000 - 499,999	659	8.089	79.624	313,247,287	11.196	62.903
500,000 - 549,999	617	7.573	87.198	323,066,271	11.547	74.450
550,000 - 599,999	427	5.241	92.439	243,899,144	8.717	83.167
600,000 - 649,999	232	2.848	95.287	144,433,734	5.162	88.330
650,000 - 699,999	109	1.338	96.625	73,419,621	2.624	90.954
700,000 - 749,999	80	0.982	97.606	57,776,552	2.065	93.019
750,000 - 799,999	47	0.577	98.183	36,168,572	1.293	94.312
800,000 - 849,999	28	0.344	98.527	23,012,768	0.823	95.134
850,000 - 899,999	32	0.393	98.920	27,907,563	0.997	96.132
900,000 - 949,999	21	0.258	99.178	19,476,906	0.696	96.828
950,000 - 999,999	11	0.135	99.313	10,831,736	0.387	97.215
1,000,000 and greater	56	0.687	100.000	77,920,041	2.785	100.000
	8,147	100.000%		$2,797,835,236	100.000%	

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

Appeals and Adjustments of Assessed Valuations

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

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the

assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

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

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

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

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Tax Levies, Collections and Delinquencies

The County levies and collects all property taxes for property falling within the County's taxing boundaries.

The following table sets forth secured tax charges and delinquency information for the District for fiscal years 2008-09 through 2017-18.

SECURED TAX CHARGES AND DELINQUENCIES
Fiscal Years 2008-09 through 2017-18
Charter Oak Unified School District

Fiscal Year	Secured Tax Charge[(1)]	Amt. Del. June 30	% Del. June 30
2008-09	$5,664,756.44	$265,922.34	4.69%
2009-10	5,536,011.26	190,314.08	3.44
2010-11	5,435,629.25	130,663.98	2.40
2011-12	5,543,632.98	115,885.63	2.09
2012-13	5,626,465.25	101,307.94	1.80
2013-14	5,831,118.40	86,162.11	1.48
2014-15	6,198,752.86	89,498.90	1.44
2015-16	6,507,986.57	92,546.76	1.42
2016-17	6,800,359.48	80,964.17	1.19
2017-18	7,244,483.78	90,197.52	1.25

Fiscal Year	Secured Tax Charge[(2)]	Amt. Del. June 30	% Del. June 30
2008-09	$2,402,754.64	$109,205.96	4.55%
2009-10	2,624,814.27	73,958.17	2.82
2010-11	2,766,475.88	55,869.36	2.02
2011-12	2,921,857.12	53,141.58	1.82
2012-13	3,175,747.44	46,261.91	1.46
2013-14	3,350,314.66	46,086.92	1.38
2014-15	3,531,670.18	41,661.02	1.18
2015-16	3,153,853.71	42,791.85	1.36
2016-17	2,823,388.64	28,534.63	1.01
2017-18	3,299,179.14	32,608.49	0.99

(1) 1% General Fund apportionment. Excludes redevelopment agency impounds.
(2) Bond debt service levy.
Source: California Municipal Statistics, Inc.

Alternative Method of Tax Apportionment – "Teeter Plan"

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

The District participates in the California Statewide Delinquent Tax Finance Authority ("CSDTFA"). CSDTFA is a joint exercise of powers agency formed for the purpose of purchasing delinquent *ad valorem* property taxes of its members in accordance with Section 6516.6 of the Government Code. The District anticipates that CSDTFA will from time to time purchase delinquent *ad valorem* property tax receivables from the District. For the most recent fiscal year for which CSDTFA purchased delinquencies (the 2016-17 fiscal year), such delinquencies were purchased from the District at a purchase price equal to 110% thereof. Any penalty charges collected with respect to such delinquencies will be retained by CSDTFA. CSDTFA does not currently purchase *ad valorem* tax receivables related to the payment of general obligation bonds of the District. Thus, the District's participation in CSDTFA's program does not ensure that the District will receive the timely payment of *ad valorem* property taxes levied to secure the Bonds. See also "—*Ad Valorem* Property Taxation" herein.

Tax Rates

A representative tax rate area located within the District is Tax Rate Area 2692. The table below demonstrates the total *ad valorem* property tax rates levied by all taxing entities, as a percentage of assessed valuation, in this tax rate area during the five-year period from 2014-15 through 2018-19.

TYPICAL TOTAL TAX RATE (TRA 2692)[(1)]
Fiscal Years 2014-15 through 2018-19
Charter Oak Unified School District

	2014-15	2015-16	2016-17	2017-18	2018-19
General	1.000000%	1.000000%	1.000000%	1.000000%	1.000000%
Charter Oak Unified School District	0.118030	0.100389	0.086052	0.095113	0.088913
Mt. San Antonio Community College District	0.021294	0.021537	0.023996	0.023709	0.024354
Metropolitan Water District	0.003500	0.003500	0.003500	0.003500	0.003500
Total	1.142824%	1.125426%	1.113548%	1.122322%	1.116767%

(1) 2018-19 assessed valuation of TRA 2692 is $570,421,308.
Source: California Municipal Statistics, Inc.

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Principal Taxpayers

The following table lists the 20 major taxpayers in the District in terms of their fiscal year 2018-19 secured assessed valuations.

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

	Property Owner	Primary Land Use	2018-19 Assessed Valuation	% of Total [1]
1.	SRGMF II North Grand Covina LLC	Apartments	$46,789,091	1.27%
2.	CCP Covina 4003 LP	Hospital	28,067,340	0.76
3.	Glendora California	Apartments	25,928,585	0.70
4.	Prince Club Pacifica Property	Apartments	25,515,277	0.69
5.	Covina 023 Woods 206 LP	Apartments	21,350,164	0.58
6.	Nationwide Health Properties Inc.	Hospital	17,993,673	0.49
7.	Caco Pacific Corp.	Industrial	12,264,887	0.33
8.	Raymon M. and Cindy C. Chan, Trustees	Shopping Center	11,675,691	0.32
9.	Lennar Homes of California, Inc.	Residential Development	9,669,263	0.26
10.	Ho C. Wai Ltd.	Apartments	9,247,341	0.25
11.	Minfam LLC	Apartments	8,786,682	0.24
12.	3615 W. 104th Street LP	Shopping Center	8,095,274	0.22
13.	Covina Manor	Apartments	7,738,149	0.21
14.	Excelitas Technologies Corp.	Industrial	7,239,926	0.20
15.	Peter L. and Helen Tsamous, Trustees	Shopping Center	7,185,022	0.19
16.	Alliance Property LLC	Apartments	6,799,711	0.18
17.	Mat Surf LLC	Commercial	6,679,683	0.18
18.	Chee Ming Choi	Apartments	6,603,819	0.18
19.	ESS Prisa LLC	Industrial	6,441,208	0.17
20.	Los Angeles Properties Apts I LP	Apartments	6,418,094	0.17
			$280,488,880	7.60%

[1] The fiscal year 2018-19 local secured assessed valuation of the District is $3,692,552,888.
Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt

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

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

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

DIRECT AND OVERLAPPING DEBT STATEMENT
Charter Oak Unified School District

2018-19 Assessed Valuation: $3,714,516,471

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	**% Applicable**	**Debt 10/1/18**
Metropolitan Water District	0.127%	$77,178
Mt. San Antonio Community College District	4.019	16,903,018
Charter Oak Unified School District	**100.000**	**47,155,000** (1)
Los Angeles County Regional Park and Open Space Assessment District	0.245	33,369
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$64,168,565
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Los Angeles County General Fund Obligations	0.245%	$5,372,260
Los Angeles County Superintendent of Schools Certificates of Participation	0.245	14,278
Charter Oak Unified School District Certificates of Participation	**100.000**	**1,680,000**
City of San Dimas General Fund Obligations	5.950	263,883
Los Angeles County Sanitation District No. 22 Authority	8.520	384,805
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$7,715,226
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		
Covina Revitalization Redevelopment Project Area No. 1	0.150%	$22,892
Glendora Redevelopment Project Area No. 1	2.500	302,375
TOTAL OVERLAPPING TAX INCREMENT DEBT		$325,267
COMBINED TOTAL DEBT		$72,209,058 (2)

Ratios to 2018-19 Assessed Valuation:

Direct Debt ($47,155,000)	**1.27%**
Total Direct and Overlapping Tax and Assessment Debt	1.73%
Combined Direct Debt ($48,835,000)	**1.31%**
Combined Total Debt	1.94%

Ratios to Redevelopment Incremental Valuation ($85,786,153):

Total Overlapping Tax Increment Debt	0.38%

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

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

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

Article XIIIA of the California Constitution

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

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

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

requires the approval of two-thirds or more of all members of the State Legislature (the "State Legislature") to change any State taxes for the purpose of increasing tax revenues.

Legislation Implementing Article XIIIA

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

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

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

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

Proposition 50 and Proposition 171

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

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

On November 2, 1993, the voters of the State approved Proposition 171. Proposition 171 amends subdivision (e) of Section 2 of Article XIIIA of the State Constitution to allow owners of Damaged Property to transfer their Original Base Year Value to a "comparable replacement property" located

within another county in the State, which is acquired or newly constructed within three years after the disaster.

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

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

Unitary Property

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

Article XIIIB of the California Constitution

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

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

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

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

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

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

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

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

Proposition 26

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

Article XIIIC and Article XIIID of the California Constitution

On November 5, 1996, the voters of the State approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the State Constitution Articles XIIIC and XIIID (respectively, "Article XIIIC" and "Article XIIID"), which contain a number of provisions affecting the

ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the "Title and Summary" of Proposition 218 prepared by the State Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the State Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4. Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

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

Propositions 98 and 111

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

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

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

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

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

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

b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIIIB are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of 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 XIIIB spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the State Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the State Legislature and the Governor, which was expected to raise over $15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

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

e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of

(1) 40.9% of State general fund revenues ("Test 1") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to per capita personal income) and enrollment ("Test 2"). Under Proposition 111, schools will receive the greater of (1) Test 1, (2) Test 2, or (3) a third test ("Test 3"), which will replace Test 2 in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capita personal income. Under Test 3, 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 Test 3 is used in any year, the difference between Test 3 and Test 2 will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

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

The 55% vote requirement authorized by Proposition 39 applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate projected to be levied as the result of any single election be no more than $60 (for a unified school district), $30 (for a high school or elementary school district), or $25 (for a community college district) per $100,000 of taxable property value, when assessed valuation is projected to increase in accordance with Article XIIIA of the State Constitution. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the State Legislature and approval by the Governor. See "– Article XIIIA of the California Constitution" herein.

Proposition 1A and Proposition 22

On November 2, 2004, voters of the State approved Proposition 1A, which amends the State Constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without

two-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

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

Jarvis vs. Connell

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

Propositions 30 and 55

On November 6, 2012, voters of the State approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increases the marginal personal income

tax rate by: (i) 1% for taxable income over $250,000 but less than $300,001 for single filers (over $500,000 but less than $600,001 for joint filers and over $340,000 but less than $408,001 for head-of-household filers), (ii) 2% for taxable income over $300,000 but less than $500,001 for single filers (over $600,000 but less than $1,000,001 for joint filers and over $408,000 but less than $680,001 for head-of-household filers), and (iii) 3% for taxable income over $500,000 for single filers (over $1,000,000 for joint filers and over $680,000 for head-of-household filers).

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

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

Proposition 2

On November 8, 2016, voters approved the Rainy Day Budget Stabilization Fund Act (also known as "Proposition 2"). Proposition 2 is a legislatively-referred constitutional amendment which makes certain changes to State budgeting practices, including substantially revising the conditions under which transfers are made to and from the State's Budget Stabilization Account (the "BSA") established by the California Balanced Budget Act of 2004 (also known as Proposition 58).

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

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

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

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

Proposition 51

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

K-12 School Facilities. Proposition 51 includes $3 billion for the new construction of K-12 facilities and an additional $3 billion for the modernization of existing K-12 facilities. K-12 school districts will be required to pay for 50% of the new construction costs and 40% of the modernization costs with local revenues. If a school district lacks sufficient local funding, it may apply for additional State grant funding, up to 100% of the project costs. In addition, a total of $1 billion will be available for the

modernization and new construction of charter school ($500 million) and technical education ($500 million) facilities. Generally, 50% of modernization and new construction project costs for charter school and technical education facilities must come from local revenues. However, schools that cannot cover their local share for these two types of projects may apply for State loans. State loans must be repaid over a maximum of 30 years for charter school facilities and 15 years for career technical education facilities. For career technical education facilities, State grants are capped at $3 million for a new facility and $1.5 million for a modernized facility. Charter schools must be deemed financially sound before project approval.

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

The District makes no guarantees that it will receive Proposition 51 State facilities funding.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the State Constitution and Propositions 22, 26, 30, 39, 51, 55 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 District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

DISTRICT FINANCIAL INFORMATION

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

State Funding of Education

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

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

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

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

Fiscal Year	Average Daily Attendance[1]	Change	Base Revenue Limit Per ADA[2]	Deficit Revenue Limit Per ADA[2]
2007-08	6,318	--	$6,115	$5,635
2008-09	6,143	(175)	6,377	4,953
2009-10	5,963	(180)	6,352	5,211
2010-11	5,847	(116)	6,495	5,157
2011-12	5,627	(220)	6,716	5,213
2012-13	5,442	(185)	6,707	5,220

(1) Reflects ADA as of the second principal reporting period ("P-2 ADA"), ending on or before the last attendance month prior to April 15 of each school year. An attendance month is each four-week period of instruction beginning with the first day of school for a any school district.

(2) Deficit revenue limit funding, when provided for in State budgetary legislation, reduced the revenue limit allocations received by school districts by applying a deficit factor to the base revenue limit for the given fiscal year, and resulted from an insufficiency of appropriation funds in the State budget to provide for State aid owed to school districts. The State's practice of deficit revenue limit funding was most recently reinstated beginning in fiscal year 2008-09, and discontinued following the implementation of the LCFF (as defined herein).

Source: Charter Oak Unified School District.

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

The primary component of AB 97, as amended by SB 91, is the implementation of the Local Control Funding Formula ("LCFF"), which replaces the revenue limit funding system for determining State apportionments, as well as the majority of categorical program funding. State allocations are provided on the basis of target base funding grants per unit of ADA (a "Base Grant") assigned to each of four grade spans. Each Base Grant is subject to certain adjustments and add-ons, as discussed below. Full implementation of the LCFF is expected to occur over a period of several fiscal years. Beginning in fiscal year 2013-14, an annual transition adjustment is required to be calculated for each school district, equal to such district's proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, school districts 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) $7,820 for grades K-3; (ii) $7,189 for grades 4-6; (iii) $7,403 for grades 7-8; and (iv) $8,801 for grades 9-12. Beginning in fiscal year 2013-14, and in each subsequent year, 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). 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 district's 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.

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The following table shows a breakdown of the District's ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment, for fiscal years 2012-13 through 2017-18, projected figures for fiscal year 2018-19.

ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Fiscal Years 2012-13 through 2018-19
Charter Oak Unified School District

	Average Daily Attendance[1]					Enrollment[2]	
Fiscal Year	K-3	4-6	7-8	9-12	Total ADA	Total Enrollment	% of EL/LI Enrollment
2012-13	1,477.92	1,193.55	810.86	1,960.13	5,442.46	5,544	n/a[3]
2013-14	1,408.85	1,152.14	788.83	1,900.92	5,250.76	5,306	57.14%
2014-15	1,380.86	1,102.74	707.90	1,831.83	5,023.33	5,158	56.86
2015-16	1,342.65	1,046.34	698.45	1,724.39	4,811.83	4,954	58.40
2016-17	1,312.75	1,095.83	707.59	1,644.60	4,760.77	4,889	57.97
2017-18	1,276.13	1,027.75	732.48	1,592.36	4,628.72	4,761	59.06
2018-19	1,279.37[4]	1,027.03[4]	732.01[4]	1,585.87[4]	4,624.27[4]	4,761	59.06

(1) Except for 2018-19, reflects ADA as of the second principal reporting period (P-2 ADA), ending on or before the last attendance month prior to April 15 of each school year. An attendance month is equal to each four-week period of instruction beginning with the first day of school for any school district. Includes County-operated programs.

(2) Fiscal year 2012-13 enrollment as of October report submitted to the California Basic Educational Data System ("CBEDS"). Fiscal years 2013-14 and later reflect certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System ("CALPADS") in each school year and used to calculate each school district's unduplicated EL/LI student enrollment. Adjustments may be made to the certified EL/LI counts by the California Department of Education. CALPADS figures exclude preschool and adult transitional students. For purposes of calculating Supplemental and Concentration Grants, a school district's fiscal year 2013-14 percentage of unduplicated EL/LI students was expressed solely as a percentage of its total fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment was based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district's percentage of unduplicated EL/LI students 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. Enrollment excludes County-operated programs.

(3) The District did not calculate the EL/LI student enrollment prior to the implementation of the LCFF in fiscal year 2013-14.

(4) Budgeted.

Source: Charter Oak Unified School District.

For certain school districts that would have received greater funding levels under the prior revenue limit system, the LCFF provides for a permanent economic recovery target ("ERT") add-on, equal to the difference between the revenue limit allocations such districts would have received under the prior system in fiscal year 2020-21, and the target LCFF allocations owed to such districts in the same year. To derive the projected funding levels, the LCFF assumes the discontinuation 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 eight-year 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, yields a district's total LCFF allocation. Generally, the amount of annual State apportionments received by a school district will amount to the difference between such total LCFF allocation and such district's share of applicable local property taxes. Most school districts receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues may significantly affect appropriations made by the State Legislature to school districts.

Certain 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 does not currently qualify as a basic aid district.

Accountability. The State Board of Education has promulgated regulations regarding the expenditure of supplemental and concentration funding, including a requirement 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, as well as the conditions under which school districts can use supplemental or concentration funding on a school-wide or district-wide basis.

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

Support and Intervention. AB 97, as amended by SB 91, establishes 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 to achieve the goals set forth in their LCAPs. The State Board of Education has developed rubrics to assess school district performance and the need for support and intervention.

The State Superintendent of Public Instruction (the "State Superintendent") is further authorized, with the approval of the State Board of Education, to intervene in the management of persistently underperforming school districts. The State Superintendent may intervene directly or assign an academic

trustee to act on his or her behalf. In so doing, the State Superintendent is authorized to (i) modify a district's LCAP, (ii) impose budget revisions designed to improve student outcomes, and (iii) stay or rescind actions of the local governing board that would prevent such district from improving student outcomes; provided, however, that the State Superintendent is not authorized to rescind an action required by a local collective bargaining agreement.

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

Other Revenue Sources

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

Developer Fees. The District receives additional revenue through developer fees. The following table reflects developer fees received by the District for the last 10 fiscal years and a year-to-date figure for the current fiscal year:

DEVELOPER FEES
Fiscal Years 2008-09 through 2018-19
Charter Oak Unified School District

Fiscal Year	Developer Fees
2008-09	$26,780
2009-10	16,848
2010-11	8,196
2011-12	6,879
2012-13	10,915
2013-14	97,220
2014-15	259,859
2015-16	46,853
2016-17	252,489
2017-18	402,947
2018-19[(1)]	19,636

[(1)] Year-to-date.
Source: Charter Oak Unified School District.

Lease Revenues. The District has property held for lease with an estimated cost of $1,088,614 and accumulated depreciation of $799,302. Lease agreements have been entered into with various lessees for terms that exceed one year. None of the agreements contain purchase options. All of the agreements contain a termination clause providing for the cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to their expiration date. The future minimum lease payments expected to be received under these agreements are as follows:

LEASE REVENUES
Fiscal Years 2017-18 through 2026-27
Charter Oak Unified School District

Fiscal Year	Lease Revenues[1]
2017-18	$616,411
2018-19	402,803
2019-20	373,879
2020-21	373,879
2021-22	373,879
2022-23	373,879
2023-24	373,879
2024-25	373,879
2025-26	373,879
2026-27	373,879
Total:	$4,010,246

(1) Projected.
Source: Charter Oak Unified School District.

Redevelopment Revenue. The District previously received tax offset revenue from the County as a part of certain redevelopment projects within the County (the "Tax Offset Revenues"). The Tax Offset Revenues received are deposited directly into the general fund of the District and offset the State apportionment to be received by the District. The amount of Tax Offset Revenues received by the District from fiscal years 2011-12 through 2017-18 and a budgeted amount for fiscal year 2018-19 are shown in the following table.

REDEVELOPMENT REVENUE
Fiscal Years 2011-12 through 2018-19
Charter Oak Unified School District

Fiscal Year	Tax Offset Revenues[1]
2011-12	$13,256
2012-13	244,305
2013-14	34,997
2014-15	121,025
2015-16	69,017
2016-17	135,632
2017-18	29,413
2018-19[2]	116,540

(1) Tax Offset Revenues received offset State apportionments to be received by the District.
(2) Budgeted.
Source: Charter Oak Unified School District.

State Dissolution of Redevelopment Agencies

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

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

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

Accounting Practices

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

Budget Process

State Budgeting Requirements. The District is required by provisions of the 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. 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. The budget process has been further amended by subsequent amendments, including Senate Bill 97, which became law on September 26, 2013 (requiring budgets to include sufficient funds to implement local control and accountability plans), Senate Bill 858, which became law on June 20, 2014 (requiring budgets' ending fund balances to exceed the minimum recommended reserve for economic uncertainties), and Assembly Bill 2585, which became State law on September 9, 2014 (eliminating the dual budget cycle option for school districts).

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

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

For districts whose budgets have been disapproved, the district must revise and readopt its budget by October 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final school district budgets and not later than November 8, 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 Education Code

Section 42127.1. No later than November 8, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget has been disapproved. Until a 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.

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

The District has never had an adopted budget disapproved by the county superintendent of schools nor has it received a negative or qualified certification of any of its Interim Reports.

General Fund Budgeting. The table on the following page summarizes the District's adopted general fund budgets for fiscal years 2014-15 through 2018-19, audited ending results for fiscal years 2014-15 through 2016-17, and unaudited actuals for fiscal year 2017-18.

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GENERAL FUND BUDGETING[1]
Fiscal Years 2014-15 through 2018-19
Charter Oak Unified School District

	Fiscal Year 2014-15		Fiscal Year 2015-16		Fiscal Year 2016-17		Fiscal Year 2017-18		Fiscal Year 2018-19
	Budgeted[1]	Audited[1]	Budgeted[1]	Audited[1]	Budgeted[1]	Audited[1]	Budgeted[2]	Unaudited Actuals[6]	Adopted Budget[6]
REVENUES									
LCFF	$39,394,178	$39,502,545	$42,137,775	$42,018,191	$42,517,580	$42,612,082	$43,024,674	$43,122,727	$45,622,910
Federal sources	2,035,558	2,002,656	2,106,088	2,484,515	2,175,929	2,445,995	2,054,084	2,462,960	2,191,676
Other state sources	1,644,294	3,469,570	1,650,177	6,059,313	1,648,315	5,106,401	1,631,808	2,719,087	1,623,868
Other local sources	4,696,132	5,265,195	4,564,065	4,884,266	4,414,908	6,113,002	3,993,742	5,068,960	4,621,517
Total Revenues	47,770,162	50,239,966	50,458,105	55,446,285	50,756,732	56,277,480	50,704,308	53,373,733	54,059,971
EXPENDITURES									
Certificated salaries	21,436,980	21,794,900	21,679,527	21,908,628	21,661,483	22,584,948	22,436,564	23,172,575	23,197,714
Classified salaries	7,334,764	7,780,237	7,541,328	8,242,514	7,997,289	9,362,150	8,223,303	8,870,763	9,031,969
Employee benefits	9,979,216	11,559,306	10,320,195	11,700,889	10,649,300	13,558,545	11,904,835	12,104,927	13,159,502
Books and supplies	1,700,803	1,514,137	1,759,954	1,145,430	2,273,260	1,696,875	1,921,960	1,756,450	2,682,545
Services and other operating expenditures	5,160,838	5,980,078	6,519,963	5,149,998	5,523,138	5,203,241	4,794,995	5,571,683	4,491,304
Capital outlay	--	41,777	--	9,865	--	1,066,186	--	145,345	--
Other outgo	--	2,791,894	2,551,192	2,840,892	3,170,850	2,435,000			
Excluding transfers of indirect costs	3,178,414	--	--	--	--	--	2,859,781	2,486,027	2,411,091
Transfers of indirect costs	(89,724)	--	--	--	--	--	(120,320)	(129,853)	(120,320)
Total Expenditures	48,701,291	51,462,329	50,372,159	50,998,216	51,275,320	55,906,945	52,021,118	53,977,918	54,853,805
Excess (Deficiency) of Revenues Over Expenditures	(931,129)	(1,222,363)	85,946	4,448,069	(518,588)	370,535	(1,316,810)	(604,184)	(793,834)
Other Financing Sources (Uses)									
Interfund transfers in	425,200	--	433,945	319	--	--	--	250,000	--
Interfund transfers out	(16,007)	(8,060)	(398,431)	(56,384)	(186,063)	--	(258,365)	(249,841)	(218,474)
Net Financing Sources (Uses)	409,193	(8,060)	35,514	(56,065)	(186,063)	--	(258,365)	159	(218,474)
NET CHANGE IN FUND BALANCE	(521,936)	(1,230,423)	121,460	4,392,004	(704,651)	370,535	(1,575,175)	(604,025)	(1,012,308)
Fund Balance - Beginning	4,044,247[3]	4,044,247	2,813,824	2,813,824	7,180,085[5]	7,180,085[5]	7,517,880	7,517,880	6,913,856
Restatement[4]	--	--	(26,932)	(26,932)	--	--	--	--	--
Fund Balance - Ending	$3,522,311	$2,813,824	$2,908,352	$7,178,896	$6,475,434	$7,550,620	$5,942,705	$6,913,856	$5,901,548

[1] From the District's Audited Financial Statements for fiscal years 2014-15 through 2016-17, respectively. On behalf payments of $1,059,703, $1,221,175 and $1,451,062 are included in the fiscal years 2013-14, 2014-15, and 2015-16 audited revenues and expenditures, respectively, but have not been included in the budgeted amounts.

[2] From the District's Fiscal Year 2017-18 Second Interim Financial Report, approved by the Board on March 8, 2018. Totals may not add to sums due to rounding.

[3] Excludes the financial activity of the Adult Education Fund and Deferred maintenance Fund, which were included in the presentation of the audited figures for fiscal years 2013-14 and 2014-15 in accordance with the fund type definitions promulgated by GASB Statements No. 54.

[4] Restatement includes the financial activity of the Adult Education Fund and Deferred maintenance Fund, which were included in the presentation of the audited figures for fiscal year 2015-16 in accordance with the fund type definitions promulgated by GASB Statements No. 54.

[5] The audited ending fund balance for fiscal year 2015-16 and the budgeted and projected beginning fund balance for fiscal year 2016-17 do not reconcile due to rounding.

[6] From the District's 2017-18 Unaudited Actuals, adopted by the Board on September 13, 2018.

Source: Charter Oak Unified School District.

Comparative Financial Statements

The District's audited financial statements for the year ended June 30, 2017, are attached for reference as APPENDIX B hereto. Audited financial statements for the District for the fiscal year ended June 30, 2017, and prior fiscal years are on file with the District and available for public inspection at the Charter Oak Unified School District, 20240 East Cienega Avenue, Covina, California 91724, telephone: (626) 966-8331.

The table on the following page reflects the District's audited general fund revenues, expenditures and fund balances for fiscal years 2012-13 through 2016-17.

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AUDITED GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES[1]
Fiscal Years 2012-13 through 2016-17
Charter Oak Unified School District

	Audited 2012-13	Audited 2013-14	Audited 2014-15	Audited 2015-16	Audited 2016-17
REVENUES					
Local Control Funding Formula/Revenue Limit Sources[2]	$29,710,566	$36,320,950	$39,502,545	$42,018,191	$42,612,082
Federal Sources	1,963,224	2,056,370	2,002,656	2,484,515	2,445,995
Other State Sources	10,091,442	4,734,624	3,469,570	6,059,313	5,106,401
Other Local Sources	4,520,492	4,632,554	5,265,195	4,884,266	6,113,002
Total Revenues	46,285,724	47,744,498	50,239,966	55,446,285	56,277,480
EXPENDITURES					
Instruction	28,337,044	28,193,214	29,541,562	29,547,996	30,534,222
Instruction-related Services					
Supervision of Instruction	625,038	711,740	982,124	967,380	1,442,939
Instructional Library, Media and Technology	349,918	334,132	339,935	350,312	323,033
School Site Administration	3,192,108	3,422,648	3,675,025	3,646,728	3,836,948
Pupil Services					
Home-to-School Transportation	336,246	362,120	801,614	654,249	892,891
Food Services	--	--	--	--	--
All Other Pupil Services	3,077,653	3,271,810	3,639,533	3,687,047	4,245,641
General Administration					
Data Processing	395,490	413,815	471,192	484,442	598,554
All Other General Administration	2,499,743	2,753,021	2,880,871	2,989,571	3,059,994
Plant Services	5,010,832	5,479,665	5,805,538	5,331,260	5,765,692
Facility Acquisition and construction	47,556	45,786	39,220	47,467	917,233
Ancillary Services	145,302	130,908	118,451	100,502	240,992
Other Outgo	3,716,263	4,213,245	2,895,903	2,926,558	2,570,915
Enterprise Services	4,152	5,981	4,884	5,922	1,473,582
Community services	295,336	268,035	266,477	258,779	4,309
Debt Service:					
Principal	--	--	--	--	--
Interest and other	78,669	111,000	--	--	--
Total Expenditures	48,111,350	49,717,120	51,462,329	50,998,213	55,906,945
Excess (Deficiency) of Revenues Over Expenditures	(1,825,626)	(1,972,622)	(1,222,363)	4,448,072	370,535
OTHER FINANCING SOURCES (USES)					
Interfund Transfers In	5,095	840,511	--	319	--
Interfund Transfers out	(12,466)	(11,441)	(8,060)	(56,384)	--
Total Other Financing Sources (Uses)	(7,371)	829,070	(8,060)	(56,065)	--
NET CHANGE IN FUND BALANCES	(1,832,997)	(1,143,552)	(1,230,423)	4,392,007	370,535
FUND BALANCE – BEGINNING OF YEAR	7,020,796	5,187,799	4,044,247	2,813,824	7,180,085[4]
Restatement	--	--	--	(26,932)[3]	--
FUND BALANCE – END OF YEAR	$5,187,799	$4,044,247	$2,813,824	$7,178,899	$7,550,620

[1] From the District's Audited Financial Statements for fiscal years 2012-13 through 2016-17, respectively.

[2] Prior to fiscal year 2013-14, this category was revenue limit sources. In fiscal year 2013-14, this category became Local Control Funding Formula sources. See "– State Funding of Education – Local Control Funding Formula" herein.

[3] The District's prior year general fund balance has been restated as of June 30, 2015, to conform to GASB Statement No. 54's definition of governmental funds. Accordingly, the beginning fund balance for the Adult Education Fund were reported as a restatement to the beginning fund balance of the Non-Major Governmental Funds.

[4] The District elected to classify the Child Care Fund a governmental fund in fiscal year 2016-17 as prescribed by GASB Statement No. 34. As a result, the beginning fund balance for the general fund includes $1,186 previously accounted for in the Child Care Fund as a Business-Type Activity.

Source: Charter Oak Unified School District.

State Budget Measures

The following information concerning the State's budget has been obtained from publicly available information which the District believes to be reliable; however, the District does not guarantee the accuracy or completeness of this information and has not independently verified such information. Furthermore, it should not be inferred from the inclusion of this information in this Official Statement that the principal or interest on the Bonds is payable from the general fund of the District. The Bonds are payable solely from the proceeds of an ad valorem *property tax required to be levied by the County on taxable property within the District in amounts sufficient for the payment thereof.*

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

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

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

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

For fiscal year 2018-19, the 2018-19 Budget sets the minimum funding guarantee at $78.4 billion, reflecting an increase of $2.8 billion (or 3.7%) from the revised prior-year level. Fiscal year 2018-19 is projected to be a "Test 2" year, with the increase in the minimum funding guarantee attributable to a 3.67% increase in per capita personal income. With respect to K-12 education, the 2018-19 Budget sets Proposition 98 funding at $67.9 billion, including $47.5 billion from the State general fund, reflecting an

increase of $1.3 billion (or 2.7%) from the prior year. Per-pupil spending increases by $579 (or 5.2%) from the prior year, up to $11,640.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CHARTER OAK UNIFIED SCHOOL DISTRICT

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

Introduction

The District was formed in 1894 and is located in the eastern portion of the County and provides public education within an approximately 5.89 square mile area, including the cities of Covina, Glendora and San Dimas and certain unincorporated areas of the County. The District operates five elementary schools, one middle school, one comprehensive high school, and one alternative school which encompasses a continuation high school, an alternative school that houses the independent study and home school programs, a community day school, an adult school and a virtual academy. The District is located in the City of Covina, California. For fiscal year 2018-19, the District has a budgeted ADA of 4,624 students, and taxable property within the District has an assessed valuation of $3,714,516,471.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of subsequent audited financial reports of the District may be obtained by contacting: Charter Oak Unified School District, 20240 East Cienega Avenue, Covina, California 91724, attention: Superintendent.

Administration

The District is governed by a five-member Board, each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. Current members of the Board, together with their office and the date their term expires, are listed below:

BOARD OF EDUCATION
Charter Oak Unified School District

Name	Office	Term Expires
Jane A. Bock[(1)]	President	December 2018
Dr. Don H. Davis[(1)]	Vice President	December 2018
Brian R. Akers	Clerk	December 2020
Jeanette V. Flores	Member	December 2020
Gregg Peterson[(1)]	Member	December 2018

[(1)] At an election held on November 6, 2018, Jane A. Bock was reelected to a 2-year term, Gregg Peterson was reelected to a 4-year term and David R. Rose was elected to a 4-year term to succeed Dr. Don H. Davis. The terms will commence in December 2018.

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Dr. Mike Hendricks is currently the Superintendent of the District. Brief biographies of key personnel follow:

Dr. Mike Hendricks, Superintendent. Dr. Hendricks joined the District as Superintendent in 2010. Previously he was the Assistant Superintendent of Education Services of the District for 4 years. In three other school districts, Dr. Hendricks has served as a teacher, Assistant Principal, Principal, Director of Educational Services, Assistant Superintendent, and Superintendent. This is Dr. Hendricks' 38th year working in public education. He received an Ed.D in public administration from the University of Southern California, an M.A. in administrative services from California State University at Fullerton, and a B.S. in elementary education from the Wisconsin State University at Stevens Point.

Antoinette Flores, Fiscal Services Coordinator. Ms. Flores joined the District as Fiscal Services Coordinator in 2013. Prior thereto Ms. Flores has served as Finance Manager, District Accountant, and Account Clerk at other school districts. This is her 23rd year working in public education. Ms. Flores received her B.S. from California State Polytechnic University, Pomona in Business Administration - Accounting and her M.B.A. from University of La Verne in Management and Leadership.

Average Daily Attendance and Enrollment

On average throughout the District, the regular education pupil-teacher ratio is approximately 23:1 in grades K-3, 27:1 in grades 4-6, 24:1 in grades 7-8 and 25:1 in grades 9-12. The following table shows a six-year ADA and enrollment history for the District.

AVERAGE DAILY ATTENDANCE AND ENROLLMENT
Fiscal Years 2011-12 through 2017-18
Charter Oak Unified School District

Fiscal Year	Average Daily Attendance[1]	Enrollment[2]
2011-12	5,627	5,739
2012-13	5,442	5,544
2013-14	5,251	5,306
2014-15	5,023	5,158
2015-16	4,812	4,954
2016-17	4,761	4,889
2017-18	4,629	4,761
2018-19	4,624[3]	4,761

(1) Except for fiscal year 2018-19, reflects P-2 ADA, which ends on or before the last attendance month prior to April 15 of each school year. An attendance month is equal to each four-week period of instruction beginning on the first day of school for a particular school district. Includes County operated programs. Numbers are rounded to nearest whole number.
(2) Fiscal year 2012-13 enrollment as of October report submitted to the California Basic Educational Data System ("CBEDS"). Fiscal years 2013-14 and later reflect certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System ("CALPADS").
(3) Budgeted.
Source: Charter Oak Unified School District.

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Labor Relations

The District currently employs 224 full-time certificated employees and 194 classified employees both full- and part-time. In addition, the District currently employs 29 management employees. District employees, except management and some part-time employees, are represented by the two bargaining units as noted below.

BARGAINING UNITS
Charter Oak Unified School District

Name of Bargaining Unit	Number of Employees Represented	Current Contract Expiration Date
Charter Oak Educators Association	224	June 30, 2019
California School Employees Association	183	June 30, 2018[(1)]

[(1)] Members of this bargaining unit are working under the terms of their expired contract while a new labor contract is negotiated.
Source: Charter Oak Unified School District.

District Retirement Systems

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

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

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

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

Commencing July 1, 2014, the employee contribution rate increased over a three-year phase-in period in accordance with the following schedule:

MEMBER CONTRIBUTION RATES
STRS (Defined Benefit Program)

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

Source: AB 1469.

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

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

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

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

Source: AB 1469.

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

The District's contributions to STRS were $1,887,306 in fiscal year 2014-15, $2,283,019 in fiscal year 2015-16 and $2,763,883 in fiscal year 2016-17 and $3,316,176 for fiscal year 2017-18. The District has budgeted a contribution of $3,850,324 to STRS in fiscal year 2018-19.

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

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

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

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

The District's contributions to PERS were $902,970 in fiscal year 2014-15, $927,028 in fiscal year 2015-16, $1,136,278 in fiscal year 2016-17, and $1,381,508 in fiscal year 2017-18. The District currently budgeted a contribution of $1,689,940 to PERS in fiscal year 2018-19.

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

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

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

STRS

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

PERS

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

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

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

2016 STRS Actuarial Valuation and 7.00% for the June 30, 2017 actuarial evaluation (the "2017 STRS Actuarial Valuation"), and (iii) decreasing the projected wage growth to 3.50% and the projected inflation rate to 2.75%. The 2017 STRS Actuarial Valuation continues using the Entry Age Normal Actuarial Cost Method.

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

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

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

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

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

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

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

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

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

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

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 (the "Reform Act"), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the "Implementation Date"). For STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act

changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (previously 12 months for STRS members who retire with 25 years of service), and (iii) caps "pensionable compensation" for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers) and benefit base for members participating in Social Security or 120% for members not participating in social security (to be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers), while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

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

For fiscal year ending June 30, 2017, the District's proportionate share of the net STRS pension liability was $35,085,327. As of such date, the District's proportionate share of the net PERS pension liability was $12,995,098.

For additional information, see "APPENDIX B – THE DISTRICT'S 2016-17 AUDITED FINANCIAL STATEMENTS – Note 13" attached hereto.

Other Post-Employment Benefits

Benefits Plan. The District administers a defined benefit healthcare plan (the "Plan") providing medical benefits (the "Benefits") to eligible retirees of the District and their dependents. Membership of the Plan consists of 33 retirees receiving benefits and 331 active employee plan members.

Certificated retirees are eligible for the Benefits if they retire directly from the District on or after age 55 up until the age of 65, if they have reached Step 10 of the Teachers' Salary Schedule (new teachers can receive up to 9 years of service credit form another accredited school district).

Classified retirees are eligible for the Benefits if they retire directly from the District on or after age 55 up until the age of 65 if they have at least 10 years of service with the District (if the employee was hired prior to July 1, 2004 and 20 years of service for employees hired after July 1, 2004).

Management, confidential and non-represented employees are eligible for the Benefits if they retire directly from the District on or after age 55 up until the age of 65 and if they have at least 10 years of service with the District or retire at the top of the regular pay schedule.

Funding Policy. The District recognizes contributions to the Plan on a "pay-as-you-go" basis to cover the cost of premiums for current retirees. The contribution requirements of the Plan members and the District are established and may be amended by the District and the District's bargaining units. For fiscal year 2014-15 through 2017-18, the District contributed $393,580, $398,366, $395,740 and $298,796 to the Plan, respectively, all of which was used for current premiums. For fiscal year 2018-19 the District has budgeted a contribution of $327,334 to the Plan to be used exclusively for current premiums.

Accrued Liability. The District has implemented *Governmental Accounting Standards Board Statement #74, Financial Reporting for Postemployment Benefit Plans Other Than Pensions* ("GASB 74") and *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"), pursuant to which the District has commissioned and received an actuarial study of its liability with respect to the Benefits. The new GASB statements No. 74 and No. 75 (discussed below) require biennial actuarial valuations for all plans. The actuarial study, dated as of October 31, 2018 (the "Study"), concluded that, as of June 30, 2018, the Total OPEB Liability (the "TOL") with respect to such benefits, was $20,647,045. Since the District has not established an irrevocable trust for the pre-funding of retiree healthcare benefits, the Net OPEB Liability (the "NOL") was also $20,647,045. The TOL is the amount of the actuarial present value of projected benefits payments attributable to employees' past service based on the actuarial cost method used. The Fiduciary Net Position (The "FNP") is the net assets (liability) of the qualifying irrevocable trust or equivalent arrangement. The NOL is TOL minus the FNP.

As of June 30, 2017, the District recognized a long-term obligation (the "Net OPEB Obligation") of $4,844,594 with respect to its accrued liability for the Plan benefits. The Net OPEB Obligation is based on the District's contributions towards the ARC during fiscal year 2016-17. The Net OPEB Obligation was calculated based on a prior actuarial study of the Benefits, which was produced in accordance with GASB Statements No. 43 and No. 45. See "APPENDIX B – THE DISTRICT'S 2016-17 AUDITED FINANCIAL STATEMENTS – Note 11" herein.

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

Most of GASB Statement No. 74 applies to plans administered through trusts, contributions in which contributions are irrevocable, trust assets are dedicated to providing other post –employment benefits to plan members and trust assets are legally protected from creditors. GASB Statements No. 74 and No. 75 will require a liability for OPEB obligations, known as the net OPEB Liability (NOL), to be

recognized on the balance sheet of the plan and the participating employer's financial statements. In addition, an OPEB expense (service cost plus interest on total OPEB liability plus current-period benefit changes minus member contributions minus assumed earning on plan investments plus administrative expenses plus recognition of deferred outflows minus recognition of deferred inflows) will be recognized in the income statement of the participating employers. In the notes to its financial statements, employers providing other post-employment benefits will also have to include information regarding the year-to-year change in the NOL and a sensitivity analysis of the NOL to changes in the discount rate and healthcare trend rate. The required supplementary information will also be required to show a 10-year schedule of the plan's net OPEB liability reconciliation and related ratios, and any actuarially determined contributions and investment returns.

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

GASB No. 74 has an effective date for plan fiscal years beginning after June 15, 2016 and GASB Statement No. 75 will be effective for employer fiscal years beginning after June 15, 2017. The District will first recognize GASB No. 74 and GASB No. 75 in their financial statements for fiscal year 2017-18. The full extent of the effect of the new standards on the District is not known at this time.

Risk Management

The District is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters

Workers' Compensation. During fiscal year ending June 30, 2018, the District contracted with Valley Insurance Programs ("VIP") for workers' compensation insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Property and Liability. For fiscal year 2018, the District participated in the Alliance of Schools for Cooperative Insurance Programs ("ASCIP"), an insurance purchasing pool, for property and liability coverage. Participation in ASCIP is limited to districts that can meet the selection criteria.

Employee Medical Benefits. The District has contracted with the Voluntary Employee's Benefits Associates ("VEBA") for certificated employees' medical benefits and Keenan & Associates directly for classified/confidential, certificated/classified management (non-represented) employees. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. Claims are processed by the carriers and/or the provider groups.

Joint Powers Agreements

In addition to being a member of the ASCIP, the District is a member of the VIP public entity risk pools, and the East San Gabriel Valley Regional Occupation Program ("ESGVROP") joint powers

authority. The District pays an annual premium to ASCIP and VIP for its property liability and workers' compensation coverage. In addition, the District makes payments to ESGVROP for its share of program costs. The relationships between the District, the pools, and the joint powers authority are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are available from the respective entities.

During the year ended June 30, 2017, the District made payments of $333,457 and $807,630 to ASCIP and VIP, respectively, for its property liability and workers' compensation coverage. Payments of $520,986 were made to ESGVROP for the District's share of program costs.

District Debt Structure

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

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

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
General Obligation Bonds	$50,195,000	--	$1,390,000	$48,805,000
Premium on general obligation bonds	3,870,634	--	195,487	3,675,147
Certificates of Participation	1,850,000	--	170,000	1,680,000
Accumulated vacation - net	254,764	25,221	--	279,985
Other postemployment benefits	20,121,903	1,708,031	866,146	20,963,788
Total	$76,292,301	$1,733,252	$2,621,633	$75,403,920

Source: Charter Oak Unified School District.

General Obligation Bonds. The District received authorization at an election held on November 7, 2000 (the "2000 Authorization") at which the requisite vote of at least two-thirds of the persons voting on the proposition voted to authorize the issuance of $30,000,000 principal amount of general obligation bonds of the District. On June 19, 2001, the District issued the first series of bonds under the 2000 Authorization in the aggregate principal amount of $2,000,000 (the "Election of 2000 Series A Bonds"). On July 18, 2003, the District issued the second series of bonds under the 2000 Authorization in the aggregate principal amount of $8,000,000 (the "Election of 2000 Series B Bonds"). On February 3, 2005, the District issued the third series of bonds under the 2000 Authorization in the aggregate principal amount of $10,000,000 (the "Election of 2000 Series C Bonds"). On February 2, 2006, the District issued the fourth series of bonds under the 2000 Authorization in the aggregate principal amount of $10,000,000 (the "Election of 2000 Series D Bonds"), and the District issued its General Obligation Refunding Bonds 2000 Election, 2006 Series E in the aggregate principal amount of $7,429,939.20 (the "2000 General Obligation Refunding Bonds, Series E"), the proceeds of which were used to refund portions of the then-outstanding Election of 2000 Series A Bonds and portions of the then-outstanding Election of 2000 Series B Bonds. On July 7, 2015, the District issued its 2015 General Obligation Refunding Bonds in the aggregate principal amount of $11,260,000, the proceeds of which were used to currently refund the then-outstanding Election of 2000 Series C Bonds and advance refund a portion of the then-outstanding Election of 2000 Series D Bonds. On June 22, 2017, the District issued its 2017 Refunding Bonds in an aggregate principal amount of $3,240,000, the proceeds of which were used to currently refund portions of the outstanding Election of 2000 Series D Bonds. See "THE BONDS – Application and Investment of Bond Proceeds" herein.

Pursuant to the 2012 Authorization, the voters of the District authorized the issuance of not-to-exceed $47,000,000 of general obligation bonds. On July 7, 2015, the District issued the first series of bonds under the 2012 Authorization, the Election of 2012 Series A Bonds, in the aggregate amount of $27,000,000. On June 22, 2017, the District issued the second series of bonds under the 2012 Authorization, the Election of 2012 Series B Bonds, in the aggregate principal amount of $10,000,000. The Bonds represent the third and last series of bonds issued under the 2012 Authorization. After the issuance of the Bonds, none of the 2012 Authorization will remain.

The table on the following page shows the combined debt service schedule with respect to the District's total outstanding general obligation bonded debt.

COMBINED GENERAL OBLIGATION BOND DEBT SERVICE SCHEDULE

Year Ending (August 1)	Election of 2012 Series A Bonds	2015 General Obligation Refunding Bonds	Election of 2012 Series B Bonds	2017 General Obligation Refunding Bonds	Bonds	Total Annual Debt Service
2019	$1,158,612.50	$1,109,000.00	$1,311,568.76	$312,460.00	$303,831.60	$4,195,472.86
2020	1,158,612.50	1,112,250.00	1,188,868.76	296,020.00	475,562.50	4,231,313.76
2021	1,158,612.50	1,108,750.00	385,468.76	304,860.00	650,562.50	3,608,253.76
2022	1,158,612.50	1,113,750.00	385,468.76	298,280.00	578,562.50	3,534,673.76
2023	1,158,612.50	1,111,750.00	385,468.76	306,700.00	654,162.50	3,616,693.76
2024	1,158,612.50	1,113,000.00	385,468.76	304,700.00	729,662.50	3,691,443.76
2025	1,158,612.50	1,112,250.00	385,468.76	302,560.00	810,912.50	3,769,803.76
2026	1,483,612.50	1,109,500.00	385,468.76	300,280.00	567,412.50	3,846,273.76
2027	1,642,362.50	1,114,750.00	385,468.76	287,860.00	495,162.50	3,925,603.76
2028	1,617,362.50	1,107,500.00	385,468.76	270,580.00	606,162.50	3,987,073.76
2029	1,652,362.50	1,113,250.00	385,468.76	258,580.00	666,412.50	4,076,073.76
2030	1,709,362.50	446,250.00	550,468.76	246,720.00	538,162.50	3,490,963.76
2031	1,767,112.50	--	572,218.76	--	555,662.50	2,894,993.76
2032	1,830,362.50	--	587,468.76	--	576,912.50	2,994,743.76
2033	1,893,612.50	--	611,468.76	--	596,662.50	3,101,743.76
2034	1,961,612.50	--	628,718.76	--	619,912.50	3,210,243.76
2035	2,033,862.50	--	650,168.76	--	640,125.00	3,324,156.26
2036	2,104,862.50	--	675,718.76	--	659,250.00	3,439,831.26
2037	2,179,362.50	--	699,781.26	--	681,875.00	3,561,018.76
2038	2,251,862.50	--	722,750.00	--	708,187.50	3,682,800.00
2039	2,332,112.50	--	746,750.00	--	733,000.00	3,811,862.50
2040	2,414,362.50	--	773,500.00	--	755,750.00	3,943,612.50
2041	2,503,112.50	--	797,750.00	--	781,250.00	4,082,112.50
2042	2,591,075.00	--	824,500.00	--	809,250.00	4,224,825.00
2043	2,681,818.76	--	853,500.00	--	839,500.00	4,374,818.76
2044	2,774,931.26	--	884,500.00	--	866,750.00	4,526,181.26
2045	--	--	2,147,250.00	--	2,436,000.00	4,583,250.00
Total	$47,535,412.52	$12,672,000.00	$18,696,168.94	$3,489,600.00	$19,336,656.60	$101,729,838.06

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Certificates of Participation. On May 13, 2010, the District executed and delivered its Taxable Certificates of Participation, 2010 Series A (the "Certificates of Participation") in the aggregate principal amount of $2,975,000.

The following table shows the repayment schedule with respect to the District's outstanding Certificates of Participation.

Year Ending (May 1)	Annual Principal Payment	Annual Interest Payment[(1)]	Total Annual Lease Payments
2019	$175,000.00	$122,119.20	$297,119.20
2020	180,000.00	109,398.46	289,398.46
2021	180,000.00	96,314.26	276,314.26
2022	185,000.00	83,230.06	268,230.06
2023	185,000.00	69,782.40	254,782.40
2024	190,000.00	56,334.76	246,334.76
2025	190,000.00	42,523.66	232,523.66
2026	195,000.00	28,712.56	223,712.56
2027	200,000.00	14,538.00	214,538.00
Total	$1,680,000.00	$622,953.36	$2,302,953.36

[(1)] Reflects gross lease payments on the Certificates of Participation, which were designated as federally-taxable "Qualified School Construction Bonds" pursuant to an irrevocable election by the District to have Section 6431(f)(3)(B) of the Internal Revenue Code apply thereto. The District elected to receive a 5.66% direct cash subsidy payment (each a "Subsidy Payment") from the United States Department of Treasury relating to the interest payable. The Subsidy Payments do not constitute the full faith and credit guarantee of the United States Government, but are required to be paid by the Treasury. However, the Subsidy Payments are subject to reduction (the "Sequestration Reduction") pursuant to the federal Balanced Budget and Emergency Deficit Control Act of 1985, as amended, which currently includes provisions reducing the Subsidy Payments by 6.2% through the end of the current federal fiscal year (September 30, 2019). In the absence of action by the United States Congress, the rate of the Sequestration Reduction is subject to change in the following federal fiscal year. The District cannot predict whether or how subsequent sequestration actions may affect Subsidy Payments currently scheduled for receipt in future federal fiscal years.

Lease/Purchase Agreement. On November 20, 2018, the District entered into a Master Lease Purchase Agreement with Pinnacle Public Finance, Inc. to finance the installation of lighting retrofits and energy control systems. The lease/purchase agreement was in the amount of $1,951,448, with lease payments from May 2019 through May 2028. The following table shows the lease payment schedule:

Year Ending May 30	Total
2019	$234,088.42
2020	234,088.42
2021	234,088.42
2022	234,088.42
2023	234,088.42
2024	234,088.42
2025	234,088.42
2026	234,088.42
2027	234,088.42
2028	234,088.42
Total	$2,340,884.20

Source: Charter Oak Unified School District.

LIMITATIONS ON REMEDIES; BANKRUPTCY

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

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

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

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

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

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

TAX MATTERS

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State personal income tax.

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

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

The amount by which a Bond Owner's original basis for determining gain or loss on sale or exchange of the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section

171 of the Code; such amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

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

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

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

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

A Copy of the proposed form of opinion of Bond Counsel for the Bonds is attached hereto as APPENDIX A.

LEGAL MATTERS

Legality for Investment in California

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

Continuing Disclosure

Current Undertaking. In connection with the issuance of the Bonds, the District has covenanted for the benefit of Owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Reports") by not later than nine months following the end of the District's fiscal year (which currently ends June 30), commencing with the report for the 2017-18 fiscal year, and to provide notices of the occurrence of certain listed events. The Annual Reports and notices of listed events will be filed by the District in accordance with the requirements of the Rule. The specific nature of the information to be contained in the Annual Reports or the notices of listed events is included in "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS" attached hereto. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Prior Undertakings. Within the past five years, the District has failed to file certain notices of listed events in a timely manner, as required by its existing continuing disclosure undertakings.

Absence of Material Litigation

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

Information Reporting Requirements

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

Legal Opinion

The legal opinion of Bond Counsel, approving the validity of the Bonds, will be supplied to the original purchasers thereof without cost. A copy of the proposed form of such legal opinion for the Bonds is attached to this Official Statement as APPENDIX A.

MISCELLANEOUS

Ratings

The Bonds are expected to be assigned a rating of "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard and Poor's Financial Services LLC ("S&P"), based upon the issuance of the Policy by AGM at the time of delivery of the Bonds. The Bonds have also been assigned an underlying rating of "A+" by S&P. The ratings reflect only the views of such organizations and an explanation of the significance of such ratings may be obtained from the applicable rating agency, at the following address: Standard & Poor's, 55 Water Street, 45th Floor, New York, New York 10041. There is no assurance that the ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agency, if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

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

Financial Statements

The District's audited financial statements with supplemental information for the year ended June 30, 2017, the independent auditor's report of the District, and the related statements of activities and of cash flows for the year then ended, and the report of Vavrinek, Trine, Day & Co., LLP (the "Auditor") dated December 5, 2017, are attached to this Official Statement as APPENDIX B. In connection with the inclusion of the financial statements and the report of the Auditor thereon in APPENDIX B to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

Underwriting

The Bonds are being purchased by the Underwriter. The Underwriter has agreed, pursuant to a purchase contract by and between the District and the Underwriter (the "Purchase Contract"), to purchase all of the Bonds for a purchase price of $10,924,044.60 (which is equal to the principal amount of the Bonds of $10,000,000.00, plus net original issue premium of $982,082.75, less an underwriting discount of $30,000.00, and less $28,038.15 to be wired by the Underwriter directly to AGM for the Policy premium).

The Purchase Contract for the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said agreement, the approval of certain legal matters by counsel and certain other conditions. The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering

prices stated on the inside cover hereof. The offering prices may be changed from time to time by the Underwriter.

Underwriter Disclosures. The Underwriter has provided the following information for inclusion in the Official Statement:

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

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Additional Information

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

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

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

CHARTER OAK UNIFIED SCHOOL DISTRICT

By: /s/ Dr. Mike Hendricks
Superintendent

APPENDIX A

FORM OF OPINION OF BOND COUNSEL FOR THE BONDS

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

December 11, 2018

Board of Education
Charter Oak Unified School District

Members of the Board of Education:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of $10,000,000 Charter Oak Unified School District (Los Angeles County, California) Election of 2012 General Obligation Bonds, Series C (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

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

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to (i) Government Code Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5, (iii) a greater than fifty-five percent vote of the qualified electors of the Charter Oak Unified School District (the "District") voting at an election held on June 5, 2012, and a resolution of the Board of Education of the District adopted on October 18, 2018 (the "Resolution").

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

3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

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

5. The excess of the stated redemption price at maturity of a Bond over the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds constitutes original issue discount. Original issue discount accrues under a constant yield

method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the Bondowner's basis in the applicable Bond. Original issue discount that accrues to the Bondowner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State personal income tax.

6. The amount by which a Bondowner's original basis for determining gain or loss on sale or exchange of the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bondowner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bondowner realizing a taxable gain when a Bond is sold by the Bondowner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bondowner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than ourselves. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Bonds.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District complies with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

It is possible that subsequent to the issuance of the Bonds there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur.

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

Respectfully submitted,

APPENDIX B

THE DISTRICT'S 2016-17 AUDITED FINANCIAL STATEMENTS

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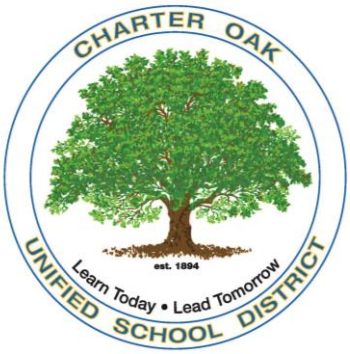

CHARTER OAK UNIFIED SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

CHARTER OAK UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS
JUNE 30, 2017

FINANCIAL SECTION

Independent Auditor's Report 2
Management's Discussion and Analysis 5
Basic Financial Statements
Government-Wide Financial Statements
Statement of Net Position 14
Statement of Activities 15
Fund Financial Statements
Governmental Funds - Balance Sheet 16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position 17
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances 19
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities 20
Fiduciary Funds - Statement of Net Position 22
Notes to Financial Statements 23

REQUIRED SUPPLEMENTARY INFORMATION

General Fund - Budgetary Comparison Schedule 62
Schedule of Other Postemployment Benefits (OPEB) Funding Progress 63
Schedule of the District's Proportionate Share of the Net Pension Liability 64
Schedule of District's Contributions 65
Note to Required Supplementary Information 66

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards 68
Local Education Agency Organization Structure 69
Schedule of Average Daily Attendance 70
Schedule of Instructional Time 71
Reconciliation of Annual Financial and Budget Report With Audited Financial Statements 72
Schedule of Financial Trends and Analysis 73
Combining Statements - Non-Major Governmental Funds
Combining Balance Sheet 74
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances 75
Notes to Supplementary Information 76

INDEPENDENT AUDITOR'S REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* 79
Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance 81
Report on State Compliance 83

CHARTER OAK UNIFIED SCHOOL DISTRICT

TABLE OF CONTENTS
JUNE 30, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditor's Results	87
Financial Statement Findings	88
Federal Awards Findings and Questioned Costs	89
State Awards Findings and Questioned Costs	90
Summary Schedule of Prior Audit Findings	91
Management Letter	92

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Governing Board
Charter Oak Unified School District
Covina, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Charter Oak Unified School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Charter Oak Unified School District, as of June 30, 2017, 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 – Change in Accounting Principles

As discussed in Note 16 to the financial statements, the District restated its beginning balance for the government-wide Statement of Net Position due to the enterprise fund no longer meeting the criteria of GASB Statement No. 34 to be classified as business-type activity. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, budgetary comparison schedule on page 62, schedule of other postemployment benefits funding progress on page 63, schedule of the District's proportionate share of net pension liability on page 64, and the schedule of District contributions on page 65, 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 Charter Oak Unified School District's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2017, on our consideration of the Charter Oak 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Charter Oak Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Charter Oak Unified School District's internal control over financial reporting and compliance.

VAUZNEK, TRINE, DAY & CO. LLP

Rancho Cucamonga, California
December 5, 2017

Charter Oak Unified School District

20240 East Cienega Avenue, Covina, California 91724
Telephone: (626) 966-8331 ▪ FAX: (626) 967-9580 ▪ www.cousd.net

JANE A. BOCK, PRESIDENT • DON H. DAVIS, VICE PRESIDENT

BRIAN R. AKERS, MEMBER • JEANETTE V. FLORES, MEMBER • GREGG PETERSON, MEMBER

Mike Hendricks, Ed.D., Superintendent

This section of Charter Oak Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2017, with comparative information for the year ending June 30, 2016. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the Charter Oak Unified School District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets) as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

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

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

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

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

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

The Primary unit of the government is the Charter Oak Unified School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

These two statements report the District's net position and changes in them. Net position is the difference between assets and liabilities, one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its *financial health* is improving or deteriorating.

The relationship between revenues and expenses is the District's *operating results.* Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we present the District activities as follows:

Governmental Activities - Most of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

Governmental Funds - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides.

Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary,* for funds held on behalf of others, like our funds for associated student body activities, and voluntary payroll withholdings of District employees. The District's fiduciary activities are reported in the *Statement of Fiduciary Net Position* on page 22. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

The District remained fiscally solvent with no significant reductions in instructional programs and services offered in prior years. Staff has engaged in professional development. The District LCAP includes a number of expanded initiatives with the goal of retaining and attracting students while increasing academic achievement for all students including significant subgroups. This was accomplished even with higher fixed and/or automatic increases in expenses including employee salary hikes for step, column and longevity.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $23,568,764 for the fiscal year ended June 30, 2017. Of this amount, $(22,373,912) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants grantors, constitutional provisions, and enabling legislation that limit the governing board's ability to use that net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2017	2016 as Restated
ASSETS		
Current and other assets	$ 51,365,784	$ 41,842,642
Capital assets	81,447,859	79,768,966
Total Assets	**132,813,643**	**121,611,608**
Deferred Outflows of Resources	**11,029,580**	**10,053,988**
LIABILITIES		
Current liabilities	7,162,052	7,137,403
Long-term obligations	61,014,992	51,330,526
Net pension liability	48,080,425	41,962,307
Total Liabilities	**116,257,469**	**100,430,236**
Deferred Inflows of Resources	**4,016,991**	**8,285,587**
NET POSITION		
Net investment in capital assets	39,149,999	39,169,458
Restricted	6,792,676	5,908,902
Unrestricted	(22,373,912)	(22,128,587)
Total Net Position	**$ 23,568,763**	**$ 22,949,773**

The $(22,373,912) in unrestricted net position of governmental activities represents the accumulated results of all past years' operations.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 15. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2017	2016
Revenues		
Program revenues:		
Charges for services	$ 2,715,269	$ 1,088,295
Operating grants and contributions	8,802,241	9,807,746
General revenues:		
Federal and State aid not restricted	34,794,944	37,526,177
Property taxes	12,807,059	12,170,573
Other general revenues	5,094,185	2,628,130
Total Revenues	**64,213,698**	**63,220,921**
Expenses		
Instruction-related	40,421,068	37,837,668
Pupil services	7,369,598	6,434,592
Administration	3,894,429	3,697,804
Maintenance and operations	5,829,051	5,493,015
Other	6,080,562	5,679,142
Total Expenses	**63,594,708**	**59,142,221**
Special item: sale of land	-	14,447,233
Change in Net Position	**$ 618,990**	**$ 18,525,933**

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was $63,594,708. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $12,807,059 because the cost was paid by those who benefited from the programs $(2,715,269) or by other governments and organizations who subsidized certain programs with grants and contributions $(8,802,241). We paid for the remaining "public benefit" portion of our governmental activities with $39,889,129 in State funds, and other revenues, like interest and general entitlements.

In Table 3, we have presented the cost and net cost of each of the District's largest functions – instruction, instruction-related, pupil services, administration, maintenance and operations, ancillary services, enterprise services, interest on long-term obligations, and all other activities. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Instruction	$ 34,577,085	$ 32,620,520	$ 29,251,587	$ 26,953,127
Instruction-related activities	5,843,983	5,217,148	4,927,667	3,990,861
Pupil services	7,369,598	6,434,592	4,515,495	3,773,000
Administration	3,894,429	3,697,804	3,566,364	3,402,565
Maintenance and operations	5,829,051	5,493,015	5,805,889	5,448,642
Ancillary services	245,243	101,721	245,243	101,721
Enterprise services	1,520,439	37,621	288,745	37,621
Interest on long-term obligations	1,653,058	2,053,493	1,653,058	2,053,493
Other	2,661,822	3,486,307	1,823,150	2,485,150
Total	**$ 63,594,708**	**$ 59,142,221**	**$ 52,077,198**	**$ 48,246,180**

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $44,951,465.

Table 4

	Fund Balance			
	July 1, 2016	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2017
General Fund	$ 7,180,085	$ 56,277,480	$ 55,906,945	$ 7,550,620
Building Fund	6,275,444	13,344,351	6,488,693	13,131,102
Special Reserve Fund for Capital Outlay Projects	16,610,226	812,539	234,035	17,188,730
Adult Education Fund	1,333,857	1,763,991	1,043,289	2,054,559
Cafeteria Fund	649,593	2,010,680	1,961,582	698,691
Capital Facilities Fund	589,073	252,087	2,400	838,760
Bond Interest and Redemption Fund	2,936,818	4,088,067	3,535,882	3,489,003
Total	**$ 35,575,096**	**$ 78,549,195**	**$ 69,172,826**	**$ 44,951,465**

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 23, 2016. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 62.)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had $81,447,859 in a broad range of capital assets (net of depreciation), including land and construction in process, buildings and improvements, and furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of $1,678,893.

Table 5

	Governmental Activities	
	2017	2016
Land and construction in process	$ 1,725,433	$ 4,768,876
Buildings and improvements	78,748,266	74,220,697
Furniture and equipment	974,160	779,393
Total	**$ 81,447,859**	**$ 79,768,966**

Long-Term Obligations

At the end of this year, the District had $61,014,992 in long-term obligations outstanding versus $51,330,526 last year. Those obligations consisted of:

Table 6

	Governmental Activities	
	2017	2016
General obligation bonds - net (financed with property taxes)	$ 54,065,634	$ 44,854,952
Certificates of participation	1,850,000	2,020,000
Accumulated vacation - net	254,764	244,576
Other postemployment benefits	4,844,594	4,210,998
Total	**$ 61,014,992**	**$ 51,330,526**

The District's general obligation bond rating continues to be "A+". The State limits the amount of general obligation debt that districts can issue to five percent of the assessed value of all taxable property within the District's boundaries. The District outstanding general obligation debt of $50,195,000 is significantly below this statutorily - imposed limit.

Other obligations include certificates of participation, compensated absences payable, and postemployment benefits. We present more detailed information regarding our long-term obligations in Note 7 of the financial statements.

Net Pension Liability (NPL)

At year-end, the District had a net pension liability of $48,080,425.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2017-2018 year, the governing board and management used the following criteria:

The key assumptions were:

- Funded ADA 4,684
- Funded LCFF per ADA $9,051.41

Over the last five school years, the District has had to deal with fiscal problems caused by the diminishing State budget. The District made cost cutting changes with as little negative impact as possible on our students' daily education experience. The District's 2017-2018 budget meets all State requirements.

We remain concerned that the fiscal problems at the State level will continue into the 2017-2018 school year. This likely probability, along with the current need to reduce, will require further cuts in District expenditures and/or community support for increased revenue. Declining student enrollment and its impact on revenue and expense will be a concern in 2017-2018 as well as future years. Most recent information shows a reduced rate of declining enrollment. We are committed to fiscal solvency and mindful of our responsibility to ensure the very best educational programs and services for our students. These will be uppermost in our minds as we make recommendations to the governing board during the current year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact:

Kathy Perkins
Chief Business Officer
Charter Oak Unified School District
20240 E. Cienega Ave.
Covina, CA 91724
(626) 966-8331 ext. 90526
kperkins@cousd.net

CHARTER OAK UNIFIED SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
ASSETS	
Deposits and investments	$ 48,468,737
Receivables	2,826,547
Stores inventories	70,500
Capital assets	
Land and construction in process	1,725,433
Capital assets being depreciated	115,809,477
Accumulated depreciation	(36,087,051)
Total Capital Assets	81,447,859
Total Assets	132,813,643
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	486,672
Deferred outflows of resources related to pensions	10,542,908
Total Deferred Outflows of Resources	11,029,580
LIABILITIES	
Accounts payable	6,409,210
Accrued interest payable	747,733
Unearned revenue	5,109
Long-term obligations	
Current portion of long-term obligations other than pensions	1,814,764
Noncurrent portion of long-term obligations other than pensions	59,200,228
Total Long-Term Obligations	61,014,992
Aggregate net pension liability	48,080,425
Total Liabilities	116,257,469
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	4,016,991
NET POSITION	
Net investment in capital assets	39,149,999
Restricted for:	
Debt service	2,741,270
Capital projects	838,760
Educational programs	669,021
Other activities	2,543,625
Unrestricted (Deficit)	(22,373,912)
Total Net Position	$ 23,568,763

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

CHARTER OAK UNIFIED SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities				
Instruction	$ 34,577,085	$ 506,450	$ 4,819,048	$ (29,251,587)
Instruction-related activities:				
Supervision of instruction	1,472,542	73,536	501,319	(897,687)
Instructional library, media, and technology	333,647	-	25,129	(308,518)
School site administration	4,037,794	7,938	308,394	(3,721,462)
Pupil services:				
Home-to-school transportation	976,508	-	383	(976,125)
Food services	1,903,119	456,228	1,385,075	(61,816)
All other pupil services	4,489,971	194,461	817,956	(3,477,554)
Administration:				
Data processing	621,210	-	-	(621,210)
All other administration	3,273,219	21,671	306,394	(2,945,154)
Plant services	5,829,051	-	23,162	(5,805,889)
Facility acquisition and construction	86,598	-	-	(86,598)
Ancillary services	245,243	-	-	(245,243)
Community services	4,309	-	263	(4,046)
Enterprise services	1,520,439	1,231,694	-	(288,745)
Interest on long-term obligations	1,653,058	-	-	(1,653,058)
Other outgo	2,570,915	223,291	615,118	(1,732,506)
Total Governmental Activities	$ 63,594,708	$ 2,715,269	$ 8,802,241	(52,077,198)
General revenues and subventions:				
Property taxes, levied for general purposes				9,844,239
Property taxes, levied for debt service				2,930,944
Taxes levied for other specific purposes				31,876
Federal and State aid not restricted to specific purposes				34,794,944
Interest and investment earnings				362,749
Miscellaneous				4,731,436
Subtotal, General Revenues				52,696,188
Change in Net Position				618,990
Net Position - Beginning, as Restated				22,949,773
Net Position - Ending				$ 23,568,763

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

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CHARTER OAK UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects
ASSETS			
Deposits and investments	$ 11,351,554	$ 13,315,185	$ 16,779,145
Receivables	2,163,146	21,722	409,585
Stores inventories	54,545	-	-
Total Assets	$ 13,569,245	$ 13,336,907	$ 17,188,730
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 6,013,516	$ 205,805	$ -
Unearned revenue	5,109	-	-
Total Liabilities	6,018,625	205,805	-
Fund Balances:			
Nonspendable	62,045	-	-
Restricted	669,021	13,131,102	-
Assigned	1,809,849	-	17,188,730
Unassigned	5,009,705	-	-
Total Fund Balances	7,550,620	13,131,102	17,188,730
Total Liabilities and Fund Balances	$ 13,569,245	$ 13,336,907	$ 17,188,730

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

Non-Major Governmental Funds	Total Governmental Funds
$ 7,022,853	$ 48,468,737
232,094	2,826,547
15,955	70,500
$ 7,270,902	$ 51,365,784
$ 189,889	$ 6,409,210
-	5,109
189,889	6,414,319
17,102	79,147
6,871,388	20,671,511
192,523	19,191,102
-	5,009,705
7,081,013	44,951,465
$ 7,270,902	$ 51,365,784

CHARTER OAK UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2017

Total Fund Balance - Governmental Funds		**$ 44,951,465**
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 117,534,910	
Accumulated depreciation is	(36,087,051)	
Net Capital Assets		81,447,859
Deferred gains or losses on refunding of debt (the difference between the reacquisition prices and the net carrying amount of refunded debt) are capitalized and amortized over the remaining life of the new or old debt (whichever is greater) and are included with governmental activities expense.		486,672
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		(747,733)
Deferred outflows of resources related to pensions represent a consumption of net position in a future period and is not reported in the District's funds. Deferred outflows of resources related to pensions at year-end consist of:		
Pension contributions subsequent to measurement date	3,900,161	
Net change in proportionate share of net pension liability	1,278,145	
Difference between projected and actual earnings on pension plan investments	4,805,688	
Differences between expected and actual experience in the measurement of the total pension liability.	558,914	
Total Deferred Outflows of Resources Related to Pensions		10,542,908
Deferred inflows of resources related to pensions represent an acquisition of net position that applies to a future period and is not reported in the District's funds. Deferred inflows of resources related to pensions at year-end consist of:		
Net change in proportionate share of net pension liability	(2,770,699)	
Differences between expected and actual experience in the measurement of the total pension liability.	(855,867)	
Changes in assumptions	(390,425)	
Total Deferred Inflows of Resources Related to Pensions		(4,016,991)

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

CHARTER OAK UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION (Continued)
JUNE 30, 2017

Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		$ (48,080,425)
Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term obligations at year-end consist of:		
General obligation bonds	$ (50,195,000)	
Unamortized premium on bonds	(3,870,634)	
Certificates of participation	(1,850,000)	
Compensated absences (vacations)	(254,764)	
Other postemployment benefits (OPEB)	(4,844,594)	
Total Long-Term Obligations		(61,014,992)
Total Net Position - Governmental Activities		**$ 23,568,763**

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

CHARTER OAK UNIFIED SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects
REVENUES			
Local control funding formula	$ 42,612,082	$ -	$ -
Federal sources	2,445,995	-	-
Other State sources	5,106,401	-	-
Other local sources	6,113,002	48,302	812,539
Total Revenues	56,277,480	48,302	812,539
EXPENDITURES			
Current			
Instruction	30,534,222	-	-
Instruction-related activities:			
Supervision of instruction	1,442,939	-	-
Instructional library, media and technology	323,033	-	-
School site administration	3,836,948	-	-
Pupil services:			
Home-to-school transportation	892,891	-	-
Food services	-	-	-
All other pupil services	4,245,641	-	-
Administration:			
Data processing	598,554	-	-
All other administration	3,059,994	-	-
Plant services	5,765,692	-	-
Facility acquisition and construction	917,233	3,070,644	26,231
Ancillary services	240,992	-	-
Community services	4,309	-	-
Other outgo	2,570,915	-	-
Enterprise services	1,473,582	-	-
Debt service			
Principal	-	-	170,000
Interest and other	-	262,894	37,804
Total Expenditures	55,906,945	3,333,538	234,035
Excess (Deficiency) of Revenues Over Expenditures	370,535	(3,285,236)	578,504
Other Financing Sources (Uses)			
Other sources - proceeds from issuance of bonds	-	12,105,986	-
Other sources - premium on issuance of bonds	-	1,190,063	-
Other uses - payment to refunded bonds escrow agent	-	(3,155,155)	-
Net Financing Sources (Uses)	-	10,140,894	-
NET CHANGE IN FUND BALANCES	370,535	6,855,658	578,504
Fund Balances - Beginning	7,180,085	6,275,444	16,610,226
Fund Balances - Ending	$ 7,550,620	$ 13,131,102	$ 17,188,730

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

Non-Major Governmental Funds	Total Governmental Funds
$ -	$ 42,612,082
1,637,160	4,083,155
1,825,890	6,932,291
3,579,999	10,553,842
7,043,049	64,181,370
594,189	31,128,411
-	1,442,939
887	323,920
73,940	3,910,888
-	892,891
1,938,202	1,938,202
-	4,245,641
-	598,554
135,916	3,195,910
16,457	5,782,149
309,918	4,324,026
-	240,992
-	4,309
-	2,570,915
-	1,473,582
1,640,000	1,810,000
1,895,882	2,196,580
6,605,391	66,079,909
437,658	(1,898,539)
1,134,014	13,240,000
-	1,190,063
-	(3,155,155)
1,134,014	11,274,908
1,571,672	9,376,369
5,509,341	35,575,096
$ 7,081,013	$ 44,951,465

CHARTER OAK UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

Total Net Change in Fund Balances - Governmental Funds		**$ 9,376,369**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which capital outlay exceeds depreciation in the period.		
Capital outlays	$ 4,449,284	
Depreciation expense	(2,770,391)	
Net Expense Adjustment		1,678,893
In the Statement of Activities, certain operating expenses - compensated absences (vacations) and special termination benefits (early retirement) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, there are no special termination benefits. Vacation earned was more than the amount used by $10,188.		(10,188)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		(871,102)
Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the Statement of Activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions were:		(633,596)
Proceeds received from issuance of general obligation bonds is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Assets and does not affect the Statement of Activities.		(13,240,000)

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

CHARTER OAK UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, (Continued)
FOR THE YEAR ENDED JUNE 30, 2017

Under the modified basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following balances:		
Premium on issuance of general obligation bonds	$ (1,190,063)	
Deferred amount on refunding of general obligation bonds	60,155	
Amortization of debt premium	484,381	
Amortization of deferred charge on refunding	(62,983)	
Combined Adjustment		$ (708,510)
Payment of principal on long-term obligations is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:		
General obligation bonds		4,735,000
Certificates of participation		170,000
Interest on long-term obligations is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		122,124
Change in Net Position of Governmental Activities		**$ 618,990**

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

CHARTER OAK UNIFIED SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2017

	Agency Funds
ASSETS	
Deposits and investments	$ 217,376
Stores inventories	6,079
Total Assets	$ 223,455
LIABILITIES	
Due to student groups	$ 223,455

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Charter Oak Unified School District (the District) was organized on July 1, 1960, under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K-12 as mandated by the State and/or Federal agencies. The District operates five elementary schools, one middle school, one high school, one continuation school, one alternative school, and one community day school.

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

Basis of Presentation - Fund Accounting

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

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

Major Governmental Funds

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

Fund 14, Deferred Maintenance Fund does not currently meet the GASB Statement No. 54 definition of special revenue funds as these funds are no longer primarily composed of restricted or committed revenue sources.

As the District has not taken formal action to commit the flexed revenues formerly restricted to these programs to the continued operation of the original programs, the revenues within these funds would be considered to be available for general educational purposes, resulting in Fund 14, Deferred Maintenance Fund being combined with the General Fund for presentation in these audited financial statements.

In addition, the Child Care Enterprise Fund no longer meets the GASB Statement No. 34 criteria to be classified as a business-type activity as it is no longer a self-sustaining activity. As it is considered an extension of the General Fund, it has been combined for presentation in these audited financial statements.

As a result, the General Fund reflects an increase in assets, fund balance, revenue, and expenditures of $168,234, $32,740, $1,233,967 and $1,202,413, respectively.

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

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

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only.

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code S*ections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code S*ections 38091 and 38100).

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

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code S*ections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

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

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

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

Basis of Accounting - Measurement Focus

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

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the activities of the District and for each governmental function, and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their use.

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

Governmental Funds All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the statements for the governmental funds on a modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

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

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 90 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Investments

Investments held at June 30, 2017, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investment in the county investment pool are determined by the program sponsor.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental funds, and as expenses in the fiduciary funds.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of $5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.
Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings and improvements, 40 years; equipment, 5 to 20 years.

Compensated Absences

Compensated absences are accrued as a liability on the government-wide statement of net position as the benefits are earned. For governmental funds, unpaid compensation absences are recognized as a fund liability only upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are recorded in the accounts payable in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In the government-wide financial statements, premiums and discounts on issuance of long-term obligations are deferred and amortized over the life of the related debt as a component of interest expense using the straight-line method. In the governmental funds, premiums and discounts on issuance of long-term obligations are recognized as other financing sources and uses, respectively.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, certificates of participation, and capital leases are recognized as liabilities in the governmental fund financial statements when due.

Debt Issuance Costs and Premiums

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Debt premiums are amortized over the life of the bonds using the straight-line method.

In governmental fund financial statements, bond premiums are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charge on refunding of debt and for pension related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items.

Pensions

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

Fund Balances - Governmental Funds

As of June 30, 2017, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The District currently does not have any committed funds.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

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

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report $6,792,676 of net position restricted by enabling legislation.

Interfund Activity

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

Estimates

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

Budgetary Data

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

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

Property Tax

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

Change in Accounting Principles

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

The District has implemented the provisions of this Statement as of June 30, 2017.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures.* This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement

The District has implemented the provisions of this Statement as of June 30, 2017.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement No. 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The District has implemented the provisions of this Statement as of June 30, 2017.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - amendment of GASB Statement No. 14.* The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

The District has implemented the provisions of this Statement as of June 30, 2017.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73.* The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The District has implemented the provisions of this Statement as of June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

New Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements.* The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017.* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and “negative” goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB

- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Early implementation is encouraged.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Early implementation is encouraged.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2017, are classified in the accompanying financial statements as follows:

Governmental activities	$	48,468,737
Fiduciary funds		217,376
Total Deposits and Investments	$	48,686,113

Deposits and investments as of June 30, 2017, consist of the following:

Cash on hand and in banks	$	217,376
Cash in revolving		8,647
Investments		48,460,090
Total Deposits and Investments	$	48,686,113

Policies and Practices

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

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by primarily investing in the Los Angeles County Treasury Investment Pool. The District maintains an investment of $48,128,467 with Los Angeles County Treasury Investment Pool that has an average weighted maturity of 672 days. In addition, the District maintains an investment of $331,623 with BNY Mellon Cash Reserve Fund that has an average weighted maturity of one day.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the Los Angeles County Treasury Investment Pool is not required to be rated, nor has it been rated as of June 30, 2017. The District's investment in the BNY Mellon Cash Reserve Money Market Fund has been rated AAA by Standard & Poor's Financial Services as of June 30, 2017.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the *California Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2017, the District had a bank balance of $2,363 that was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

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

The District's fair value measurements are as follows at June 30, 2017:

Investment Type	Reported Amount	Uncategorized
Los Angeles County Treasury Investment Pool	$ 48,128,467	$ 48,128,467
BNY Mellon Cash Reserve Money Market Fund	331,623	331,623
Total	$ 48,460,090	$ 48,460,090

NOTE 4 - RECEIVABLES

Receivables at June 30, 2017, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Federal Government					
Categorical aid	$ 1,157,041	$ -	$ -	$ 199,943	$ 1,356,984
State Government					
Categorical aid	173,373	-	-	14,462	187,835
Lottery	210,572	-	-	-	210,572
Local Government					
Interest	43,445	21,722	81,632	17,689	164,488
Special education	242,544	-	-	-	242,544
Regional Occupational Program	135,726	-	-	-	135,726
Other Local Sources	200,445	-	327,953	-	528,398
Total	$ 2,163,146	$ 21,722	$ 409,585	$ 232,094	$ 2,826,547

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 1,659,094	$ -	$ -	$ 1,659,094
Construction in process	3,109,782	3,522,102	6,565,545	66,339
Total Capital Assets Not Being Depreciated	4,768,876	3,522,102	6,565,545	1,725,433
Capital Assets Being Depreciated				
Land improvements	19,365,990	1,499,271	-	20,865,261
Buildings and improvements	86,582,867	5,548,137	-	92,131,004
Furniture and equipment	2,424,235	445,319	56,342	2,813,212
Total Capital Assets Being Depreciated	108,373,092	7,492,727	56,342	115,809,477
Less Accumulated Depreciation				
Land improvements	2,890,245	499,239	-	3,389,484
Buildings and improvements	28,837,915	2,020,600	-	30,858,515
Furniture and equipment	1,644,842	250,552	56,342	1,839,052
Total Accumulated Depreciation	33,373,002	2,770,391	56,342	36,087,051
Governmental Activities Capital Assets, Net	$ 79,768,966	$ 8,244,438	$ 6,565,545	$ 81,447,859

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	$ 2,493,352
All other pupil services	110,815
Pupil transportation	83,112
Plant services	83,112
Total Depreciation Expenses Governmental Activities	$ 2,770,391

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2017, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Salaries and benefits	$ 3,991,887	$ 473	$ 38,814	$ 4,031,174
State principal apportionment	614,215	-	-	614,215
Materials and supplies	19,093	-	402	19,495
Other services	1,182,153	138,497	150,094	1,470,744
Construction	65,576	65,285	-	130,861
Other vendor payables	140,592	1,550	579	142,721
Total	$ 6,013,516	$ 205,805	$ 189,889	$ 6,409,210

NOTE 7 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due in One Year
General obligation bonds	$ 41,690,000	$ 13,240,000	$ 4,735,000	$ 50,195,000	$ 1,390,000
Premium on general obligation bonds	3,164,952	1,190,063	484,381	3,870,634	-
Certificates of participation	2,020,000	-	170,000	1,850,000	170,000
Accumulated vacation - net	244,576	10,188	-	254,764	254,764
Other postemployment benefits	4,210,998	1,029,336	395,740	4,844,594	-
	$ 51,330,526	$ 15,469,587	$ 5,785,121	$ 61,014,992	$ 1,814,764

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments for the Certificates of Participation will be made by the Special Reserve Fund for Capital Outlay Projects. The accrued vacation will be paid by the fund for which the employee worked. Payments for other postemployment benefits are usually made by the General Fund.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2016	Issued	Redeemed	Bonds Outstanding June 30, 2017
2/02/06	8/1/17	3.45%-5.25%	$ 10,000,000	$ 3,685,000	$ -	$ 3,520,000	$ 165,000
7/07/15	8/1/44	2.00%-5.00%	27,000,000	27,000,000	-	905,000	26,095,000
7/07/15	8/1/30	2.00%-5.00%	11,260,000	11,005,000	-	310,000	10,695,000
6/8/17	8/1/45	2.00%-5.00%	10,000,000	-	10,000,000	-	10,000,000
6/22/17	8/1/30	2.80%	3,240,000	-	3,240,000	-	3,240,000
				$ 41,690,000	$ 13,240,000	$ 4,735,000	$ 50,195,000

2000 General Obligation Bonds, Series D

On February 2, 2006, the District issued current and capital appreciation, 2000 General Obligation Bonds, Series D in the amount of $10,000,000 (accreting to $10,182,375). The Bonds mature August 1, 2030, with interest yields ranging from 3.45 to 5.25 percent. The bonds were issued to finance the acquisition and construction of certain real property and improvements for the District.

In July 2015, the District issued $11,260,000 of 2015 General Obligation Refunding Bonds to advance refund a portion of the outstanding 2000 General Obligation Bonds, Series D.

In June 2017, the District issued $3,240,000 of 2016 General Obligation Refunding Bonds to advance refund a portion of the outstanding 2000 General Obligation Bonds, Series D.

At June 30, 2017, the principal balance outstanding on the 2000 General Obligation Bonds, Series D was $165,000, with the final maturity to occur August 1, 2017.

2012 General Obligation Bonds, Series A

On July 7, 2015, the District issued $27,000,000 of 2012 General Obligation Bonds, Series A in serial and term bonds. The bonds have a final maturity to occur on August 1, 2044, with interest rates ranging from 2.00 to 5.00 percent. The bonds were issued to pay the District's 2012 General Obligation Bond Anticipation Notes, and finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities. At June 30, 2017, the principal balance outstanding on the 2012 General Obligation Bonds, Series A was $26,095,000 and unamortized premium received on issuance of the bonds amounted to $1,340,966.

2015 General Obligation Refunding Bonds

On July 7, 2015, the District issued $11,260,000 of 2015 General Obligation Refunding Bonds. The bonds have a final maturity to occur on August 1, 2030, with interest rates ranging from 2.00 to 5.00 percent. The refunding bonds were issued to currently refund a portion of the District's outstanding General Obligation Bonds 2000 Election, 2005 Series C, and advance refund a portion of the District's outstanding General Obligation Bonds 2000 Election, 2006 Series D. At June 30, 2017, the principal balance outstanding on the 2015 General Obligation Refunding Bonds was $10,695,000 and unamortized premium received on issuance of the bonds amounted to $1,343,147.

2012 General Obligation Bonds, Series B

On June 8, 2017, the District issued $10,000,000 of 2012 General Obligation Bonds, Series B in current interest bonds. The bonds have a final maturity to occur on August 1, 2045, with interest rates ranging from 2.00 to 5.00 percent. The bonds were issued to finance the acquisition, construction, modernization and equipping of District sites and facilities. At June 30, 2017, the principal balance outstanding on the 2012 General Obligation Bonds, Series B was $10,000,000 and unamortized premium received on issuance of the bonds amounted to $1,186,521.

2017 General Obligation Refunding Bonds

On June 22, 2017, the District issued $3,240,000 of 2017 General Obligation Refunding Bonds. The bonds have a final maturity to occur on August 1, 2030, with an interest rate 2.80 percent. The refunding bonds were issued to currently refund a portion of the District's outstanding General Obligation Bonds 2000 Election Series D. At June 30, 2017, the principal balance outstanding on the 2017 General Obligation Refunding Bonds was $3,240,000.

The refunding resulted in a cumulative cash flow savings of $468,403 over the life of the new debt and an economic gain of $364,767 based on the difference between the present value of the existing debt service requirements and the new debt service requirements discounted at 2.99 percent.

Debt Service Requirements to Maturity - All Series

The bonds mature through 2046 as follows:

Fiscal Year	Principal	Interest	Total
2018	$ 1,390,000	$ 1,991,475	$ 3,381,475
2019	1,650,000	2,191,911	3,841,911
2020	1,750,000	2,113,696	3,863,696
2021	1,670,000	2,054,221	3,724,221
2022	935,000	2,001,901	2,936,901
2023-2027	5,670,000	9,320,341	14,990,341
2028-2032	7,690,000	7,641,841	15,331,841
2033-2037	6,745,000	6,073,513	12,818,513
2038-2042	11,185,000	3,969,559	15,154,559
2043-2046	11,510,000	992,288	12,502,288
Total	$ 50,195,000	$ 38,350,746	$ 88,545,746

Certificates of Participation

On April 29, 2010, the District, in conjunction with the Los Angeles County Schools Regionalized Business Services Corporation, issued Certificates of Participation, 2010 Series A, in the aggregate amount of $2,975,000 and issuance costs of $139,585. The certificates have a final maturity to occur on May 1, 2027, with an interest yield of 7.269 percent. The certificates were issued as "qualified school construction bonds" under the provisions of the American Recovery and Reinvestment Act of 2009 and the Hiring Incentives to Restore Employment Act of 2010. The District elected to receive a 5.66 percent direct cash subsidy payment from the United States Department of Treasury relating to the interest payable. The certificates were issued to provide funds for the acquisition, improvement, and equipping of certain capital facilities. At June 30, 2017, the principal balance outstanding was $1,850,000.

The certificates mature through 2027, as follows:

Year Ending June 30,	Principal	Interest	Total
2018	$ 170,000	$ 134,477	$ 304,477
2019	175,000	122,119	297,119
2020	180,000	109,398	289,398
2021	180,000	96,314	276,314
2022	185,000	83,230	268,230
2023-2027	960,000	211,891	1,171,891
Total	$ 1,850,000	$ 757,429	$ 2,607,429

Accumulated Unpaid Employee Vacation

The accumulated unpaid employee vacation for the District at June 30, 2017, amounted to $254,764.

Other Postemployment Benefits (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2017, was $1,017,815, and contributions made by the District during the year were $395,740. Interest on the net OPEB obligation and adjustments to the annual required contribution were $210,550 and $(199,029), respectively, which resulted in an increase to the net OPEB obligation of $633,596. As of June 30, 2017, the net OPEB obligation was $4,844,594. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 8 - FUND BALANCES

Fund balances composed of the following elements:

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	$ 7,500	$ -	$ -	$ 1,147	$ 8,647
Stores inventories	54,545	-	-	15,955	70,500
Total Nonspendable	62,045	-	-	17,102	79,147
Restricted					
Legally restricted programs	669,021	-	-	2,543,625	3,212,646
Capital projects	-	13,131,102	-	838,760	13,969,862
Debt services	-	-	-	3,489,003	3,489,003
Total Restricted	669,021	13,131,102	-	6,871,388	20,671,511
Assigned					
Adult education program	-	-	-	134,624	134,624
Deferred maintenance program	30,283	-	-	-	30,283
Child care program	2,457	-	-	-	2,457
Capital projects	-	-	17,188,730	-	17,188,730
Gap funding	1,777,109	-	-	57,899	1,835,008
Total Assigned	1,809,849	-	17,188,730	192,523	19,191,102
Unassigned					
Reserve for economic uncertainties	1,574,234	-	-	-	1,574,234
Remaining unassigned	3,435,471	-	-	-	3,435,471
Total Unassigned	5,009,705	-	-	-	5,009,705
Total	$ 7,550,620	$ 13,131,102	$ 17,188,730	$ 7,081,013	$ 44,951,465

NOTE 9 - EXPENDITURES (BUDGET VERSUS ACTUAL)

At June 30, 2017 the following District major fund exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
Fund	Budget	Actual	Excess
General Fund	$ 54,546,006	$ 55,906,945	$ 1,360,939

NOTE 10 - LEASE REVENUES

The District has property held for lease with an estimated cost of $1,088,614 and accumulated depreciation of $772,087. Lease agreements have been entered into with various lessees for terms that exceed one year. None of the agreements contain purchase options. All of the agreements contain a termination clause providing for the cancellation after a specified number of days written notice to lessors, but is unlikely that the District will cancel any of the agreements prior to their expiration date. The future minimum lease payments expected to be received under these agreements are as follows:

Year Ending June 30,	Lease Revenue
2018	$ 616,411
2019	588,154
2020	384,551
2021	366,042
2022	366,042
2023-2027	732,084
Total	$ 3,053,284

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefits Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Charter Oak Unified School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 29 retirees and beneficiaries currently receiving benefits, and 290 active Plan members.

Contribution Information

The contribution requirements of Plan members and the District are established and may be amended by the District and the California Teachers Association (CTA), the local California Service Employees Association (CSEA), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2016-2017, the District contributed $395,740 to the Plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (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 normal cost 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 actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	$ 1,017,815
Interest on net OPEB obligation	210,550
Adjustment to annual required contribution	(199,029)
Annual OPEB cost (expense)	1,029,336
Contributions made	395,740
Increase in net OPEB obligation	633,596
Net OPEB obligation, beginning of year	4,210,998
Net OPEB obligation, end of year	$ 4,844,594

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation was as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2015	$ 1,063,947	$ 393,580	37%	$ 3,581,750
2016	1,027,614	398,366	39%	4,210,998
2017	1,029,336	395,740	38%	4,844,594

Funded Status and Funding Progress

A schedule of funding progress as of the most recent actuarial valuation is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2015	$ -	$ 9,094,541	$ 9,094,541	$ -	$ 30,449,862	30%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions 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 multiyear 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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015, actuarial valuation, the unprojected unit credit method was used. The actuarial assumptions included a five percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a long-term fixed income portfolio. Healthcare cost trend rates ranged from an initial ten percent to an ultimate rate of five percent. The cost trend rate used for the Dental and Vision programs was five percent. The UAAL is being amortized at a level dollar method. The remaining amortization period at June 30, 2017, was 22 years. The actuarial value of assets was not determined in this actuarial valuation.

NOTE 12 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2017, the District contracted with Valley Insurance Programs for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2017, the District participated in the Alliance of Schools for Cooperative Insurance Programs (ASCIP), an insurance purchasing pool. The intent of ASCIP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in ASCIP. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in ASCIP. Each participant pays its workers' compensation premium based on its individual rate. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of ASCIP. Participation in ASCIP is limited to districts that can meet the selection criteria.

Employee Medical Benefits

The District has contracted with the MEBA Benefits Plan to provide employee health benefits. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2017, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 35,085,327	$ 6,710,438	$ 3,128,550	$ 3,214,532
CalPERS	12,995,098	3,832,470	888,441	1,556,731
Total	$ 48,080,425	$ 10,542,908	$ 4,016,991	$ 4,771,263

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2017, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	12.58%	12.58%
Required State contribution rate	8.828%	8.828%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the District's total contributions were $2,763,883.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total Net Pension Liability, Including State Share:

District's proportionate share of net pension liability	$ 35,085,327
State's proportionate share of the net pension liability associated with the District	19,973,451
Total	$ 55,058,778

The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively, was 0.0434 percent and 0.0470 percent, resulting in a net decrease in the proportionate share of 0.0036 percent.

For the year ended June 30, 2017, the District recognized pension expense of $3,214,532. In addition, the District recognized pension expense and revenue of $1,898,316 for support provided by the State. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 2,763,883	$ -
Net change in proportionate share of net pension liability	1,157,289	2,272,683
Difference between projected and actual earnings on pension plan investments	2,789,266	-
Differences between expected and actual experience in the measurement of the total pension liability	-	855,867
Total	$ 6,710,438	$ 3,128,550

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ 60,852
2019	60,853
2020	1,621,410
2021	1,046,151
Total	$ 2,789,266

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ (303,523)
2019	(303,523)
2020	(303,523)
2021	(303,523)
2022	(303,522)
Thereafter	(453,647)
Total	$ (1,971,261)

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation is based on Teachers' Retirement Board of the California State Teachers' Retirement System policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of ten-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute Return/Risk Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.60%)	$ 50,495,699
Current discount rate (7.60%)	35,085,327
1% increase (8.60%)	22,286,368

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2017, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.00%
Required employer contribution rate	13.888%	13.888%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2017, are presented above and the total District contributions were $1,136,278.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $12,995,098. The net pension liability was measured as of June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2016 and June 30, 2015, respectively, was 0.0658 percent and 0.0702 percent, resulting in a net decrease in the proportionate share of 0.0044 percent.

For the year ended June 30, 2017, the District recognized pension expense of $1,556,731. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 1,136,278	$ -
Net change in proportionate share of net pension liability	120,856	498,015
Difference between projected and actual earnings on pension plan investments	2,016,422	-
Differences between expected and actual experience in the measurement of the total pension liability	558,914	-
Changes of assumptions	-	390,425
Total	$ 3,832,470	$ 888,440

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ 282,829
2019	282,830
2020	924,494
2021	526,269
Total	$ 2,016,422

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2018	$ (54,970)
2019	(59,896)
2020	(93,805)
Total	$ (208,671)

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount rate	Net Pension Liability
1% decrease (6.65%)	$ 19,388,758
Current discount rate (7.65%)	12,995,098
1% increase (8.65%)	7,671,117

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $1,898,316 (8.828 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves, but have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2017.

Litigation

The District is involved in various litigations arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2017.

Construction Commitments

As of June 30, 2017, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Charter Oak High School - Shade Structure	$ 103,077	09/30/17
Charter Oak High School - Modernization	1,661,249	10/01/17
Willow Elementary School - Learning Resource	125,199	06/30/18
	$ 1,889,525	

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

The District is a member of the Alliance of Schools for Cooperative Insurance Programs (ASCIP) and the Valley Insurance Programs (VIP) public entity risk pools, and the East San Gabriel Valley Regional Occupation Program (ESGVROP) joint powers authority. The District pays an annual premium to ASCIP and VIP for its workers' compensation and property liability coverage. In addition, the District makes payments to ESGVROP for its share of program costs. The relationships between the District, the pools, and the JPA are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are available from the respective entities.

During the year ended June 30, 2017, the District made payments of $333,457 and $807,630 to ASCIP and VIP, respectively, for its property liability and workers' compensation coverage. Payments of $520,986 were made to ESGVROP for the District's share of program costs.

NOTE 16 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District has elected to classify the Child Care Fund a governmental fund in the current year as prescribed by GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. As a result, the effect on the current fiscal year is as follows:

Statement of Net Position		
Net Position - Beginning	$	22,948,587
Reclassification of the Child Care Fund from Business-Type Activitiy Fund to Governmental Activity		1,186
Net Position - Beginning, as Restated	$	22,949,773

REQUIRED SUPPLEMENTARY INFORMATION

CHARTER OAK UNIFIED SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES				
Local control funding formula	$ 42,517,580	$ 42,534,669	$ 42,612,082	$ 77,413
Federal sources	2,175,929	2,502,474	2,445,995	(56,479)
Other State sources	1,648,315	3,236,339	5,106,401	1,870,062
Other local sources	4,414,908	4,544,103	6,113,002	1,568,899
Total Revenues [1]	50,756,732	52,817,585	56,277,480	3,459,895
EXPENDITURES				
Current				
Certificated salaries	21,661,483	22,628,149	22,584,948	43,201
Classified salaries	7,997,289	7,985,901	9,362,150	(1,376,249)
Employee benefits	10,649,300	11,329,744	13,558,545	(2,228,801)
Books and supplies	2,273,260	2,550,743	1,696,875	853,868
Services and operating expenditures	5,523,138	6,061,547	5,203,241	858,306
Other outgo	3,170,850	1,042,907	2,435,000	(1,392,093)
Capital outlay	-	2,778,436	1,066,186	1,712,250
Total Expenditures [1]	51,275,320	54,377,427	55,906,945	(1,529,518)
Excess (Deficiency) of Revenues Over Expenditures	(518,588)	(1,559,842)	370,535	1,930,377
Other Financing Uses				
Transfers out	(186,063)	(168,579)	-	168,579
NET CHANGE IN FUND BALANCES	(704,651)	(1,728,421)	370,535	2,098,956
Fund Balances - Beginning, as restated	7,180,085	7,180,085	7,180,085	-
Fund Balances - Ending	$ 6,475,434	$ 5,451,664	$ 7,550,620	$ 2,098,956

[1] On behalf payments of $1,898,316 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts. In addition, due to the consolidation of Fund 14, Deferred Maintenance Fund and Fund 63, Child Care Fund for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the actual (GAAP) revenues and expenditures, however are not included in the original and final General Fund budgets.

See accompanying note to required supplementary information.

CHARTER OAK UNIFIED SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS FOR THE YEAR ENDED JUNE 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2011	$ -	$ 8,183,962	$ 8,183,962	$ -	$ 27,339,750	30%
July 1, 2013	-	9,440,613	9,440,613	-	29,191,451	32%
July 1, 2015	-	9,094,541	9,094,541	-	30,449,862	30%

See accompanying note to required supplementary information.

CHARTER OAK UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016	2015
CalSTRS			
District's proportion of the net pension liability	0.0434%	0.0470%	0.0447%
District's proportionate share of the net pension liability	$ 35,085,327	$ 31,618,557	$ 26,144,906
State's proportionate share of the net pension liability associated with the District	19,973,451	16,722,837	15,787,423
Total	$ 55,058,778	$ 48,341,394	$ 41,932,329
District's covered - employee payroll	$ 21,276,971	$ 21,253,446	$ 20,363,242
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	165%	149%	128%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%	77%
CalPERS			
District's proportion of the net pension liability	0.0658%	0.0702%	0.0685%
District's proportionate share of the net pension liability	$ 12,995,098	$ 10,343,550	$ 7,781,697
District's covered - employee payroll	$ 7,825,002	$ 7,671,141	$ 7,232,818
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	166%	135%	108%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%	83%

Note: In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

CHARTER OAK UNIFIED SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016	2015
CalSTRS			
Contractually required contribution	$ 2,763,883	$ 2,283,019	$ 1,887,306
Contributions in relation to the contractually required contribution	(2,763,883)	(2,283,019)	(1,887,306)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered - employee payroll	$ 21,970,453	$ 21,276,971	$ 21,253,446
Contributions as a percentage of covered - employee payroll	12.58%	10.73%	8.88%
CalPERS			
Contractually required contribution	$ 1,136,278	$ 927,028	$ 902,970
Contributions in relation to the contractually required contribution	(1,136,278)	(927,028)	(902,970)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered - employee payroll	$ 8,181,725	$ 7,825,002	$ 7,671,141
Contributions as a percentage of covered - employee payroll	13.888%	11.847%	11.771%

Note: In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

CHARTER OAK UNIFIED SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Changes in Assumptions – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

SUPPLEMENTARY INFORMATION

CHARTER OAK UNIFIED SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Carl D. Perkins Vocational and Technical Education Act of 1998:			
Secondary Education	84.048	14894	$ 36,548
Title I, Part A - Low Income and Neglected	84.010	14329	871,716
Title I, Part G - Advanced Placement (AP) Test Fee Reimbursement Program	84.330	14831	18,668
Title II, Part A - Improving Teacher Quality	84.367	14341	176,836
English Language Acquisition Program Grant Cluster:			
Title III, Immigrant Education	84.365	15146	149
Title III, Limited English Proficiency	84.365	14346	26,060
Subtotal English Language Acquisition Program Grant Cluster			26,209
Title X, McKinney-Vento Homeless Assistance Grants	84.196	14332	2,100
Passed through East San Gabriel Valley Special Education Local Plan Area (SELPA):			
Individuals with Disabilities Education Act (IDEA) Cluster:			
Local Assistance Entitlement	84.027	13379	922,946
Mental Health Allocation Plan	84.027	14468	28,754
Preschool Local Entitlement	84.027A	13682	85,838
Federal Preschool	84.173	13430	27,412
Preschool Staff Development	84.173A	13431	278
Subtotal Individuals with Disabilities Education Act (IDEA) Cluster			1,065,228
Total U.S. Department of Education			2,197,305
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Medi-Cal Assistance Program:			
Passed through California Department of Health Services			
Medi-Cal Billing Option	93.778	10013	142,729
Passed through Los Angeles County Office of Education			
Medi-Cal Administrative Activities	93.778	10060	105,961
Subtotal Medi-Cal Assistance Program			248,690
Total U.S. Department of Health and Human Services			248,690
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
Especially Needy Breakfast Program	10.553	13526	469,467
National School Lunch Program	10.555	13396	1,032,874
Commodities	10.555	13396	134,819
Subtotal Child Nutrition Cluster			1,637,160
Total U.S. Department of Agriculture			1,637,160
Total Expenditures of Federal Awards			$ 4,083,155

See accompanying note to supplementary information.

CHARTER OAK UNIFIED SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2017

ORGANIZATION

The Charter Oak Unified School District was established July 1, 1960 and consists of an area comprising approximately 5.89 square miles. The District operates five elementary schools, one middle school, one high school, one continuation school, one alternative school, and one community day school. There were no boundary changes during the year.

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Joseph M. Probst	President	2020
Jane Bock	Vice President	2018
Don H. Davis	Member	2018
Jeanette V. Flores	Member	2020
Brian R. Akers	Member	2020

ADMINISTRATION

Mike Hendricks, Ed.D.	Superintendent
Kathy Perkins	Chief Business Officer
Kathie Wiard	Assistant Superintendent, Human Resources

See accompanying note to supplementary information.

CHARTER OAK UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2017

	Amended Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	1,310.23	1,313.38
Fourth through sixth	1,090.27	1,090.12
Seventh and eighth	703.64	702.85
Ninth through twelfth	1,614.75	1,610.33
Total Regular ADA	4,718.89	4,716.68
Extended Year Special Education		
Transitional kindergarten through third	2.04	2.04
Fourth through sixth	2.91	2.91
Seventh and eighth	1.84	1.84
Ninth through twelfth	3.27	3.27
Total Extended Year Special Education	10.06	10.06
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	1.04	1.24
Fourth through sixth	2.77	2.86
Seventh and eighth	2.19	2.34
Ninth through twelfth	8.69	8.91
Total Special Education, Nonpublic, Nonsectarian Schools	14.69	15.35
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	-	0.11
Fourth through sixth	0.10	0.27
Seventh and eighth	0.06	0.26
Ninth through twelfth	0.35	0.61
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	0.51	1.25
Community Day School		
Seventh and eighth	1.64	1.64
Ninth through twelfth	4.84	4.82
Total Community Day School	6.48	6.46
Total ADA	4,750.63	4,749.80

See accompanying note to supplementary information.

CHARTER OAK UNIFIED SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2017

Grade Level	1986-87 Minutes Requirement	2016-17 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	49,600	180	-	Complied
Grades 1 - 3	50,400				
Grade 1		51,985	180	-	Complied
Grade 2		51,985	180	-	Complied
Grade 3		51,985	180	-	Complied
Grades 4 - 6	54,000				
Grade 4		54,535	180	-	Complied
Grade 5		54,535	180	-	Complied
Grade 6		54,535	180	-	Complied
Grades 7 - 8	54,000				
Grade 7		60,970	180	-	Complied
Grade 8		60,970	180	-	Complied
Grades 9 - 12	64,800				
Grade 9		70,208	180	-	Complied
Grade 10		70,208	180	-	Complied
Grade 11		70,208	180	-	Complied
Grade 12		70,208	180	-	Complied

See accompanying note to supplementary information.

CHARTER OAK UNIFIED SCHOOL DISTRICT

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2017.

See accompanying note to supplementary information.

CHARTER OAK UNIFIED SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

	(Budget) 2018 [1]	2017	2016	2015
GENERAL FUND [4]				
Revenues	$ 50,704,308	$ 55,043,513	$ 55,446,285	$ 50,149,943
Other sources and transfers in	-	-	319	-
Total Revenues and Other Sources	50,704,308	55,043,513	55,446,604	50,149,943
Expenditures	52,156,118	54,372,770	50,884,848	50,879,290
Other uses and transfers out	258,365	331,762	169,749	43,997
Total Expenditures and Other Uses	52,414,483	54,704,532	51,054,597	50,923,287
INCREASE (DECREASE) IN FUND BALANCE	$ (1,710,175)	$ 338,981	$ 4,392,007	$ (773,344)
ENDING FUND BALANCE	$ 5,807,705	$ 7,517,880	$ 7,178,899	$ 2,786,892
AVAILABLE RESERVES [2]	$ 5,138,685	$ 5,009,705	$ 4,428,779	$ 1,651,891
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO [3]	9.80%	9.16%	8.67%	3.24%
LONG-TERM OBLIGATIONS	N/A	$ 61,014,992	$ 51,330,526	$ 40,725,702
K-12 AVERAGE DAILY ATTENDANCE AT P-2 [4]	4,648	4,751	4,798	5,007

The General Fund balance has increased by $4,730,988 over the past two years. The fiscal year 2017-2018 budget projects a decrease of $1,710,175 (22.7 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years but anticipates incurring an operating deficit during the 2017-2018 fiscal year. Total long-term obligations have increased by $20,289,290 over the past two years.

Average daily attendance has decreased by 256 over the past two years. An additional decline of 103 ADA is anticipated during fiscal year 2017-2018.

[1] Budget 2018 is included for analytical purposes only and has not been subjected to audit.

[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund

[3] On behalf payments of $1,221,175 have been excluded from the calculation of available reserves for the fiscal year ending June 30, 2015.

[4] General Fund amounts do not include activity related to the consolidation of the Deferred Maintenance Fund, and the Child Care Fund as required by GASB Statement No. 54 and GASB Statement No. 34, respectively.

See accompanying note to supplementary information.

CHARTER OAK UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017

	Adult Education Fund	Cafeteria Fund	Capital Facilities Fund
ASSETS			
Deposits and investments	$ 2,200,364	$ 498,300	$ 835,186
Receivables	10,652	217,868	3,574
Stores inventories	-	15,955	-
Total Assets	$ 2,211,016	$ 732,123	$ 838,760
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 156,457	$ 33,432	$ -
Fund Balances:			
Nonspendable	-	17,102	-
Restricted	1,919,935	623,690	838,760
Assigned	134,624	57,899	-
Total Fund Balances	2,054,559	698,691	838,760
Total Liabilities and Fund Balances	$ 2,211,016	$ 732,123	$ 838,760

See accompanying note to supplementary information.

Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
$ 3,489,003	$ 7,022,853
-	232,094
-	15,955
$ 3,489,003	$ 7,270,902
$ -	$ 189,889
-	17,102
3,489,003	6,871,388
-	192,523
3,489,003	7,081,013
$ 3,489,003	$ 7,270,902

CHARTER OAK UNIFIED SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	Adult Education Fund	Cafeteria Fund	Capital Facilities Fund
REVENUES			
Federal sources	$ -	$ 1,637,160	$ -
Other State sources	1,682,798	106,154	-
Other local sources	81,193	329,604	252,087
Total Revenues	1,763,991	2,072,918	252,087
EXPENDITURES			
Current			
Instruction	594,189	-	-
Instruction-related activities:			
Instructional library, media, and technology	887	-	-
School site administration	73,940	-	-
Pupil services:			
Food services	-	1,938,202	-
Administration:			
All other administration	50,298	85,618	-
Plant services	16,457	-	-
Facility acquisition and construction	307,518	-	2,400
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	1,043,289	2,023,820	2,400
Excess (Deficiency) of Revenues Over Expenditures	720,702	49,098	249,687
Other Financing Sources			
Other sources - proceeds from the issuance of bonds	-	-	-
NET CHANGE IN FUND BALANCES	720,702	49,098	249,687
Fund Balances - Beginning	1,333,857	649,593	589,073
Fund Balances - Ending	$ 2,054,559	$ 698,691	$ 838,760

See accompanying note to supplementary information.

Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
$ -	$ 1,637,160
36,938	1,825,890
2,917,115	3,579,999
2,954,053	7,043,049
-	594,189
-	887
-	73,940
-	1,938,202
-	135,916
-	16,457
-	309,918
1,640,000	1,640,000
1,895,882	1,895,882
3,535,882	6,605,391
(581,829)	437,658
1,134,014	1,134,014
552,185	1,571,672
2,936,818	5,509,341
$ 3,489,003	$ 7,081,013

CHARTER OAK UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2017

NOTE *1 - PURPOSE OF SCHEDULES*

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at 1986-87 requirements, as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report With Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

CHARTER OAK UNIFIED SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2017

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balances Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

INDEPENDENT AUDITOR'S REPORTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Governing Board
Charter Oak Unified School District
Covina, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Charter Oak Unified School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Charter Oak Unified School District's basic financial statements, and have issued our report thereon dated December 5, 2017.

Emphasis of Matter – Change in Accounting Principles

As discussed in Note 16 to the financial statements, the District restated its beginning balance for the government-wide Statement of Net Position due to the enterprise fund no longer meeting the criteria of GASB Statement No. 34 to be classified as business-type activity. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Charter Oak 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 Charter Oak Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Charter Oak Unified School District's internal control.

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

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

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significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Charter Oak 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 Charter Oak Unified School District in a separate letter dated December 5, 2017.

Purpose of This Report

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 5, 2017

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

Governing Board
Charter Oak Unified School District
Covina, California

Report on Compliance for Each Major Federal Program

We have audited Charter Oak Unified School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Charter Oak Unified School District's major Federal programs for the year ended June 30, 2017. Charter Oak Unified School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

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

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

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Opinion on Each Major Federal Program

In our opinion, Charter Oak Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Charter Oak 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 Charter Oak Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Charter Oak 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

VAVRINEK, TRINE, DAY & CO. LLP

Rancho Cucamonga, California
December 5, 2017

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Charter Oak Unified School District
Covina, California

Report on State Compliance

We have audited Charter Oak Unified School District's (the District) compliance with the types of compliance requirements as identified in the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Charter Oak Unified School District's State government programs as noted below for the year ended June 30, 2017.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Charter Oak Unified School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Charter Oak 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 opinions. Our audit does not provide a legal determination of Charter Oak Unified School District's compliance with those requirements.

Unmodified Opinion

In our opinion, Charter Oak Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2017.

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

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Mental Health Expenditures	Yes
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	No, see below
After School	No, see below
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
Immunizations	Yes, see below

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

The District does not offer a Work Experience Program; therefore, we did not perform procedures related to the Work Experience Program within the Continuation Education Attendance Program.

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not have an Early or Middle College High School; therefore, we did not perform any procedures related to the Early or Middle College High School Program.

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

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

The District did not have any schools listed on the immunization assessment reports; therefore, we did not perform any related procedures.

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

VAVRINEK, TRINE, DAY & CO. LLP

Rancho Cucamonga, California
December 5, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CHARTER OAK UNIFIED SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2017

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified?	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	No
Significant deficiency identified?	None Reported
Type of auditor's report issued on compliance for major Federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	No

Identification of major Federal programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I, Part A - Low Income and Neglected
10.553, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	Unmodified

CHARTER OAK UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

None reported.

CHARTER OAK UNIFIED SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

None reported.

CHARTER OAK UNIFIED SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

None reported.

CHARTER OAK UNIFIED SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

There were no audit findings reported in the prior year's schedule of financial statement findings.

Governing Board
Charter Oak Unified School District
Covina, California

In planning and performing our audit of the financial statements of Charter Oak Unified School District, (the District) for the year ended June 30, 2017, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are opportunities for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 5, 2017 on the government-wide financial statements of the District.

ASSOCIATED STUDENT BODY (ASB)

Charter Oak High School

Observations

1. Cash collections were not always supported by sub-receipts or tally sheets on a consistent basis. As a result, we were unable to verify the accuracy of the deposits.
2. Cash collections were not counted in the presence of dual control during fundraising events, ticketed events, and student store sales. The person counting the cash should have at least one person beside them to ensure proper internal controls are in place.
3. Eight of 25 disbursements selected for testing were not approved prior to the transactions taking place. This could potentially lead to spending in excess of available funds. Additionally, expenditures of a questionable nature could arise if disbursements are not pre-approved.
4. One of 25 vendor invoices were paid without the direct knowledge of whether or not the goods being ordered had been received by the ASB (i.e. receiving document or receiving initial). Receiving documentation ensures that the club/ASB received all of the items ordered prior to payment.
5. All four revenue potential forms selected for testing were incomplete. The actual results column was left blank. Therefore, we were unable to trace the receipts and disbursements from the source documents to the activity report.
6. A master ticket log was not properly maintained. We noted 14 tickets were missing when tracing from the log to the ticket rolls.

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Recommendations

1. The ASB should establish a procedure to issue receipts whenever it receives money or checks for any events or sales. Pre-numbered triplicate receipts or logs should be utilized when collecting money for all ASB events and transactions.
2. The ASB should establish new procedures related to the cash count for deposits. Two individuals should be present when teachers/clubs deposit the money with the bookkeeper. The bookkeeper and the depositing party should both sign and date the cash deposit form.
3. In order to ensure proper internal controls over the ASB disbursements, the site should ensure that all disbursement transactions are pre-approved by three individuals (ASB advisor, student body representative, and an administrator). This would allow for the reviewing administrator and/or the student council to determine if the proposed activities are appropriate and to determine if sufficient funding is available to finance the activities or the purchases.
4. All expenditures for goods purchased should include verification as to whether the items purchased have been received prior to making payment. This can be noted with a stamp, signature, and/or packing slip, etc. This reduces the risk of items being paid for, but not received.
5. Revenue potentials should be prepared to assist the ASB in identifying whether or not a fundraiser is successful. By completing the expected results section of the revenue potential, the ASB will know how much profit should be made from the fundraiser. Once the fundraiser is complete, the actual results should be summarized and compared to the expected results to determine if the fundraiser generated the profit expected. Discrepancies should be investigated and explained and a determination should be made as to whether or not it is beneficial to conduct the fundraiser in the future.
6. A master ticket log should be accurately maintained, which notes the type of ticket, color, and beginning and ending ticket number in the roll. When ticket rolls are issued, they should be logged out noting the beginning ticket number in the roll and to whom the roll was issued. When the ticket sales recap form is returned, the ending ticket number should be recorded in the master ticket log, and the form should be reconciled to the log. The site should also investigate further when a variance is noted.

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

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 5, 2017

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APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS

The Charter Oak Unified School District will execute a Continuing Disclosure Certificate in substantially the following form in connection with the issuance of $10,000,000 Charter Oak Unified School District (Los Angeles County, California) Election of 2012 General Obligation Bonds, Series C.

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Charter Oak Unified School District (the "District") in connection with the issuance of $10,000,000 of the District's Election of 2012 General Obligation Bonds, Series C (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the District on October 18, 2018 (the "Resolution"). The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

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

"Dissemination Agent" shall mean initially Keygent LLC, or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

"Holder" shall mean the registered owner of the Bonds.

"Listed Events" shall mean any of the events listed in Section 5(a) or Section 5(b) of this Disclosure Certificate.

"Official Statement" shall mean the Official Statement, dated as of November 20, 2018, relating to the offer and sale of the Bonds.

"Participating Underwriter" shall mean RBC Capital Markets, LLC, or any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean, the Municipal Securities Rulemaking Board, which can be found at http://emma.msrb.org/, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (presently ending June 30), commencing with the report for the 2017-18 Fiscal Year, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) Not later than thirty (30) days (nor more than sixty (60) days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repository to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a notice to the Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided to the Repository.

SECTION 4. Content and Form of Annual Reports. (a) The District's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Material financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District's audited financial statements):

(a) state funding received by the District for the last completed fiscal year;

(b) average daily attendance of the District for the last completed fiscal year;

(c) outstanding District indebtedness;

(d) summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year;

(e) assessed valuation of taxable property within the District for the current fiscal year;

(f) secured *ad valorem* tax charges and delinquencies for the last completed fiscal year; and

(g) 10 largest local secured taxpayers in the District for the last completed fiscal year.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

(b) The Annual Report shall be filed in an electronic format, and accompanied by identifying information, as prescribed by the Municipal Securities Rulemaking Board.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5(a), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not in excess of 10 business days after the occurrence of the event:

1. principal and interest payment delinquencies.

2. tender offers.

3. defeasances.

4. rating changes.

5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).

6. unscheduled draws on the debt service reserves reflecting financial difficulties.

7. unscheduled draws on credit enhancement reflecting financial difficulties.

8. substitution of the credit or liquidity providers or their failure to perform.

9. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the District. For the purposes of the event identified in this Section 5(a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction

has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(b) Pursuant to the provisions of this Section 5(b), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. non-payment related defaults.

2. modifications to rights of Bondholders.

3. optional, contingent or unscheduled Bond calls.

4. unless described under Section 5(a)(5) above, material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

5. release, substitution or sale of property securing repayment of the Bonds.

6. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

7. appointment of a successor or additional trustee or paying agent with respect to the Bonds or the change of name of such a trustee or paying agent.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a) or Section 5(b), as applicable.

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor

Dissemination Agent. The Dissemination Agent may resign upon fifteen (15) days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(b), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: December 11, 2018

CHARTER OAK UNIFIED SCHOOL DISTRICT

By: _____
Superintendent

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: CHARTER OAK UNIFIED SCHOOL DISTRICT

Name of Bond Issue: Election of 2012 General Obligation Bonds, Series C

Date of Issuance: December 11, 2018

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate relating to the Bonds. The District anticipates that the Annual Report will be filed by _____.

Dated:_____

CHARTER OAK UNIFIED SCHOOL DISTRICT

By ____[form only; no signature required]_____

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APPENDIX D

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF COVINA AND LOS ANGELES COUNTY

The following information regarding economic activity within the city of Covina (the "City") and Los Angeles County (the "County"), in which the District is located is provided as background information only, to describe the general economic health of the region. The Bonds are not a debt or obligation of the City or the County.

General

The City is a small city in the County, approximately 22 miles east of downtown Los Angeles. Incorporated in 1901, the City is run by an elected City Council and hired City Manager. Originally famous for high-quality orange groves, the City today is largely a residential area.

The County was incorporated on February 18, 1850 and is one of the original counties in the State of California (the "State"). With 4,061 square miles, the County borders 70 miles of coast on the Pacific Ocean. The County is home to 88 incorporated cities and many unincorporated areas. In between the large desert portions of the County — which make up around 40% of its land area — and the heavily urbanized central and southern portions sits the San Gabriel Mountains containing Angeles National Forest. Significant portions of the County are heavily urbanized.

Population

The following table shows the population estimates of the City, County and State for the past 10 years.

POPULATION ESTIMATES
2009 through 2018
City of Covina, Los Angeles County and State of California

Year[(1)]	City of Covina	Los Angeles County	State of California
2009	47,726	9,801,096	36,966,713
2010[(2)]	47,796	9,818,605	37,253,956
2011	48,017	9,874,887	37,536,835
2012	48,408	9,956,722	37,881,357
2013	48,698	10,021,318	38,238,492
2014	48,886	10,089,847	38,572,211
2015	49,041	10,150,617	38,915,880
2016	49,000	10,182,961	39,189,035
2017	48,901	10,231,271	39,500,973
2018	49,006	10,283,729	39,809,693

(1) January 1 data.
(2) 2010 U.S. Census data, as of April 1.
Source: California Department of Finance.

Personal Income

The following table shows of per capita personal income for the County, State and United States from 2007 through 2016.

PER CAPITA PERSONAL INCOME[(1)]
2007 through 2016
Los Angeles County, State of California, and United States

Year	Los Angeles County	State of California	United States
2007	$42,499	$43,692	$39,821
2008	43,715	44,162	41,082
2009	42,043	42,224	39,376
2010	43,236	43,317	40,277
2011	46,007	45,849	42,461
2012	48,900	48,369	44,282
2013	48,283	48,570	44,493
2014	51,111	51,344	46,494
2015	54,298	54,718	48,451
2016	55,624	56,374	49,246

Note: Per capital personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. Last updated: November 16, 2017 – new estimates for 2016; revised estimates for 2010-2015. All dollar estimates are in current dollars (not adjusted for inflation).
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Commercial Activity

The following tables show summaries of annual taxable sale date for the City and County for the five most recently available years.

TAXABLE SALES
2012 through 2016
City of Covina
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Outlets Taxable Transactions
2012	935	$602,149	1,455	$693,698
2013	912	600,954	1,417	676,414
2014	940	648,505	1,469	733,790
2015	982	710,220	1,642	787,389
2016	988	727,528	1,647	812,123

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

TAXABLE SALES
2012 through 2016
Los Angeles County
(Dollars in Thousands)

Year	Retail Permits	Retail Stores Taxable Transactions	Total Permits	Total Outlets Taxable Transactions
2012	180,359	$95,318,603	266,414	$135,295,582
2013	179,370	99,641,174	263,792	140,079,708
2014	187,408	104,189,819	272,733	147,446,927
2015	196,830	108,147,021	310,063	151,033,781
2016	196,929	109,997,043	311,295	154,208,333

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

Employment

The following table summarizes the labor force, employment and unemployment figures for the City, County and State from 2013 through 2017.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT RATE
2012 through 2017
City of Covina, Los Angeles County and State of California

Year	Area	Labor Force	Employment	Unemployment	Unemployment Rate
2013	City of Covina	24,100	21,400	2,800	11.6%
	Los Angeles County	4,979,000	4,482,100	485,000	9.8
	State of California	18,624,300	16,958,700	1,665,600	8.9
2014	City of Covina	24,300	21,900	2,400	9.8%
	Los Angeles County	5,006,800	4,593,900	412,900	8.2
	State of California	18,755,000	17,348,600	1,406,400	7.5
2015	City of Covina	24,200	22,200	1,900	7.9%
	Los Angeles County	5,000,600	4,668,200	332,400	6.6
	State of California	18,893,200	17,723,300	1,169,900	6.2
2016	City of Covina	24,300	22,800	1,500	6.3%
	Los Angeles County	5,043,300	4,778,800	264,500	5.2
	State of California	19,102,700	18,065,000	1,037,700	5.4
2017	City of Covina	24,600	23,300	1,300	5.1%
	Los Angeles County	5,123,900	4,883,600	240,300	4.7
	State of California	19,312,000	18,393,100	918,900	4.8

Note: Data is based on annual averages, unless otherwise specified, and is not seasonally adjusted.
Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2017.

Industry

The City is included in the Los Angeles-Long Beach-Glendale Metropolitan Statistical Area. The distribution of employment in the Los Angeles/Long Beach/Glendale area is presented in the following table for the calendar years 2013 through 2017. These figures are countywide statistics and may not necessarily accurately reflect employment trends in the City.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES
2013 through 2017
Los Angeles-Long Beach-Glendale Metropolitan Division

	2013	2014	2015	2016	2017
Total Farm	5,500	5,200	5,000	5,300	5,800
Mining & Logging	4,500	4,300	3,900	2,500	2,200
Construction	114,600	118,500	126,200	133,900	137,700
Manufacturing	374,400	370,000	366,800	360,300	350,100
Wholesale Trade	218,700	222,500	225,700	225,200	224,500
Retail Trade	405,600	413,000	419,200	421,500	422,500
Transportation & Warehousing	145,300	151,300	159,400	170,400	180,300
Utilities	12,200	12,100	12,100	11,900	11,600
Information	197,000	198,800	207,500	229,200	214,500
Financial Activities	213,000	211,200	215,500	219,800	221,100
Professional, Scientific & Technical Svcs.	271,800	271,800	271,800	277,900	284,300
Management of Companies and Ent.	58,200	58,600	57,900	57,000	57,400
Administrative & Support & Waste Svcs	256,900	262,900	265,800	268,400	271,700
Educational Services	117,400	118,600	119,500	121,900	125,300
Health Care & Social Assistance	584,700	602,100	621,600	645,700	669,000
Leisure and Hospitality	440,500	466,600	489,100	510,000	523,900
Other Services	145,700	150,500	151,000	153,300	154,100
Government	551,200	556,200	568,500	576,700	585,500
Total All Industries	4,117,200	4,193,900	4,286,500	4,390,800	4,441,400

Note: Items may not add to total due to independent rounding.
Source: California Employment Development Department, Labor Market Information Division. March 2017 Benchmark.

Largest Employers

The following tables rank the largest employers in the City.

LARGEST EMPLOYERS
2017
City of Covina

Rank	Employer	Employees	Description
1.	Covina Valley Unified School District[(1)]	1,725	Primary and secondary education
2.	Citrus Valley Health Partners-Intercommunity	900	Hospital
3.	Charter Oak Unified School District	552	Primary and secondary education
4.	Wal-Mart	293	Retailer
5.	Ikea U.S. West, Inc.	268	Home furniture retailer
6.	City of Covina	256	City government and services
7.	Vitas Innovative Hospice Care	230	Long-term care facility
7.	Lereta, LLC	229	Business consultancy
9.	Healthcare Partners Affiliates Medical Group	224	Healthcare clinic
10.	Lowe's Home Centers LLC	223	Aerospace manufacturer

(1) For updated information regarding the District's employees, see "CHARTER OAK UNIFIED SCHOOL DISTRICT – Labor Relations" in the front part of this Official Statement.
Source: City of Covina 'Comprehensive Annual Financial Report' for Fiscal Year Ended June 30, 2017.

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The following table ranks major employers in the County by number of employees.

LARGEST EMPLOYERS
2017
County of Los Angeles

Employer	Industry	Employees
Los Angeles County	Government	108,995
Los Angeles Unified School District	Education	60,015
University of California, Los Angeles	Education	47,596
U.S. Government- Federal Executive Board	Government	47,000
Kaiser Permanente	Non-profit health plan	36,468
City of Los Angeles	Government	32,987
State of California	Government	28,700
University of Southern California	Private university	20,163
Northrop Grumman Corp.	Defense contractor	16,600
Providence Health & Services So. California	Health care	15,255
Target Corp.	Retailer	15,000
Ralphs/Food 4 Less (Kroger Co. division)	Retail grocer	14,970
Walt Disney Co.	Entertainment	13,000
Albertsons/Vons/Pavilions	Retail grocer	13,000
Bank of America Corp.	Banking and financial services	12,500
Cedars-Sinai Medical Center	Medical center	12,242
NBC Universal	Entertainment	12,000
AT&T Inc.	Telecommunications	11,500
Home Depot	Home improvement specialty retailer	11,200
Los Angeles County MTA	Transportation	10,433
UPS	Transportation and freight	10,131
Los Angeles Department of Water & Power	Energy	9,438
Wells Fargo	Diversified financial services	9,001
Boeing Co.	Aerospace and defense systems	9,000
California Institute of Technology	Private university	8,702
Allied Universal	Electronic security systems	8,384
ABM Industries Inc.	Facility services, commercial cleaning	8,000
Los Angeles Community College District	Education	7,084
FedEx Corp.	Shipping and logistics	7,000
Long Beach Unified School District	Education	6,607
California State University, Northridge	Education	6,540
Dignity Health	Health care	6,274
Costco	Retailer	6,000
Amgen Inc.	Biotechnology	5,616
SoCal Gas	Natural Gas Utility	5,600
Raytheon	Aerospace and defense	5,500

Note: The information on this list was provided by representatives of the employers themselves. Companies are ranked by the current number of full-time employees in Los Angeles County. Several additional companies may have qualified for this list, but failed to submit information or do not break out local employment data.
Source: "2018 Book of Lists," Los Angeles Business Journal, August 28, 2017.

Building Activity

The annual building permit valuations and number of permits for new dwelling units issued from 2013 through 2017 for the City and County are shown in the following tables.

BUILDING PERMITS AND VALUATIONS
2013 through 2017
City of Covina
(Dollars in Thousands)

	2013	2014	2015	2016	2017
Valuation					
Residential	$12,744	$6,892	$5,948	$2,197	$6,648
Non-Residential	6,380	11,821	6,012	5,226	4,132
Total	$19,124	$18,713	$11,960	$7,423	$10,780
Units					
Single Family	0	3	1	1	34
Multiple Family	56	0	16	5	0
Total	56	3	17	6	34

Note: Totals may not add to sum because of rounding.
Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS
2013 through 2017
Los Angeles County
(Dollars in Thousands)

	2013	2014	2015	2016	2017
Valuation					
Residential	$4,743,955	$5,509,418	$6,383,036	$6,575,607	$7,368,352
Non-Residential	4,326,366	6,657,571	5,645,372	5,287,623	6,037,503
Total	$9,070,321	$12,166,989	$12,028,408	$11,863,230	$13,405,855
Units					
Single Family	3,607	4,358	4,487	4,780	5,456
Multiple Family	13,243	14,349	18,405	15,589	17,023
Total	16,850	18,707	22,892	20,369	22,479

Note: Totals may not add to sum because of rounding.
Source: Construction Industry Research Board.

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APPENDIX E

LOS ANGELES COUNTY INVESTMENT POOL

The following information concerning the Los Angeles County Investment Pool (the "Treasury Pool") has been provided by the Treasurer and the Tax Collector (the "Treasurer"), and has not been confirmed or verified by the District, the Municipal Advisor or the Underwriter. The District, the Municipal Advisor or the Underwriter have not made an independent investigation of the investments in the Treasury Pool and have made no assessment of the current County investment policy. The value of the various investments in the Treasury Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of the County Board of Supervisors, may change the County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Treasury Pool will not vary significantly from the values described herein. Finally, none of the District, the Municipal Advisor or the Underwriter make any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date. Additional information regarding the Treasury Pool may be obtained from the Treasurer at www.ttc.lacounty.gov; however, the information presented on such website is not incorporated herein by any reference.

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THE LOS ANGELES COUNTY POOLED SURPLUS INVESTMENTS

The Treasurer and Tax Collector (the Treasurer) of Los Angeles County has the delegated authority to invest funds on deposit in the County Treasury (the Treasury Pool). As of September 30, 2018, investments in the Treasury Pool were held for local agencies including school districts, community college districts, special districts and discretionary depositors such as cities and independent districts in the following amounts:

Local Agency	Invested Funds (in billions)
County of Los Angeles and Special Districts	$10.338
Schools and Community Colleges	14.412
Discretionary Participants	2.671
Total	$27.421

The Treasury Pool participation composition is as follows:

Non-discretionary Participants	90.26%
Discretionary Participants:	
Independent Public Agencies	9.24%
County Bond Proceeds and Repayment Funds	0.50%
Total	100.00%

Decisions on the investment of funds in the Treasury Pool are made by the County Investment Officer in accordance with established policy, with certain transactions requiring the Treasurer's prior approval. In Los Angeles County, investment decisions are governed by Chapter 4 (commencing with Section 53600) of Part 1 of Division 2 of Title 5 of the California Government Code, which governs legal investments by local agencies in the State of California, and by a more restrictive Investment Policy developed by the Treasurer and adopted by the Los Angeles County Board of Supervisors on an annual basis. The Investment Policy adopted on March 20, 2018, reaffirmed the following criteria and order of priority for selecting investments:

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

The Treasurer prepares a monthly Report of Investments (the Investment Report) summarizing the status of the Treasury Pool, including the current market value of all investments. This report is submitted monthly to the Board of Supervisors. According to

the Investment Report dated October 31, 2018, the September 30, 2018 book value of the Treasury Pool was approximately $27.421 billion and the corresponding market value was approximately $26.961 billion.

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

The following table identifies the types of securities held by the Treasury Pool as of September 30, 2018:

Type of Investment	**% of Pool**
U.S. Government and Agency Obligations	74.71
Certificates of Deposit	5.47
Commercial Paper	19.42
Bankers Acceptances	0.00
Municipal Obligations	0.09
Corporate Notes & Deposit Notes	0.31
Asset Backed Instruments	0.00
Repurchase Agreements	0.00
Other	0.00
	100.00

The Treasury Pool is highly liquid. As of September 30, 2018, approximately 29.23% of the investments mature within 60 days, with an average of 657 days to maturity for the entire portfolio.

APPENDIX F

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: $ in aggregate principal amount of

Effective Date:

Premium: $

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

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

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

SPECIMEN

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

SPECIMEN

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