

SUPPLEMENT TO OFFICIAL STATEMENT

relating to

\$15,145,000

DINUBA UNIFIED SCHOOL DISTRICT

Certificates of Participation (2023 School Financing Project)

The following information in the Official Statement of the Dinuba Unified School District (the “District”), dated October 5, 2023 (the “Official Statement”), in connection with the delivery of the above-captioned certificates of participation (the “Certificates”), is being updated pursuant to this Supplement dated November 10, 2023 (this “Supplement”) and amends the Official Statement as indicated below. Capitalized terms used but not defined in this Supplement have the meanings ascribed thereto in the Official Statement. This Supplement must be read together with the Official Statement.

The list of term Certificates in the Maturity Schedule section on the inside cover page is hereby replaced in its entirety by the following term Certificates:

\$3,085,000 – 5.000% Term Certificates due June 1, 2028; Yield: 4.100⁽²⁾%; CUSIP⁽¹⁾ Suffix: DP3

\$4,825,000 – 5.250% Term Certificates due June 1, 2033; Yield: 4.150⁽²⁾%; CUSIP⁽¹⁾ Suffix: DQ1

\$6,265,000 – 5.500% Term Certificates due June 1, 2038; Yield: 4.650⁽²⁾%; CUSIP⁽¹⁾ Suffix: DR9

Dated: November 10, 2023

DINUBA UNIFIED SCHOOL DISTRICT

By: /s/ Rachel Nunez
Chief Business Official

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In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California (“Special 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, the portion of each Lease Payment constituting interest (and original issue discount) 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 Special Counsel, the portion of each Lease Payment constituting interest (and original issue discount) is exempt from State of California personal income tax. See “TAX MATTERS” herein with respect to tax consequences relating to the Certificates, including with respect to the alternative minimum tax imposed on certain large corporations for tax years beginning after December 31, 2022.

\$15,145,000
DINUBA UNIFIED SCHOOL DISTRICT
Certificates of Participation
(2023 School Financing Project)
Evidencing the Fractional Interests of the
Owners Thereof in Lease Payments to be
Made by the
DINUBA UNIFIED SCHOOL DISTRICT

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

This cover page of the Official Statement contains information for general reference only. It is not a complete summary of the Certificates, the Trust Agreement, or the Lease. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision. See “RISK FACTORS” herein for a discussion of special risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Certificates. Capitalized terms used but not otherwise defined on the cover page hereof shall have the meanings assigned herein.

The Dinuba Unified School District Certificates of Participation (2023 School Financing Project) (the “Certificates”), are being executed and delivered pursuant to a Trust Agreement, dated as of October 1, 2023 (the “Trust Agreement”), by and among U.S. Bank Trust Company, National Association, as trustee, the Public Property Financing Corporation of California (the “Corporation”), and the Dinuba Unified School District (the “District”). The proceeds of the Certificates will be used to (i) finance capital improvements to District sites and facilities (the “Project”), and (ii) pay the costs related to the execution and delivery of the Certificates.

Pursuant to a Site Lease, dated as of October 1, 2023, the District will lease the site and improvements known as Washington Junior High School, as further described herein (the “Property”), to the Corporation, and will lease the Property back from the Corporation pursuant to a Lease/Purchase Agreement, dated as of October 1, 2023 (the “Lease”), by and between the Corporation and the District. The Certificates evidence fractional and undivided interests in lease payments to be made by the District (the “Lease Payments”), as lessee under the Lease, for use and possession of the Property. The District has covenanted to budget and appropriate Lease Payments in each fiscal year in consideration of the use and occupancy of the Property from any source of legally available funds, and to take such action as may be necessary to include all Lease Payments in its annual budgets and to make the necessary annual appropriations therefor. **The District’s obligation to make Lease Payments is subject to abatement in the event of the taking of, damage to or loss of use and possession of the Property.**

The Certificates will be delivered in book-entry form only, and will be initially delivered and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (collectively referred to herein as “DTC”). Purchasers of the Certificates (the “Beneficial Owners”) will not receive physical certificates representing their interest in the Certificates, but will instead receive credit balances on the books of their respective nominees. The Certificates shall be dated their date of delivery and shall represent interest payable semiannually on each June 1 and December 1, commencing June 1, 2024. The Certificates shall be delivered in denominations of \$5,000 principal amount or any integral multiple thereof. Payments of principal and interest with respect to the Certificates will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Certificates.

The scheduled payment of principal of and interest on the Certificate, when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Certificates by Assured Guaranty Municipal Corp. (“AGM”).



The Certificates are subject to extraordinary, optional and mandatory sinking fund prepayment prior to their stated maturity dates as further described herein.

The obligation of the District to make Lease Payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the District to make Lease Payments constitutes a debt of the District, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. The obligation of the District to make Lease Payments is subject to the District’s beneficial use and possession of the Property.

Maturity Schedule
(see inside front cover)

The Certificates are offered when, as and if delivered and received by the Underwriter, subject to the approval as to legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, as Special Counsel. Certain matters will be passed on for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel, and for the Trustee and the Corporation by their respective counsels. It is anticipated that the Certificates in book-entry form will be available for delivery to The Depository Trust Company in New York, New York on or about October 26, 2023.

PIPER | SANDLER

MATURITY SCHEDULE

Base CUSIP⁽¹⁾: 254468

\$15,145,000
Dinuba Unified School District
Certificates of Participation
(2023 School Financing Project)

\$970,000 Serial Certificates

Maturity <u>(June 1)</u>	Principal <u>Amount</u>	Interest <u>Rate</u>	<u>Yield</u>	CUSIP⁽¹⁾ <u>Suffix</u>
2024	\$970,000	5.000%	4.000%	DS7

\$3,085,000 – 5.000% Term Certificates due August 1, 2028; Yield: 4.100⁽²⁾%; CUSIP⁽¹⁾ Suffix: DP3

\$4,825,000 – 5.250% Term Certificates due August 1, 2033; Yield: 4.150⁽²⁾%; CUSIP⁽¹⁾ Suffix: DQ1

\$6,265,000 – 5.500% Term Certificates due August 1, 2038; Yield: 4.650⁽²⁾%; CUSIP⁽¹⁾ Suffix: DR9

⁽¹⁾ CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright(c) 2022 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, nor the Municipal Advisor nor the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Certificates as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Certificates.

⁽²⁾ Yield to call at par on June 1, 2025.

Certain of the information contained herein, other than that provided by the District, has been obtained from sources that are believed to be reliable. No representation, warranty or guarantee, however, is made by the Underwriter as to the accuracy or completeness of any information in this Official Statement, including, without limitation, the information contained in the Appendices hereto, and nothing contained in this Official Statement is or shall be relied upon as a promise or representation by the Underwriter.

No dealer, broker, salesperson or other person has been authorized by the District, the Corporation or the Underwriter to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such information or representation must not be relied upon as having been authorized by any of the foregoing. 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 Certificates by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Certificates shall under any circumstances create any implication that there has been no change in the affairs of the District, the Corporation or other matters described herein since the date hereof.

This Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

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 the completeness of such information.”

IN CONNECTION WITH THE OFFERING OF THE CERTIFICATES, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE CERTIFICATES AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

This Official Statement is submitted in connection with the sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The District maintains a website and social media accounts. However, the information presented there is not incorporated into this Official Statement by any reference, and should not be relied upon in making investment decisions with respect to the Certificates.

Assured Guaranty Municipal Corp. (“AGM”) makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “SECURITY AND SOURCES OF PAYMENT OF THE CERTIFICATES – Certificate Insurance” herein and “APPENDIX H – SPECIMEN MUNICIPAL BOND INSURANCE POLICY” attached hereto.

DINUBA UNIFIED SCHOOL DISTRICT

Board of Trustees

Ron Froese, *President, Trustee Area 2*
Sandra Kizirian, *Vice President, Trustee Area 1*
Beverly Keel-Worrell, *Member, Trustee Area 3*
Mary Villarreal, *Member, Trustee Area 4*
Miriam Cendejas, *Member, Trustee Area 5*

District Administration

Dr. Joe Hernandez, *Superintendent*
Rachel Nunez, *Chief Business Official*
Marti Kochevar, *Assistant Superintendent, Human Resources*
Victoria Armstrong, *Assistant Superintendent, Curriculum & Instruction*

SPECIAL COUNSEL AND DISCLOSURE COUNSEL

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

MUNICIPAL ADVISOR

Keygent LLC
El Segundo, California

TRUSTEE

U.S. Bank Trust Company, National Association
Los Angeles, California

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\$15,145,000
DINUBA UNIFIED SCHOOL DISTRICT
Certificates of Participation
(2023 School Financing Project)

Evidencing the Fractional Interests of the
Owners Thereof in Lease Payments to be
Made by the
DINUBA UNIFIED SCHOOL DISTRICT

INTRODUCTION

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.

This Official Statement provides certain information concerning the sale and delivery of the Dinuba Unified School District Certificates of Participation (2023 School Financing Project) (the “Certificates”), evidencing the fractional and undivided interests of the Owners thereof (as hereinafter defined) in Lease Payments (as hereinafter defined) to be made by the Dinuba Unified School District (the “District”) pursuant to a Lease/Purchase Agreement, dated as of October 1, 2023 (the “Lease”), by and between the Public Property Financing Corporation of California, as lessor (the “Corporation”), and the District, as lessee, for the use and possession of the real property and school facilities thereon known as Washington Junior High School (the “Property”).

The District

The District is a joint unified school district organized under the laws of the State of California. The District was established July 1, 1998 as a unified school district combining the Dinuba Elementary School District and the Dinuba Joint Union High School District. The District provides K-12 and adult education within a 56 square mile area of Tulare County and a small portion of Fresno County. The District currently operates six elementary schools, one high school, one adult school, one continuation school, and one independent study school. For fiscal year 2023-24, the District has budgeted an average daily attendance (“ADA”) of 6,141 students. The fiscal year 2023-24 total assessed valuation of the area served by the District is \$2,188,251,945.

The District is governed by a five-member Board of Trustees, each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations as well as the supervision of the District’s other key personnel. Dr. Joe Hernandez is the District Superintendent. See “DINUBA UNIFIED SCHOOL DISTRICT” herein.

For more information regarding the District, see also “DINUBA UNIFIED SCHOOL DISTRICT” and “DISTRICT FINANCIAL INFORMATION” herein. The District’s audited financial statements for the fiscal year ended June 30, 2022 are attached hereto as APPENDIX C and should be read in their entirety.

Purpose of the Certificates

The proceeds of the Certificates will be used to (i) finance certain capital improvements to District sites and facilities, and (ii) pay certain costs related to the execution and delivery of the Certificates. See “THE PROJECT,” and “ESTIMATED SOURCES AND USES OF PROCEEDS” herein.

Security and Source of Payment of the Certificates

The Certificates are being executed and delivered pursuant to a Trust Agreement (the “Trust Agreement”), dated as of October 1, 2023, by and among the District, the Corporation and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”). The District is required under the Lease to pay lease payments for the use and possession of the Property (the “Lease Payments”), as further described under the caption “THE PROPERTY” herein. The District is also required to pay any taxes and assessments, and is responsible for all maintenance and repair of the Property.

Pursuant to an Assignment Agreement, dated as of October 1, 2023 (the “Assignment Agreement”), by and between the Corporation and the Trustee, the Corporation will assign to the Trustee, for the benefit of the Owners, substantially all of its rights under the Lease and a Site Lease, dated as of October 1, 2023 (the “Site Lease”), by and between the District and the Corporation, including its rights to receive and collect Lease Payments and prepayments from the District under the Lease and rights as may be necessary to enforce the payment of such Lease Payments and prepayments. All rights assigned by the Corporation pursuant to the Assignment Agreement shall be administered by the Trustee in accordance with the provisions of the Trust Agreement for the equal and proportionate benefit of all Owners.

The Certificates evidence fractional and undivided interests in the right to receive Lease Payments and prepayments thereof to be made by the District to the Corporation under the Lease. The Lease Payments are designed to pay, when due, the principal and interest with respect to the Certificates. The District has covenanted in the Lease that it will take such action as may be necessary to include the Lease Payments and other payments due under the Lease in its annual budgets and to make the necessary annual appropriations therefor. See “SECURITY AND SOURCES OF PAYMENT OF THE CERTIFICATES – Lease Payments” herein. The District’s obligation to make Lease Payments is subject to abatement in the event of the taking of, damage to or loss of use and possession of the Property. See “RISK FACTORS – Abatement” herein.

The obligation of the District to make Lease Payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the District to make Lease Payments constitutes a debt of the District, the State of California (the “State”) or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Description of the Certificates

For a more complete description of the Certificates and the basic documentation pursuant to which they are being sold and delivered, see “THE CERTIFICATES” herein and APPENDIX A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” attached hereto. The summaries and descriptions in the Official Statement of the Trust Agreement, the Lease, the Site Lease, the Assignment Agreement and other agreements relating to the Certificates are qualified in their entirety by the form thereof and the information with respect thereto included in such documents.

Registration, Transfers and Exchanges. The Certificates will be executed and delivered as fully registered Certificates, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to actual purchasers of interests in the Certificates (the “Beneficial Owners”), under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Certificates, but will instead receive credit balances on the books of their respective nominees. See APPENDIX E – “BOOK-ENTRY ONLY SYSTEM” attached hereto. In the event that the book-entry only system described below is no longer used with respect to the Certificates, the Certificates will be registered and transferred in accordance with the Trust Agreement.

So long as Cede & Co. is the registered owner of the Certificates, as nominee of DTC, references herein to the “Owners,” “Certificate Owners” or “Holders” of the Certificates (other than under the caption “TAX MATTERS” herein, and in APPENDIX B attached hereto) will mean Cede & Co. and will not mean the Beneficial Owners of interests in the Certificates.

Payments. The Certificates shall be dated as of their date of delivery and shall represent interest therefrom, payable semiannually on each June 1 and December 1, commencing June 1, 2024 (each, a “Certificate Payment Date”). Principal with respect to the Certificates shall be payable on each June 1, in the amounts and years as set forth on the inside cover page hereof.

Principal, premium, if any, and interest due with respect to the Certificates are payable by the Trustee to DTC. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants. In the event that the book-entry only system is no longer used with respect to the Certificates, the Beneficial Owners will become the registered Owners of the Certificates and will be paid principal and interest by the Trustee, all as described herein. See APPENDIX A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” and APPENDIX E – “BOOK-ENTRY ONLY SYSTEM” attached hereto.

Prepayment. The Certificates are subject to extraordinary prepayment, optional prepayment, and mandatory sinking fund prepayment as further described herein. See “THE CERTIFICATES – Prepayment” herein.

Denominations. The Certificates are being executed and delivered in minimum denominations of \$5,000 principal amount, or any integral multiple thereof.

Certificate Insurance. The scheduled payment of principal and interest with respect to the Certificates when due will be guaranteed under the Policy (as defined herein) to be issued by Assured Guaranty Municipal Corp. (“AGM” or the “Insurer”). See “SECURITY AND SOURCES OF PAYMENT OF THE CERTIFICATES – Certificate Insurance” herein and APPENDIX H – “SPECIMEN MUNICIPAL BOND INSURANCE POLICY” attached hereto.

Additional Certificates. Under the terms of the Trust Agreement, the District is authorized to sell Additional Certificates secured by Lease Payments for use and occupancy of the Property. See “THE CERTIFICATES – Additional Certificates” herein and APPENDIX A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Trust Agreement” attached hereto.

Continuing Disclosure

The District has covenanted for the benefit of the Owners and Beneficial Owners of the Certificates to provide certain financial information and operating data relating to the District by not later than nine months following the end of the District’s Fiscal Year (presently ending on June 30) (the “Annual Report”),

commencing with the report for the Fiscal Year ending June 30, 2023, and to provide notices of the occurrence of certain listed events. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934, as amended. See “CONTINUING DISCLOSURE” herein, and APPENDIX D – “FORM OF CONTINUING DISCLOSURE CERTIFICATE” attached hereto.

Professionals Involved in the Offering

U.S. Bank Trust Company, National Association, Los Angeles, California, will act as Trustee with respect to the Certificates. Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, is acting as Special Counsel and Disclosure Counsel to the District with respect to the Certificates. Keygent LLC, El Segundo, California is acting as Municipal Advisor to the District with respect to the Certificates. The payment of fees for Special and Disclosure Counsel and the Municipal Advisor are contingent on the execution and delivery of the Certificates and the payment of the purchase price therefor by Piper Sandler & Co., as the Underwriter. Certain matters will be passed on for the Trustee and the Corporation by their respective counsels. From time to time, Special Counsel may represent the Municipal Advisor and the Underwriter on matters unrelated to the District or the Certificates.

Certificate Owners’ Risks

Certain events could affect the ability of the District to make the Lease Payments when due. See “RISK FACTORS” herein, for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the Certificates.

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,” “expect,” “intend,” “estimate,” “project,” “budget” 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.

Other Information

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

Copies of the Lease, the Site Lease, the Trust Agreement and the Assignment Agreement are available, upon request, and upon payment to the District of a charge for copying, mailing and handling,

from the Chief Business Official, Dinuba Unified School District, 1327 E. Monty Way, Dinuba, California 93618, telephone: (559) 595-7200.

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 Certificates 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 Certificates. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of 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 entirety by reference to each of such documents, statutes and constitutional provisions.

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

This Official Statement contains brief descriptions of, among other things, the District, the Corporation, the Certificates, the Trust Agreement, the Lease, the Assignment Agreement, the Site Lease and certain other matters relating to the security for the Certificates. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to documents and agreements are qualified in their entirety by reference to such documents, and agreements and references herein to the Certificates are qualified in their entirety by reference to the form thereof included in the Trust Agreement. Copies of such documents will be available for inspection at the designated office of the Trustee after delivery of the Certificates. Capitalized terms used but not otherwise defined herein shall have the meanings assigned thereto in the Trust Agreement or the Lease.

The sale and delivery of the Certificates to potential investors is made only by means of the Official Statement.

THE PROJECT

The Project consists of financing the acquisition, construction, installation, and equipping of District sites and facilities. Specifically, the District expects to use the net proceeds of the Certificates to contribute to the Grading/Site Improvements, Baseball/Softball Complex, Auxiliary Gym, soccer fields, and tennis courts (collectively, the "Project"). See "ESTIMATED SOURCES AND USES OF PROCEEDS" herein.

THE PROPERTY

Pursuant to the Site Lease, the District will lease the Washington Junior High School, located at 1150 N. Hayes Ave., Dinuba, CA 93618 (the “Property”), from the Corporation. The Property was originally constructed in 1967, with classrooms modernized in 2014. The Property accommodates approximately 1,000 students, with a current enrollment of 943 students in grades 7-8. The Property consists of a 26.36-acre site of approximately 97,200 square feet consisting of 14 permanent structures, including 27 classrooms, as well as a library, courts, parking areas, cafeteria, and administration building.

Washington Junior High School currently has a total estimated insured replacement value of approximately \$28,628,923. See also “RISK FACTORS – Property Values” herein.

THE CERTIFICATES

General

The Certificates will be executed in the aggregate principal amount of \$15,145,000. The Certificates will be dated the date of delivery (the “Date of Delivery”), and will be executed as fully registered book-entry Certificates, without coupons, in denominations of \$5,000 principal amount or any integral multiple thereof, and will mature on June 1 of each year, as set forth on the inside cover page hereof.

Interest with respect to the Certificates will be payable each Certificate Payment Date, commencing on June 1, 2024, at the rates per annum set forth on the inside cover page hereof. If a Certificate is executed: (i) as of a Certificate Payment Date, interest with respect thereto will be payable from the date thereto; (ii) after the close of business on the fifteenth day of the month preceding each Certificate Payment Date (whether or not a business day) (each, a “Record Date”) and before the following Certificate Payment Date, interest with respect thereto will be payable from such following Certificate Payment Date; or (iii) prior to or on May 15, 2024, interest with respect thereto will be payable from the Date of Delivery. Interest with respect to the Certificates will be computed on the basis of a 360-day year comprised of twelve 30-day months.

The Certificates evidence and represent fractional and undivided interests of the Owners thereof in the Lease Payments to be made by the District. To the extent Lease Payments are abated or not made under the Lease, all Certificate Owners will receive a proportionate reduction in their payments. See “RISK FACTORS – Abatement” herein. If the Lease is prepaid in part, for any reason, the Certificate Owner will be entitled only to the remaining Lease Payments.

Principal and premium, if any, with respect to the Certificates, will be payable upon surrender by the Owners thereof at the designated office of the Trustee. Interest with respect to the Certificates will be payable by wire transfer to a bank account within the United States that is on record with the Trustee as of the Record Date.

Prepayment

Extraordinary Prepayment. The Certificates are subject to prepayment prior to their respective maturity dates on any day, in whole or in part, from the proceeds of any insurance, performance bonds, or taking by eminent domain or condemnation paid with respect to the Property remaining after payment therefrom of any expenses (including attorneys’ fees) incurred in the collection thereof (collectively, “Net Proceeds”), which the Trustee shall deposit in the Prepayment Fund (as defined in the Trust Agreement) or

other moneys deposited with the Trustee as provided in the Lease at least 45 days prior to the date set for such extraordinary prepayment and credited towards the prepayment made by the District pursuant to the Lease, at a prepayment price equal to the principal amount thereof, together with accrued interest to the date fixed for prepayment, without premium.

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

Optional Prepayment. The Certificates evidencing principal maturing on June 1, 2024 are not subject to optional prepayment prior to their stated maturity date. The Certificates evidencing principal maturing on or after June 1, 2028 are subject to optional prepayment prior to their stated maturities, in whole or in part, on any day on or after June 1, 2025, from any lawfully available source of funds in the event the District exercises its option under the Lease to prepay the principal component of the Lease Payments (in integral multiples of \$5,000), at the principal amount thereof, plus accrued interest to the date fixed for prepayment, without premium.

Mandatory Sinking Fund Prepayment. The Certificates evidencing principal maturing on June 1, 2028 (the “2028 Term Certificates”) are subject to prepayment prior to maturity from mandatory sinking fund prepayments of the principal component of Lease Payments, on June 1 of each year, on and after June 1, 2025, at a prepayment price equal to the principal amount thereof, plus accrued interest to the date fixed for prepayment, without premium. The principal component of the 2028 Term Certificates to be so prepaid and the dates therefor and the final payment date is as indicated in the following table:

Year Ending	Principal Component
<u>June 1</u>	<u>To Be Prepaid</u>
2025	\$715,000
2026	750,000
2027	790,000
2028 ⁽¹⁾	<u>830,000</u>
Total	<u>\$3,085,000</u>

⁽¹⁾ Maturity.

The Certificates evidencing principal maturing on June 1, 2033 (the “2033 Term Certificates”) are subject to prepayment prior to maturity from mandatory sinking fund prepayments of the principal component of Lease Payments, on June 1 of each year, on and after June 1, 2029, at a prepayment price equal to the principal amount thereof, plus accrued interest to the date fixed for prepayment, without premium. The principal component of the 2033 Term Certificates to be so prepaid and the dates therefor and the final payment date is as indicated in the following table:

Year Ending	Principal Component
<u>June 1</u>	<u>To Be Prepaid</u>
2029	\$870,000
2030	915,000
2031	960,000
2032	1,015,000
2033 ⁽¹⁾	<u>1,065,000</u>
Total	<u>\$4,825,000</u>

⁽¹⁾ Maturity.

The Certificates evidencing principal maturing on June 1, 2038 (the “2038 Term Certificates”) are subject to prepayment prior to maturity from mandatory sinking fund prepayments of the principal component of Lease Payments, on June 1 of each year, on and after June 1, 2034, at a prepayment price equal to the principal amount thereof, plus accrued interest to the date fixed for prepayment, without premium. The principal component of the 2038 Term Certificates to be so prepaid and the dates therefor and the final payment date is as indicated in the following table:

Year Ending <u>June 1</u>	Principal Component <u>To Be Prepaid</u>
2034	\$1,120,000
2035	1,185,000
2036	1,250,000
2037	1,320,000
2038 ⁽¹⁾	<u>1,390,000</u>
Total	<u>\$6,265,000</u>

⁽¹⁾ Maturity.

Selection of Certificates for Prepayment. Whenever less than all the Outstanding Certificates are called for prepayment, the Trustee shall select Certificates for prepayment, from the Outstanding Certificates not previously called for prepayment, as directed by the District or, if the District does not so direct, pro rata among maturities and within each maturity by lot.

Prepayment Procedures

Notice of Prepayment. When prepayment is authorized or required pursuant to the Trust Agreement, the Trustee shall give notice of the prepayment of the Certificates. Such notice shall specify: (a) the prepayment date, (b) the prepayment price, (c) if less than all of the Outstanding Certificates are to be prepaid, the Certificate numbers (and in the case of partial prepayment, the respective principal amounts), (d) the CUSIP numbers of the Certificates to be prepaid, (e) the place or places where the prepayment will be made, (f) the original date of execution and delivery of the Certificates, (g) the rate of interest payable with respect to each Certificate being prepaid, and (h) any other descriptive information regarding the Certificates needed to identify accurately the Certificates being prepaid. Such notice shall further state that on the specified date there shall become due and payable upon each Certificate to be prepaid, the portion of the principal amount evidenced by such Certificate to be prepaid, together with interest accrued to said date, and that from and after such date, provided that moneys therefor have been deposited with the Trustee, interest with respect thereto shall cease to accrue and be payable.

Notice of such prepayment shall be sent (i) by registered or certified mail, postage prepaid, to the Corporation and the respective Owners of any Certificates designated for prepayment at their addresses appearing on the Certificate registration books, at least twenty (20) days, but not more than forty-five (45) days, prior to the prepayment date, (ii) by registered or certified mail, postage prepaid, telephonically confirmed facsimile transmission, or overnight delivery service, to the Depository on the date of mailing of notice to the Owners, and (iii) by registered or certified mail, postage prepaid, or overnight delivery service to the national Information Services that disseminate securities redemption notices, on the date notice is mailed to the Owners. Notice of prepayment shall also be sent as required by the Continuing Disclosure Certificate. Neither failure to receive such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the prepayment of such Certificates.

“Depository” means The Depository Trust Company, 55 Water Street, New York, New York 10041.

“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 Trustee or as the Trustee may select.

Notice having been given to the Owners of the Certificates as aforesaid, and the moneys for the prepayment (including the interest to the applicable date of prepayment), having been set aside in the Prepayment Fund or as otherwise permitted by the Trust Agreement, the Certificates shall become due and payable on said date of prepayment, and upon presentation and surrender thereof at the designated office of the Trustee, said Certificates shall be paid at the prepayment price with respect thereto, plus interest accrued and unpaid to said date of prepayment.

Effect of Notice of Prepayment. If, on said date of prepayment, moneys for the prepayment of all the Certificates to be prepaid, together with interest to said date of prepayment, shall be held by the Trustee (or such other independent escrow agent as the District shall select) so as to be available therefor on such date of prepayment, and, if notice of prepayment thereof shall have been given as aforesaid, then, from and after said date of prepayment, interest with respect to the Certificates to be prepaid shall cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the prepayment of Certificates shall be held in trust for the account of the Owners of the Certificates so to be prepaid, without liability for interest thereon.

Rescission of Notice of Prepayment. With respect to any notice of prepayment of Certificates, unless upon the giving of such notice such Certificates shall be deemed to have been defeased pursuant to the Trust Agreement, such notice shall state that such prepayment shall be conditional upon the receipt by the Trustee (or an independent escrow agent selected by the District) on or prior to the date fixed for such prepayment of the moneys necessary and sufficient to pay the principal, premium, if any, and interest with respect to such Certificates to be prepaid, and that if such moneys shall not have been so received said notice shall be of no force and effect, the Certificates shall not be subject to prepayment on such date and the Certificates shall not be required to be prepaid on such date. In the event that such notice of prepayment contains such a condition and such moneys are not so received, the prepayment shall not be made and the Trustee shall within a reasonable time thereafter give notice, to the persons to whom and in the manner in which the notice of prepayment was given, that such moneys were not so received. The District will also have the right to rescind any notice of prepayment, by written notice to the Trustee, on or prior to the date fixed for such prepayment. The Trustee will distribute a notice of such rescission in the same manner as the notice of prepayment was originally provided.

Additional Certificates

Pursuant to the Trust Agreement, the District may cause Additional Certificates to be executed and delivered without the consent of the Owners of the Certificates then-outstanding if certain conditions precedent are satisfied. In connection with the delivery of Additional Certificates, the Lease Payments due under the Lease would be increased. The Certificates then outstanding and the Additional Certificates will be secured on a parity under the Trust Agreement by Lease Payments and other amounts held in the funds established thereunder other than the Rebate Fund. Such Additional Certificates would be payable from legally available moneys of the District and be subject to appropriation. See APPENDIX A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Trust Agreement” attached hereto.

SEMI-ANNUAL CERTIFICATE PAYMENT SCHEDULE

Lease Payments are required to be made by the District under the Lease on or before May 15 and November 15 of each year (each, a “Lease Payment Date”) for the use and possession of the Property for the period commencing as of the Date of Delivery and terminating on June 1, 2038, or extended as provided in the Lease. The Lease requires that Lease Payments be deposited in the Lease Payment Fund maintained by the Trustee under the Trust Agreement (the “Lease Payment Fund”). On each Certificate Payment Date, the Trustee will withdraw from the Lease Payment Fund the aggregate amount of such Lease Payments and will apply such amounts to make principal and interest payments represented by the Certificates when due.

The table on the following page summarizes the semi-annual Certificate payment requirements of the District.

SEMI-ANNUAL CERTIFICATE PAYMENT SCHEDULE

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Semi-Annual Payments</u>	<u>Total Annual Payments</u>
6/1/2024	\$970,000	\$478,158.51	\$1,448,158.51	\$1,448,158.51
12/1/2024	--	376,068.75	376,068.75	--
6/1/2025	715,000	376,068.75	1,091,068.75	1,467,137.50
12/1/2025	--	358,193.75	358,193.75	--
6/1/2026	750,000	358,193.75	1,108,193.75	1,466,387.50
12/1/2026	--	339,443.75	339,443.75	--
6/1/2027	790,000	339,443.75	1,129,443.75	1,468,887.50
12/1/2027	--	319,693.75	319,693.75	--
6/1/2028	830,000	319,693.75	1,149,693.75	1,469,387.50
12/1/2028	--	298,943.75	298,943.75	--
6/1/2029	870,000	298,943.75	1,168,943.75	1,467,887.50
12/1/2029	--	276,106.25	276,106.25	--
6/1/2030	915,000	276,106.25	1,191,106.25	1,467,212.50
12/1/2030	--	252,087.50	252,087.50	--
6/1/2031	960,000	252,087.50	1,212,087.50	1,464,175.00
12/1/2031	--	226,887.50	226,887.50	--
6/1/2032	1,015,000	226,887.50	1,241,887.50	1,468,775.00
12/1/2032	--	200,243.75	200,243.75	--
6/1/2033	1,065,000	200,243.75	1,265,243.75	1,465,487.50
12/1/2033	--	172,287.50	172,287.50	--
6/1/2034	1,120,000	172,287.50	1,292,287.50	1,464,575.00
12/1/2034	--	141,487.50	141,487.50	--
6/1/2035	1,185,000	141,487.50	1,326,487.50	1,467,975.00
12/1/2035	--	108,900.00	108,900.00	--
6/1/2036	1,250,000	108,900.00	1,358,900.00	1,467,800.00
12/1/2036	--	74,525.00	74,525.00	--
6/1/2037	1,320,000	74,525.00	1,394,525.00	1,469,050.00
12/1/2037	--	38,225.00	38,225.00	--
6/1/2038	<u>1,390,000</u>	<u>38,225.00</u>	<u>1,428,225.00</u>	<u>1,466,450.00</u>
Total	<u>\$15,145,000</u>	<u>\$6,844,346.01</u>	<u>\$21,989,346.01</u>	<u>\$21,989,346.01</u>

SECURITY AND SOURCES OF PAYMENT OF THE CERTIFICATES

Neither the Certificates nor the obligation of the District to make Lease Payments constitutes an obligation of the District for which the District is obligated to levy or pledge, or for which the District has levied or pledged, any form of taxation. Neither the Certificates nor the obligation of the District to make Lease Payments constitutes a debt of the District, the State, or any of its political subdivisions within the meaning of any constitutional limitation or violates any statutory debt limitation.

General

Each Certificate represents a fractional and undivided interest in the Lease Payments and prepayments to be made by the District to the Trustee under the Lease. The District is obligated to pay Lease Payments from any source of legally available funds, and has covenanted in the Lease to include all Lease Payments coming due in its annual budgets and to make the necessary annual appropriations therefor. The Corporation, pursuant to the Assignment Agreement, has assigned all of its rights under the Lease (excepting certain rights as specified therein), including the right to receive Lease Payments and prepayments, to the Trustee for the benefit of the Owners. By the fifteenth day of each May and November (if such day is not a business day, the next succeeding business day), the District must pay to the Trustee a Lease Payment (to the extent required under the Lease) which is equal to the amount necessary to pay the principal, if any, and interest due with respect to the Certificates on the next succeeding Certificate Payment Date.

Under the Lease, the District agrees to pay certain taxes, assessments, utility charges, and insurance premiums charged with respect to the Property and the Certificates and fees and expenses of the Trustee. The District is responsible for repair and maintenance of the Property during the term of the Lease. The District may at its own expense in good faith contest such taxes, assessments and utility and other charges if certain requirements set forth in the Lease are satisfied, including obtaining an opinion of counsel that the Property will not be subjected to loss or forfeiture.

The District's obligation to make Lease Payments will be abated in the event of, and to the extent of, substantial interference with use and possession of the Property arising from damage, destruction, or taking by eminent domain or condemnation of the Property. Abatement would not constitute a default under the Lease and the Trustee would not be entitled in such event to pursue remedies against the District. See "RISK FACTORS – Abatement" herein.

Should the District default under the Lease, the Trustee, as assignee of the Corporation, may terminate the Lease and re-lease the Property or may retain the Lease and hold the District liable for all Lease Payments thereunder on an annual basis. Under no circumstances will the Trustee have the right to accelerate Lease Payments. See "RISK FACTORS – No Acceleration Upon Default" herein. The exercise of the remedies provided to the Trustee is subject to various limitations on the enforcement of remedies against public agencies. See also "RISK FACTORS – Limited Recourse on Default" herein.

Lease Payments

Subject to the provisions of the Lease regarding abatement in the event of loss of use and possession of any portion of the Property (see "RISK FACTORS – Abatement" herein) and prepayment of Lease Payments (see "THE CERTIFICATES – Prepayment Procedures" herein), the District agrees to pay to the Corporation, its successors and assigns, as annual rental for the use and possession of the Property, the Lease Payments to be due and payable on each Lease Payment Date.

Any monies deposited in the Lease Payment Fund during the month preceding a Lease Payment Date (other than amounts resulting from the prepayment of the Lease Payments in part but not in whole pursuant to the Lease and other amounts required for payment of past due principal or interest with respect to any Certificates not presented for payment) shall be credited to the payment of Lease Payments due and payable on such Lease Payment Date.

The Trust Agreement requires that Lease Payments be deposited in the Lease Payment Fund maintained by the Trustee. Pursuant to the Trust Agreement, on June 1 and December 1 of each year, commencing June 1, 2024, the Trustee will apply such amounts in the Lease Payment Fund as are necessary to make interest and principal payments, respectively, with respect to the Certificates as the same shall become due and payable, in the amounts specified in the Lease.

Certificate Insurance

Certificate Insurance Policy. Concurrently with the execution and delivery of the Certificates, AGM will issue its Municipal Bond Insurance Policy for the Certificates (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest with respect to the Certificates when due as set forth in the form of the Policy included as APPENDIX H 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 subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets and participates in the asset management business through ownership interests in Sound Point Capital Management, LP. 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 “A1” (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 or certificates 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 July 13, 2023, 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 October 21, 2022, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On March 18, 2022, Moody's announced it had upgraded AGM's insurance financial strength rating to "A1" (stable outlook) from "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Capitalization of AGM.

At June 30, 2023:

- The policyholders' surplus of AGM was approximately \$2,702 million.
- The contingency reserve of AGM was approximately \$894 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,089 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK") and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and net deferred ceding commission income of AGM were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and 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, 2022 (filed by AGL with the SEC on March 1, 2023);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2023 (filed by AGL with the SEC on May 10, 2023); and
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2023 (filed by AGL with the SEC on August 9, 2023).

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

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

Miscellaneous Matters.

AGM makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “SECURITY AND SOURCES OF PAYMENT OF THE CERTIFICATES – Certificate Insurance” herein.

Reserve Fund

A debt service reserve fund (the “Reserve Fund”) is established by the Trust Agreement. Upon the execution and delivery of the Certificates, the District will deposit into the Reserve Fund a municipal bond debt service reserve insurance policy (the “Reserve Policy”), issued by AGM (in the capacity of issuer of the Reserve Policy, the “Reserve Insurer”), in an amount equal to the Reserve Requirement. With respect to the Certificates, the term “Reserve Requirement” means, as of any calculation date, an amount equal to the lesser of (i) the maximum aggregate annual Lease Payments (in any Fiscal year, as defined in the Trust Agreement) then payable under the Lease, (ii) 125% of the average annual aggregate Lease Payments (in any Fiscal Year) then payable under the Lease, or (iii) 10% of the original par amount of the Certificates and/or the Additional Certificates, as applicable (less original issue discount if in excess of two percent (2%) of the stated prepayment amount at maturity). The full amount available in the Reserve Fund may be used by the Trustee in the event of abatement or failure by the District to make Lease Payments with respect to the Certificates. Subject to the requirements and restrictions contained in the Trust Agreement, the District may substitute for the Reserve Policy or moneys on deposit in the Reserve Fund another line of credit, letter of credit, an insurance policy, or any other comparable credit facility (each, a “Reserve Facility”), or alternatively cash, or any combination thereof, which in the aggregate makes funds available in the Reserve Fund in an amount equal to the Reserve Requirement, as provided in the Trust Agreement.

The District is obligated to replenish the Reserve Fund up to the Reserve Requirement by paying reserve replenishment rent under the Lease (“Reserve Replenishment Rent”) to the extent that amounts have been withdrawn from the Reserve Fund or a draw has been made on any Reserve Facility, thereby reducing

the amounts available thereunder to pay principal or interest with respect to the Certificates, or there shall be a valuation deficiency in the Reserve Fund together with all amounts available under any Reserve Facility resulting from a decrease of 10% or more of the market value of the Permitted Investments therein. Reserve Replenishment Rent will be paid, however, only if (i) Lease Payments are not in abatement, (ii) the amount of such Lease Payments is less than the fair rental value of the Property, and (iii) the amount on deposit in the Reserve Fund is less than the Reserve Requirement, or the amount on deposit in the Lease Payment Fund is less than the amount required to be on deposit therein corresponding to the cumulative gross Lease Payments. See “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – THE LEASE AGREEMENT – Agreement to Lease; Term of Lease; Lease Payments – Lease Payments – Reserve Replenishment Rent” attached hereto.

To the extent that the conditions to payment of Reserve Replenishment Rent are satisfied under the Lease, the District will be obligated to pay Reserve Replenishment Rent to the Trustee regardless of whether or not the District is in default under the Lease. Interest or income received by the Trustee on investment of moneys in the Reserve Fund will be retained in the Reserve Fund so long as amounts on deposit in the Reserve Fund are less than the Reserve Requirement. In the event that amounts on deposit in the Reserve Fund exceed the Reserve Requirement, subject to the requirement of transfers to the Rebate Fund, such excess may, on or before January 15 and July 15 of each year, be transferred to the Lease Payment Fund to be applied to the Lease Payments next coming due from the District.

Reserve Policy

The Reserve Requirement will initially be satisfied by the Reserve Policy. The premium on the Reserve Policy will be fully paid at time of the execution and delivery of the Certificates. AGM has made a commitment to issue a Reserve Policy for the Reserve Fund with respect to the Certificates, effective as of the date of execution and delivery of such Certificates. Under the terms of the Reserve Policy, AGM will, subject to the Policy limits described below, unconditionally and irrevocably guarantee to pay that portion of the scheduled principal and interest with respect to the Certificates that becomes due for payment but shall be unpaid by reason of nonpayment by the District (the “Insured Payments”). No payment will be made under the Reserve Policy in excess of the Reserve Requirement. Pursuant to the terms of the Reserve Policy, the amount available at any particular time to be paid to the Trustee shall automatically be reduced to the extent of any payment made by AGM under the Reserve Policy, provided that, to the extent of the reimbursement of such payment by the District to AGM, the amount available under the Reserve Policy shall be reinstated in full or in part, in an amount not to exceed the limit available under the Policy, as described above.

The Reserve Policy does not insure against nonpayment caused by the insolvency or negligence of the Trustee.

Additional Payments

In addition to the Lease Payments, the District shall also pay such Additional Payments as shall be required for the payment of all administrative costs of the Corporation relating to the Property or the Certificates, including without limitation, all expenses, compensation and indemnification of the Trustee payable by the District under the Trust Agreement, fees and payments due to the Insurer in connection with the Policy or the Reserve Insurer in connection with the Reserve Policy, if any, fees and payments to the provider of any other Reserve Facility, taxes of any sort whatsoever payable by the Corporation as a result of its interest in the Property or undertaking of the transactions contemplated in the Lease or the Trust Agreement, fees of auditors, accountants, attorneys or engineers, and all other necessary administrative costs of the Corporation or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Certificates or of the Trust Agreement, including premiums or insurance maintained

pursuant to the Lease to indemnify the Corporation and its employees, officers and directors, and the Trustee and its agents, successors and assigns. The District's obligation to make Additional Payments will be abated in the event of, and to the extent of, substantial interference with use and possession of the Property arising from damage, destruction, or taking by eminent domain or condemnation of the Property. See "RISK FACTORS – Abatement" herein.

Title and Rental Interruption Insurance

Pursuant to the Lease, the District will obtain a California Land Title Association ("CLTA") leasehold title insurance policy on the Property in an amount equal to the aggregate principal component of Certificates Outstanding. The Lease also requires that the District maintain rental interruption insurance to insure against loss of Lease Payments from the Property in an amount not less than the maximum remaining scheduled Lease Payments in any future 24-month period. The District is obligated to obtain a standard comprehensive general public liability and property damage insurance policy or policies and workers' compensation insurance. The District is also obligated to procure and maintain casualty insurance providing coverage against loss or damage to the Property. The District is not required to maintain flood or earthquake insurance. See "RISK FACTORS – Natural Disasters; Absence of Earthquake and Flood Insurance" herein, and APPENDIX A – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Lease – Insurance" attached hereto.

The proceeds of any rental interruption insurance will be paid to the Trustee and deposited in the Lease Payment Fund to be credited towards the payment of the Lease Payments in the order in which such Lease Payments become due and payable. The Lease requires the District to apply the Net Proceeds of any insurance award received by it either to replace or repair the Property or to prepay Certificates if certain certifications with respect to the adequacy of the Net Proceeds to make repairs, and the timing thereof, cannot be made. The amount of Lease Payments will be abated and Lease Payments due under the Lease may be reduced during any period in which material damage or destruction to all or part of the Property substantially interferes with the District's use and possession thereof. See "RISK FACTORS – Extraordinary Prepayment from Net Proceeds," and "– Abatement" herein.

Defaults and Remedies

Upon an Event of Default with respect to the Certificates, as described below, the District will be deemed to be in default under the Lease, and the Trustee may exercise any and all remedies available pursuant to law or granted pursuant to the Lease. Upon any such default, including a failure to pay Lease Payments, the Trustee as assignee of the Corporation may either (1) terminate the Lease and recover certain damages or (2) continue to collect rent from the District on an annual basis by seeking a separate judgment for that year's defaulted Lease Payments and/or reenter the Leased Property and relet it. See APPENDIX A – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Lease Agreement – Events of Default and Remedies" attached hereto. In the event of default, there is no remedy of acceleration of the District's total Lease Payments due over the term of the Lease, and the Trustee is not empowered to sell the Leased Property and use the proceeds of such sale to prepay the Certificates or pay debt service with respect thereto.

Events of Default under the Lease include (i) the failure of the District to pay any Lease Payment by the corresponding Lease Payment Date, (ii) the failure of the District to observe and perform any covenant, condition or agreement of the Trust Agreement or the Lease to be kept or performed by the District after notice and the elapse of a 30-day grace period, and (iii) the filing by the District of a case in bankruptcy, or the subjection of any right or interest of the District under the Lease to any execution, garnishment or attachment, or adjudication of the District as bankrupt, or assignment by the District for the benefit of creditors, or the entry by the District into an agreement of composition with creditors, or the approval by a

court of competent jurisdiction of a petition applicable to the District in any proceedings instituted under the provisions of the federal bankruptcy code, as amended, all as more particularly described in APPENDIX A – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Lease Agreement – Events of Default and Remedies” attached hereto.

ESTIMATED SOURCES AND USES OF PROCEEDS

The estimated uses of total proceeds, reflecting proceeds to be received from the sale of the Certificates, are as follows:

<u>Sources</u>	<u>Total</u>
Principal Amount	\$15,145,000.00
Original Issue Premium	209,702.40
Total	<u>\$15,354,702.40</u>
<u>Uses</u>	
Project Fund ⁽¹⁾	\$15,000,000.00
Underwriter’s Discount	75,725.00
Delivery Costs ⁽²⁾	<u>278,977.40</u>
Total	<u>\$15,354,702.40</u>

⁽¹⁾ Reflects the deposit to the Project Fund for Project Costs.

⁽²⁾ Reflects all initial costs of executing and delivering the Certificates, including but not limited to the legal and municipal advisory fees, rating agency fees, printing fees, the fees of the Trustee, Policy and Reserve Policy premiums, and other miscellaneous costs of delivery.

RISK FACTORS

The following factors, together with all other information provided in this Official Statement, should be considered by potential investors in evaluating the purchase of the Certificates. The discussion below does not purport to be, nor should it be construed to be, complete nor a summary of all factors which may affect the financial condition of the District, the District’s ability to make Lease Payments in the future, the effectiveness of any remedies that the Trustee may have or the circumstances under which Lease Payments may be abated. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

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

General Considerations - Security for the Certificates

The obligation of the District to make the Lease Payments does not constitute a debt of the District or of the State or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the District or the State is obligated to levy or pledge any form of taxation or for which the District or the State has levied or pledged any form of taxation.

Although the Lease does not create a pledge, lien or encumbrance upon the funds of the District, the District is obligated under the Lease to pay the Lease Payments and Additional Payments from any source of legally available funds, and the District has covenanted in the Lease that it will take such action as may be necessary to include all Lease Payments and Additional Payments due under the Lease in its annual budgets and to make necessary annual appropriations for all such rental payments. The District is currently liable and may become liable on other obligations payable from general revenues, some of which may have a priority over the Lease Payments.

The District has the capacity to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the District, the funds available to make Lease Payments may be decreased. In the event the District's revenue sources are less than its total obligations, the District could choose to fund other activities before making Lease Payments and other payments due under the Lease.

Extraordinary Prepayment from Net Proceeds

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

Constitutional and Statutory Provisions Affecting Taxes and Appropriations

Article XIII B of the State Constitution places certain limits on the appropriations the District is permitted to make. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING TAXES AND APPROPRIATIONS" herein.

Abatement

The obligation of the District under the Lease to pay Lease Payments is in consideration for the use and possession of the Property. The obligation of the District to make Lease Payments (as well as Additional Payments and the Reserve Replenishment Rent) may be abated in whole or in part if the District does not have full use and possession of the Property.

The amount of Lease Payments (as well as Additional Payments and Reserve Replenishment Rent) due under the Lease will be adjusted or abated during any period in which by reason of damage, destruction or taking by eminent domain or condemnation, there is substantial interference with the use and possession of any portion of the Property. During abatement, available moneys on deposit in the Lease Payment Fund, the Reserve Fund, and other special sources of money, including without limitation proceeds of rental interruption insurance, shall be applied to pay the Lease Payments and Additional Payments, as applicable.

If damage or destruction to the Property results in abatement or adjustment of Lease Payments and the resulting Lease Payments or other special sources of money, including without limitation proceeds of rental interruption insurance, are insufficient to make all payments of principal and interest due with respect to the Certificates during the period that the Property is being replaced, repaired or reconstructed, then such payments of principal and interest may not be made, and the only remedy available to the Trustee or Owners will be the proceeds from rental interruption insurance. Such insurance is required to provide coverage of Lease Payments for up to two years during this period.

Notwithstanding the foregoing provisions of the Lease and the Trust Agreement specifying the extent of abatement in the event of the District's failure to have use and possession of the Property, such

provisions may be superseded by operation of law and, in such event, the resulting Lease Payments of the District may not be sufficient to pay all of that portion of the remaining principal and interest with respect to the Certificates Outstanding.

Natural Disasters; Absence of Earthquake and Flood Insurance

The District, like much of the State, may be subject to unpredictable seismic activity, fires, floods, droughts and other natural disasters. Many areas of the State is seismically active, which presents a potential risk for damage to buildings, roads and property within the District, including the Property. The Property is not located within an Alquist-Priolo Earthquake Study Zone or other geological faults. The Property is not within a 100-year flood plain.

The District is not obligated under the Lease to procure and maintain, or cause to be procured and maintained, earthquake or flood insurance on the Property being leased, and does not anticipate doing so. Thus, if seismic activity, flooding or other natural disasters caused significant damage to the Property, the value of such property could be adversely affected. The District is not able to predict whether or to what extent such damage might occur.

Public school construction in the State, including the school facilities constructed on the Property, are entitled and approved through the California Division of State Architect (“DSA”), which reviews building plans and calculations based on three sets of criteria: Seismic and Engineering; Fire, Life, Safety; and Access. DSA applies the State building code standards and requires that certain buildings are compliant with the Field Act for Public Schools set forth in Education Code Sections 17280 and 81130 *et seq.* (the “Field Act”). The Field Act sets forth structural design standards to enable school buildings meet a higher threshold of seismic safety, ensuring safety for students and building occupants in the event of an earthquake.

Seismic Events. The District is not located within hazard areas identified by the Tsunami Hazard Area Map (“THAP”) for the County. THAPs are produced jointly by the California Geological Survey and the Governor’s Office of Emergency Services to assist cities and counties identify potential areas of inundation and other damage related to a tsunami event. The District is located in a seismically cleared space, but an earthquake of large magnitude could result in extensive damage to property within the District and could adversely affect the assessed valuation of property within the District, or more generally the region’s economy.

Sea Level Rise. The County’s most recent Multi-Jurisdictional Local Hazard Mitigation Plan (2023) identified a risk to coastal areas of the County resulting from sea level rise. Various other state and local agencies have produced reports or assessments in connection with planning for the potential effects of sea level rise, which could include extensive coastal flooding during storms, periodic tidal flooding, and increased erosion. The District is unable to predict whether sea level rise, or associated impacts thereof, will occur, and if any such events occur, whether they will have a material adverse effect on the assessed valuation of property within the District, the financial condition of the District or more generally the region’s economy.

Drought. In recent years, the State has experienced severe drought conditions. In January of 2014, the Governor of the State (the “Governor”) declared a statewide Drought State of Emergency. As of such date, the State faced water shortfalls due to the driest year in recorded State history, the State’s river and reservoirs were below their record low levels, and manual and electronic readings recorded the water content of snowpack at the highest elevations in the State (chiefly in the Sierra Nevada mountain range) at about 20% of normal average for the winter season. Following the Governor’s declaration, the California State Water Resources Control Board (the “Water Board”) issued a statewide notice of water shortages and

potential future curtailment of water right diversions. In April 2017, the Governor lifted the drought emergency declaration, while retaining a prohibition on wasteful practices and advancing conservation measures. In April 2021, the Governor announced regional drought emergencies in two Northern California counties following two years of dry conditions. On May 10, 2021, the Governor expanded the emergency drought declaration to include an additional 39 counties throughout the State. On July 8, 2021, the Governor expanded the declaration to further include an additional nine counties. On October 19, 2021, the Governor extended the declaration to include the remaining counties in the State, such that the drought state of emergency was in effect Statewide.

Significant snowfall and precipitation in the State commencing in January 2023 have generally eliminated most of the State's drought conditions. According to the U.S. Drought Monitor, portions of the State in the far north and lower southeastern regions continue to be classified in the abnormally to severe drought categories, however the majority of the State, including the County, is currently classified as having no drought conditions. In addition, on March 24, 2023, the Governor rescinded most of his emergency drought declarations, including Executive Order N-27-22. The District cannot predict if there will be future drought conditions and related water usage restrictions imposed in the future.

Wildfire. In addition, major wildfires have occurred in recent years in different regions of the State, including significant fires throughout the fall of 2020 and summer of 2021. The District did not sustain any damage as a result of the recent fires. The Governor has previously signed a number of measures into law intended to address a variety of issues related to mitigating the risk of wildfires, including forest management, mutual aid for fire departments, emergency alerts and other safety mandates.

The District is near an area which the Department of Forestry and Fire Protection of the State of California has designated as a high fire hazard severity zone. Mapping of the areas, referred to as Fire Hazard Severity Zones (FHSZ), is based on data and models of, potential fuels over a 30-50 year time horizon and their associated expected fire behavior, and expected burn probabilities to quantify the likelihood and nature of vegetation fire exposure (including firebrands) to new construction. More information regarding Fire Hazard Severity Zones, including the most recent Fire Hazard Severity Zone Maps, can be found at the California Department of Forestry and Fire Protection website at <https://osfm.fire.ca.gov/divisions/wildfire-planning-engineering/wildland-hazards-building-codes/fire-hazard-severity-zones-maps/>, though such website is not incorporated herein by reference.

Climate Change. In addition to the events described above, climate change caused by human activities may have adverse effects on the assessed value of property within the District. As greenhouse gas emissions continue to accumulate in the atmosphere as a result of economic activity, many scientists expect that climate change will intensify, increasing the frequency, severity and timing of extreme weather events, such as coastal storm surges, drought, wildfires, floods, heat waves, and rising sea levels. See also “—Drought,” “—Sea Level Rise” and “—Wildfires” above. Projections of the impact of global climate change are complex and depend on a variety of factors outside of the District's control. The various scientific studies that forecast the amount and timing of adverse impacts of climate change are based on assumptions contained in such studies, but actual events may vary materially. In addition, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the District is unable to forecast with certainty when or if adverse impacts of climate change will occur or the extent of such impacts.

Outbreak of Disease; COVID-19

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

The spread of COVID-19 continues to have significant negative impacts throughout the world, including in the District. The World Health Organization declared the COVID-19 outbreak to be a pandemic, and states of emergency were previously declared by the WHO, the State and the United States. The purpose behind these declarations was to coordinate and formalize emergency actions and across federal, State and local governmental agencies, and to proactively prepare for the then-expected wider spread of the virus. All such states of emergency have since been lifted.

To date there have been millions of confirmed cases in the United States, and over one million deaths related to COVID-19. Although vaccines and vaccine boosters are currently widely available, no representation can be made as to whether the number of cases will continue to grow. The COVID-19 outbreak resulted in the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools through much of 2020 and portions of 2021, as well as supply chain issues and significant increases in inflation as these restrictions and closures have been lifted. Stock markets in the U.S. and globally have been volatile, with significant declines attributed to coronavirus concerns.

Federal Response. On March 27, 2020 the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) was signed by the President of the United States. The CARES Act appropriated over \$2 trillion to, among other things, (i) provide cash payments to individuals, (ii) expand unemployment assistance and eligibility, (iii) provide emergency grants and loans for small businesses, (iv) provide loans and other assistance to corporations, including the airline industry, (v) provide funding for hospitals and community health centers, (vi) expand funding for safety net programs, including child nutrition programs, and (vii) provide aid to state and local governments. On December 27, 2020, the President of the United States signed the Coronavirus Relief and Response Supplemental Appropriations Act, 2021 (“CRRSA”), which included approximately \$900 billion worth of provisions for additional COVID-related relief, including extension of or additional funding for various relief programs implemented by the CARES Act. The CRRSA provided approximately \$82 billion of COVID-19 related relief for education, including \$54.3 billion for K-12 schools (largely through Title I funding), \$22.7 billion for higher education and \$4 billion for state governors to spend at their discretion. On March 12, 2021, the President signed the American Rescue Plan Act of 2021 (the “American Rescue Plan”), which provides approximately \$1.9 trillion in federal economic stimulus intended to accelerate the recovery from the COVID-19 pandemic. The American Rescue Plan provides direct payments to individuals, extends unemployment benefits, provides funding to distribute COVID-19 vaccines and provides funding for schools, higher education institutions, state, tribal governments and businesses. On January 30, 2023, the Office of the President announced its intent to end the national emergency and public health emergency declarations on May 11, 2023.

State Response. In response to the COVID-19 pandemic, on March 17, 2020, Senate Bill 89 (“SB 89”) and Senate Bill 117 (“SB 117”) were signed by the Governor, both of which took effect immediately. SB 89 amended the Budget Act of 2019 by appropriating \$500,000,000 from the State general fund for any purpose related to the Governor’s March 4, 2020 emergency proclamation. SB 117, among other things, (i) specified that for school districts that comply with Executive Order N-26-20, the ADA reported to the State Department of Education for the second period and the annual period for apportionment purposes for the 2019-20 school year only includes all full school months from July 1, 2019 through February 29, 2020, (ii) prevented the loss of funding related to an instructional time penalty because of a school closed due to the COVID-19 by deeming the instructional days and minutes requirements to have been met during the period of time the school was closed due to COVID-19, (iii) required a school district to be credited with the ADA it would have received had it been able to operate its After School Education and Safety Program during the time the school was closed due to COVID-19, and (iv) appropriated \$100,000,000 from the State general fund to the State Superintendent to be apportioned to certain local educational agencies for purposes of purchasing personal protective equipment, or paying for supplies and labor related to cleaning school sites. Additionally, the Governor, on March 4, 2021, signed into law Assembly Bill 86 (“AB 86”), urgency legislation which provided approximately \$6.6 billion to accelerate the return of in-person school instruction

and expand student support.

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

District Response. As a result of the outbreak of COVID-19, the District closed its schools for in-person learning for the remainder of the 2019-20 school year effective March 2020 and began instruction through distance learning for the remainder of the 2019-20 academic year. The District opened the 2020-21 school year in an all distance learning environment, but a portion of the academic year was a hybrid of in-person and remote learning. Beginning in academic year 2021-22, the District opened up to in-person instruction with an independent study option in accordance with legal requirements.

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

The District has received or has been awarded \$46,813,401 in COVID-19-related relief funding, of which the District has spent or encumbered \$33,420,372. This funding includes (i) \$6,278,354 in Coronavirus Relief (CRF) Learning Loss Mitigation, and \$317,313 in State Learning Loss Mitigation Funds, (ii) \$2,288,527 from the Elementary and Secondary School Emergency Relief Fund (“ESSER I”) funded by the CARES Act, (iii) \$9,062,797 from ESSER (“ESSER II”) funded by the Consolidated Appropriations Act, 2021, (iv) \$20,372,635 from ESSER (“ESSER III”) funded by the American Rescue Plan, (v) \$225,402 from the Governor’s Emergency Education Relief, (vi) \$2,786,110 for In-Person Instruction, (vii) \$5,071,589 from the Expanded Learning Opportunities Grant, (viii) \$110,671 of SB 177 funding, (ix) Special Education Learning Recovery Support of \$283,534, and (x) \$195,375 from the Special Education IDEA American Rescue Plan Grant. The District also expects to receive \$52,120 from the American Rescue Plan – Homeless Children and Youth II, which the District expects to spend during fiscal year 2023-24. The District, however, can make no representation whether all expected funds will be received or full expended, or what the timing of receipt of such funds might be.

Other potential impacts to the District associated with the COVID-19 outbreak include, but are not limited to, increasing costs and challenges relating to establishing distance learning programs or other measures to permit instruction when schools are closed, disruption of the regional and local economy with corresponding decreases in tax revenues, including property tax revenue, sales tax revenue and other revenues, increases in tax delinquencies, potential declines in property values, and decreases in new home sales, and real estate development. The economic consequences and the volatility in the U.S. and global stock markets resulting from the spread of COVID-19, and responses thereto by local, State, and the federal

governments, could have a material impact on the investments in the State pension trusts, which could materially increase the unfunded actuarial accrued liability of the STRS Defined Benefit Program and PERS Schools Pool, which, in turn, could result in material changes to the District's required contribution rates in future fiscal years. See "DINUBA UNIFIED SCHOOL DISTRICT – Retirement Programs" herein.

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

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

Other Limitations on Liability

Although the District covenants to budget and appropriate annually to provide for Lease Payments, the District has not pledged its full faith and credit to such payment. In the event that the District's revenue sources are less than its total obligations in any year, the District could choose to fund other District services before paying one or all of the annual Lease Payments.

Except as expressly provided in the Trust Agreement, the Corporation shall not have any obligation or liability to the Owners with respect to the payment when due of the Lease Payments by the District, or with respect to the performance by the District of other agreements and covenants required to be performed by it contained in the Lease or the Trust Agreement, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

The enforceability of the rights and remedies of the Owners of the Certificates, and the obligations incurred by the District, may become subject to the following: the Federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners 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.

No Acceleration Upon Default

In the event of a default by the District, the remedy of acceleration of the remaining Lease Payments is not available. The District will only be liable for Lease Payments on an annual basis, and the Trustee would in the event of default be required to seek a separate judgment each year for that year's defaulted Lease Payments. Any such suit for money damages would be subject to limitations on legal remedies against public agencies in the State.

Limited Recourse on Default

The Lease and the Trust Agreement provide that the Trustee may take possession of the Property and re-lease it if there is a default by the District and that, in the event such re-leasing occurs, the District would be liable for any resulting deficiency in the Lease Payments. The Lease provides that the Trustee may have such rights of access to the Property as may be necessary to exercise any remedies. Portions of the Property may not be easily recoverable, because they may be affixed to property not owned by the District and, even if recovered, may be of little or no value to others. Furthermore, due to the essential nature of the Property in relation to the District, it is not certain whether a court would permit the exercise of the remedies of repossession and leasing with respect thereto. The Trustee is not empowered to sell the Property for the benefit of the Owners. In the event of a default, there is no available remedy of acceleration of the total Lease Payments due over the term of the Lease. The District will be liable for Lease Payments only on an annual basis, and the Trustee would be required to seek a separate judgment in each fiscal year for that fiscal year's Lease Payments.

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

Substitution of Property

The Lease provides that, upon the satisfaction of certain conditions specified therein, the District may substitute other public facilities or real property for all or any portion of the Property. See APPENDIX A – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Lease – Covenants with Respect to the Property – Substitution or Release of the Property" attached hereto. The Lease requires that any property which will comprise the Property after such a substitution must have a useful life and fair rental value at least equal to the useful life and fair rental value of the Property at the time of substitution. Such a replacement could have an adverse impact on the security for the Certificates, particularly if an event requiring abatement of Lease Payments, Additional Payments and Reserve Replenishment Rent were to occur subsequent to such substitution.

Risks Relating to Certificate Insurance

In the event that the District defaults in the payment of principal or interest with respect to the Certificates when due, the Owners will have a claim under the Policy obtained in connection with the Certificates. In the event that the Insurer becomes obligated to make payments with respect to the Certificates, no assurance can be given that such event will not adversely affect the market for the Certificates. In the event that the Insurer is unable to make payments of principal or interest with respect to the Certificates when due under the Policy, the Certificates will be payable solely as described herein. See "SECURITY AND SOURCES OF PAYMENT OF THE CERTIFICATES" herein.

Neither the District nor the Underwriter will make an independent investigation of the claims-paying ability of the Insurer, and no assurance or representation regarding the financial strength or projected financial strength thereof is being made by the District or the Underwriter in this Official Statement. Therefore, when making an investment decision with respect to the Certificates, potential investors should carefully consider the ability of the District to pay principal and interest with respect to the Certificates, assuming that the Policy is not available, and the claims-paying ability of the Insurer through final maturity of the Certificates.

Property Values

The District has estimated the value of the real property constituting the Property. See “THE PROPERTY” herein. The estimate makes certain assumptions which could affect the estimate of the property value. If any of these assumptions are proven incorrect, there could be a negative impact on value.

The estimates as to values are merely the opinions of the District as of the date the Property was last insured. The District has not sought the opinion of any appraiser. A different opinion of such value might be rendered by an appraiser.

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

THE CORPORATION

The Public Property Financing Corporation of California, a nonprofit public benefit corporation was incorporated on April 18, 1991 pursuant to the Nonprofit Public Benefit Corporation Law of the State (Title 1, Division 2, Part 2 of the Corporations Code). The Corporation was organized for the primary purpose of providing financial assistance to public agencies in the State by acquiring, constructing, improving and financing various facilities, land and equipment, and by leasing facilities, land and equipment for the use of such public agencies.

DISTRICT FINANCIAL INFORMATION

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. Beginning in fiscal year 2013-14, school districts have been funded based on a

uniform system of funding grants assigned to certain grade spans. See “—Local Control Funding Formula” herein.

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

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

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

The Base Grants for grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in early grades and the provision of career technical education in high schools. Unless otherwise collectively bargained for, school districts serving students in grades K-3 must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site in order to continue receiving the adjustment to the K-3 Base Grant. Such school districts must also make progress towards this class size reduction goal in proportion to the growth in their funding over the implementation period. The LCFF also provides additional add-ons to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs under the prior funding formula. The State budget for fiscal year 2021-22 also implemented a plan to expand the LCFF to include Transitional Kindergarten (TK) to all four-year olds. This plan is expected to phase in cohorts of TK students over a four-year period, concluding in fiscal year 2025-26. As a result, school districts that serve TK students will be eligible to receive an add-on equal to \$2,813, multiplied by such district’s second principal reporting period ADA for TK students for the current fiscal year. Beginning in fiscal year 2023-24, this add-on is subject to COLA adjustments to the same degree as LCFF Base Grants.

School districts that serve students of limited English proficiency (“EL” students), students from low income families that are eligible for free or reduced priced meals (“LI” students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI (foster youth automatically meet the eligibility requirements for free or reduced priced meals, and are therefore not discussed herein separately). School districts that serve EL/LI students are eligible for a supplemental grant add-on (each, a “Supplemental Grant”), equal to 20% of the applicable Base Grant multiplied by such districts’ percentage of unduplicated EL/LI student enrollment. School

districts whose EL/LI populations exceed 55% of their total enrollment are also eligible for a concentration grant add-on (each, a “Concentration Grant”) equal to 65% of the applicable Base Grant multiplied the percentage of such district’s unduplicated EL/LI student enrollment in excess of the 55% threshold.

The table on the following page shows a breakdown of the District’s ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment, for fiscal years 2017-18 through 2022-23, and budgeted figures for fiscal year 2023-24.

ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Fiscal Years 2017-18 through 2023-24
Dinuba Unified School District

Fiscal Year	Average Daily Attendance⁽¹⁾			Enrollment⁽²⁾		
	<u>K-3</u>	<u>4-6</u>	<u>7-8</u>	<u>Total ADA</u>	<u>Total Enrollment</u>	<u>% of EL/LI Enrollment</u>
2017-18	1,886	1,385	946	6,278	6,579	85%
2018-19	1,854	1,403	958	6,319	6,659	85
2019-20	1,815	1,478	912	6,329	6,670	85
2020-21 ⁽³⁾	1,775	1,405	910	6,329	6,640	86
2021-22	1,636	1,306	942	5,929	6,592	89
2022-23	1,615	1,318	943	5,918	6,507	84
2023-24 ⁽⁴⁾	1,709	1,385	947	6,141	6,659	85

⁽¹⁾ Except for fiscal years 2019-20, reflects ADA as of the second principal reporting period (“P-2 ADA”), ending on or before the last attendance month prior to April 15 of each school year. An attendance month is equal to each four-week period of instruction beginning with the first day of school for a particular school district. For fiscal year 2019-20, due to the outbreak of COVID-19, P-2 ADA only reflects full school months from July 1, 2019 through February 29, 2020. See “– Considerations Regarding COVID-19” herein.

⁽²⁾ Reflects certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System (“CALPADS”) in each school year and used to calculate each school district’s unduplicated EL/LI student enrollment. Adjustments may be made to the certified EL/LI counts by the State Department of Education. CALPADS figures exclude preschool, extended transitional kindergarten, adult transitional students. For purposes of calculating Supplemental and Concentration Grants, a school district’s percentage of unduplicated EL/LI students is 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.

⁽³⁾ Due to COVID-19, the ADA and enrollment figures for fiscal year 2020-21 are the same as those from fiscal year 2019-20.

⁽⁴⁾ Budgeted.

Source: *Dinuba 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 and the target LCFF allocations owed to such districts. To derive the projected funding levels, the LCFF assumes the discontinuance of deficit revenue limit funding, implementation of COLAs, and restoration of categorical funding to pre-recession levels. The ERT add-on will be paid incrementally over the implementing period of the LCFF. The District does not qualify for the ERT add-on.

The sum of a school district’s adjusted Base, Supplemental and Concentration Grants are 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 (the “State Legislature”) to school districts.

Certain school districts, known as “community funded” (previously 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. Community funded 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 community funded districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The District does not currently qualify as a community funded district.

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

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

Support and Intervention. AB 97, as amended by SB 91, established a new system of support and intervention to assist school districts in meeting 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 in identifying and implementing programs designed to improve outcomes. Assistance may be provided by the California Collaborative for Educational Excellence, a State agency created by the LCFF and charged with assisting school districts achieve the goals set forth in their LCAPs. The State Board of Education has developed rubrics to assess school district performance and the need for support and intervention.

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

Other Revenue Sources

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.

The District receives State aid from the California State Lottery (the “Lottery”), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for noninstructional purposes such as real property acquisition, facility construction, or the financing of research. Lottery revenues generally comprise approximately 2% of general fund revenues. Moreover, State Proposition 20 approved in March 2000 requires that 50% of the increase in Lottery revenues over fiscal year 1997-98 levels must be restricted to use on instruction material.

Federal and Local Sources. The federal government provides funding for several of the District’s 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 from leases and rentals, interest earnings, interagency services, developer fees, special tax revenues, pass-through tax increment revenues, parcel tax revenues, redevelopment revenues, foundation revenues, and other local sources.

Developer Fees. The District maintains a fund, separate and apart from the general fund, to account for developer fees collected by the District (the “Developer Fees”). State law requires that Developer Fees be spent only the construction or reconstruction of school facilities to accommodate growths in enrollment. The following table shows the Developer Fees received by the District from fiscal years 2018-19 through 2022-23.

DEVELOPER FEES
Fiscal Years 2018-19 through 2022-23
Dinuba Unified School District

<u>Year</u>	<u>Developer Fees</u>
2018-19	\$746,419
2019-20	2,147,411
2020-21	1,276,541
2021-22	694,756
2022-23	473,849

Source: Dinuba Unified School District.

Leases and Rentals. The District receives proceeds based on leases and rentals of our gymnasiums to the local community. The following table shows the fees received by the District due to leases and rentals from fiscal years 2018-19 through 2022-23.

LEASES AND RENTAL FEES
Fiscal Years 2018-19 through 2022-23
Dinuba Unified School District

<u>Year</u>	<u>Leases and Rental Fees</u>
2018-19	\$23,220
2019-20	32,043
2020-21	17,873
2021-22	30,091
2022-23	25,546

Source: Dinuba Unified School District.

Interest. The District receives interest quarterly. The following table shows the interest amounts received by the District from fiscal years 2018-19 through 2022-23.

INTEREST
Fiscal Years 2018-19 through 2022-23
Dinuba Unified School District

<u>Year</u>	<u>Interest</u>
2018-19	\$682,878
2019-20	1,054,254
2020-21	959,208
2021-22	879,801
2022-23	4,109,993

Source: Dinuba Unified School District.

Dissolution of Redevelopment Agencies

On December 30, 2011, the State Supreme Court issued its decision in the case of California Redevelopment Association v. Matosantos (“Matosantos”), finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all redevelopment agencies in the State ceased to exist as a matter of law on February 1, 2012.

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

legally required payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations.

Among the various types of enforceable obligations, the first priority for payment is tax allocation bonds issued by the former redevelopment agency; second is revenue bonds, which may have been issued by the host city, but only where the tax increment revenues were pledged for repayment and only where other pledged revenues are insufficient to make scheduled debt service payments; third is administrative costs of the Successor Agency, not to exceed \$250,000 in any year, to the extent such costs have been approved in an administrative budget; then, fourth is 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.

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

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

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

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

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.

2023-24 State Budget. On June 27, 2023, the Governor signed the State budget for fiscal year 2023-24 (the "2023-24 Budget"). The following information is drawn from the DOF and LAO summaries of the 2023-24 Budget.

The 2023-24 Budget reports that, after two years of growth, the State is projected to face a downturn in revenues driven by a declining stock market, persistently high inflation, rising interest rates and job losses in high-wage sectors. The 2023-24 Budget forecasts that the State will face a \$31.7 billion shortfall in fiscal year 2023-24. In its summary of the 2023-24 Budget, the LAO calculates the State's budget shortfall to be lower, at \$26.5 billion, and results from the administration including in its calculation the cost of some policies that had not yet been adopted by the State legislature.

To close the budget gap, the 2023-24 Budget includes a series of measures intended to avoid deep reductions to priority programs that marked budgetary shortfalls over the past two decades:

- *Fund Shifts* – \$9.3 billion in shifts of spending commitments from the State general fund to other sources.
- *Reductions/Pullbacks* – \$8.1 billion in State general fund spending reductions or pullbacks of previously approved spending.
- *Delays* – \$7.9 billion in delayed spending across multiple years, without reducing the amount of funding over the same period.
- *Revenue and Internal Borrowing* – \$6.1 billion in revenue, primarily from the Managed Care Organization tax, and internal borrowing from special fund balances not projected for programmatic purposes.
- *Trigger Reductions* – \$340 million in reductions that will be restored in the proposed State budget for fiscal year 2024-25 if there are sufficient resources to do so.

For fiscal year 2022-23, the 2023-24 Budget projects total general fund revenues and transfers of \$205.1 billion and authorizes expenditures of \$234.6 billion. The State is projected to end the 2022-23 fiscal year with total reserves of \$54.2 billion, including \$21.1 billion in the traditional general fund reserve, \$22.3 billion in the BSA, \$9.9 billion in the PSSSA and \$900 million in the Safety Net Reserve Fund. For fiscal year 2023-24, the 2023-24 Budget projects total general fund revenues and transfers of \$208.7 billion and authorizes expenditures of \$225.9 billion. The State is projected to end the 2023-24 fiscal year with total reserves of \$37.8 billion, including \$3.8 billion in the traditional general fund reserve, \$22.3 billion in the BSA, \$10.8 billion in the PSSSA and \$900 million in the Safety Net Reserve Fund. The 2023-24 Budget indicates that maintaining this level of reserves provides a prudent insurance policy, as the State continues to face revenue risks and uncertainty. Significantly, prolonged storm activity over the winter caused a tax filing delay affecting over 99% of tax filers in 55 of the State's 58 counties. This delay pushed the projected receipt of \$42 billion in State tax receipts into October, representing nearly one-fourth of the 2022-23 fiscal year's total projected personal income taxes, and nearly one third of the corporation tax.

The ending balance in the BSA is at the constitutional maximum amount, requiring any amounts in excess thereof to be dedicated to infrastructure improvements. The 2023-24 Budget also includes revised deposits to the PSSSA of \$4.8 billion and \$1.8 billion attributable to fiscal years 2021-22 and 2022-23, respectively, and authorizes a deposit in fiscal year 2023-24 of \$902 million. The balance of \$9.9 billion in the PSSSA in fiscal year 2022-23 triggers school district reserve caps in fiscal year 2023-24. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2” herein.

The 2023-24 Budget sets total funding for all K-12 education programs at \$129.2 billion, including \$79.5 billion from the State general fund and \$49.7 billion from other sources. The minimum funding guarantee in fiscal year 2023-24 is set at \$108.3 billion, including \$77.5 billion from the State general fund. The 2023-24 Budget also makes retroactive increases to the minimum funding guarantee in fiscal years 2021-22 and 2022-23, setting them at \$110.6 billion and \$107.4 billion, respectively. Test 1 is projected to be in effect over this three year period. For fiscal year 2023-24, the minimum funding guarantee increases by \$952 million (or 0.90%) relative to the revised 2022-23 level, and results from projected increases in property tax revenues that offset declines associated with lower State general fund revenue estimates. To accommodate enrollment increases related to the expansion of transitional kindergarten (as further described below), the 2023-24 Budget rebenchs the Test 1 percentage, from approximately 38.2% to 38.5%, to increase the percentage of State general fund revenues that count towards the minimum funding guarantee.

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

- *Local Control Funding Formula:* The 2023-24 Budget funds a COLA of 8.22% to LCFF apportionments. When combined with declining enrollment adjustments, this increases year-over-year discretionary funds available to local educational agencies by approximately \$3.4 billion. As a result, the adjusted LCFF Base Grants for fiscal year 2023-24 are as follows: (i) \$10,951 for grades TK-3, (ii) \$10,069 for grades 4-6, (iii) \$10,367 for grades 7 and 8, and (iv) \$12,327 for grades 9-12. The LAO notes that the 2023-24 Budget uses approximately \$1.6 billion in one-time, prior-year Proposition 98 resources to support the ongoing costs of the LCFF in fiscal year 2023-24. The LAO notes that this creates a structural gap, in that using one-time funds to cover ongoing costs will create a deficit in the Proposition 98 budget the following year. The 2023-24 Budget also provides an increase of \$80 million in ongoing Proposition 98 funding for county offices of education serving students in juvenile court and other alternative school settings. Finally, to complement efforts to identify and address student group and school site equity gaps through school district LCAPs, the 2023-24 Budget provides \$300 million in ongoing Proposition 98 funding to establish an Equity Multiplier as an add-on to the LCFF to accelerate gains in closing opportunity and outcome gaps, and \$2 million in ongoing Proposition 98 funding to support the work of equity leads within the Statewide system of support.
- *Categorical Programs:* \$556.3 million in ongoing Proposition 98 funding to reflect an 8.22% COLA for specified categorical programs that remain outside of the LCFF.
- *Universal Transitional Kindergarten:* The funding levels in the 2023-24 Budget reflect \$357 million in ongoing Proposition 98 funding to support the first year of expanded eligibility for transition kindergarten to include all children turning five years old between September 2, and February 2 in fiscal year 2022-23 (roughly 29,000 children). Additionally, the 2023-24 Budget reflects \$238 million of Proposition 98 funding to support one additional classified or certificated staff person in every transitional kindergarten class in fiscal year 2022-23. The 2023-24 Budget includes \$597 million in ongoing Proposition 98 funding to support the second year of expanded eligibility to include all children turning five years old between September 2 and April 2 (roughly 42,000 children), beginning in fiscal year 2023-24. Additionally, the 2023-

24 Budget includes \$165 million to support one additional certificated or classified employee in every transitional kindergarten class. The 2023-24 Budget also makes certain adjustments to the transitional kindergarten program, including (i) requiring that, commencing with the 2025-26 fiscal year, transitional kindergarten classrooms maintain a 1:10 adult-to-student ratio, (ii) enabling local educational agencies, in fiscal years 2023-24 and 2024-25, to enroll children whose fourth birthday falls between June 2 and September 1 in transitional kindergarten if classrooms meet the 1:10 ratio and maintain a total class size of 20 or less students, and (iii) extending the deadline for credentialed teachers to have earned 24 early education college credits, or its equivalent, or earned a child development teacher permit or early childhood education specialist credential. Finally, the 2023-24 Budget delays, to fiscal year 2024-25, \$550 million of funding previously approved to support the construction or retrofit of full-day kindergarten and preschool facilities.

- *Literacy:* \$250 million in one-time Proposition 98 funding for high-poverty schools, using evidence-based practices, to train and hire literacy coaches and reading specialists for one-on-one and small group interventions for struggling readers. The 2023-24 Budget also provides \$1 million in one-time Proposition 98 funding to support efforts to begin screening students in kindergarten through second grade for risk of reading difficulties, including dyslexia. Finally, the 2023-24 Budget provides \$1 million in one-time Proposition 98 funding to create a literacy roadmap to help educators navigate literacy resources provided by the State.
- *Educator Workforce:* The 2023-24 Budget includes a number of statutory changes to reduce barriers for those interested in entering the teacher profession, including (i) increasing the per-candidate allocation for the Teacher and School Counselor Residency Program, (ii) allowing greater time for residency candidates to complete their service requirements, (iii) providing additional ways for teachers to complete their teaching credentials, and (iv) allowing relocated U.S. military service members, or their spouses, to be issued a State teaching credential if they possess a valid, out-of-state credential. The 2023-24 Budget also provides \$10 million in one-time Proposition 98 funding for grants to local education agencies to provide culturally relevant support and mentorship for educators to become school administrators.
- *Arts and Cultural Enrichment:* On November 8, 2022, State voters approved Proposition 28, which requires that an amount equal to 1% of the prior year's minimum funding guarantee be allocated to schools to increase arts instruction and arts programs in public education. The 2023-24 Budget includes approximately \$938 million to fund this mandate. The 2023-24 Budget also reflects a reduction of approximately \$200 million in one-time Proposition 98 funding previously approved for the Arts, Music and Instructional Materials Block Grant.
- *Learning Recovery:* The 2022-23 State budget established the Learning Recovery Emergency Fund and appropriated \$7.9 billion in one-time Proposition 98 funding to establish a block grant to support local educational agencies in establishing learning recovery initiatives. The 2023-24 Budget delays approximately \$1.1 billion of such funding to fiscal years 2025-26 through 2027-28.
- *Home-to-School Transportation:* The 2022-23 State budget provided \$1.5 billion in one-time Proposition 98 funding, available over five years, to support the greening of school buses as part of a Statewide zero-emissions initiative. The 2023-24 Budget delays \$1 billion of this funding to fiscal years 2024-25 and 2025-26.

- *Nutrition:* \$154 million in additional ongoing Proposition 98 funding, and \$110 million in one-time Proposition 98 funding, to fully fund the universal school meals program in fiscal years 2022-23 and 2023-24.
- *Teacher Development:* \$20 million in one-time Proposition 98 funding to support the Bilingual Teacher Professional Development Program. The 2023-24 Budget also provides \$6 million in one-time federal funds to support grants to teacher candidates enrolled in a special education teacher preparation program who agree to teach at a high-need school site.
- *Reversing Opioid Overdoses:* \$3.5 million in ongoing Proposition 98 funding for all middle school, high school and adult school sites to maintain at least two doses of medication to reverse an opioid overdose on campus.
- *Restorative Justice:* \$7 million in one-time Proposition 98 funding to support local educational agencies opting to implement restorative justice best practices.
- *School Safety:* \$119.6 million in one-time federal funds authorized by the Bipartisan Safer Communities Act to support local educational agency activities related to improving school climates and school safety.
- *After School Education:* \$3 million in one-time federal funds to support after school programs in rural school districts.
- *Facilities:* The 2023-24 Budget reflects a decrease of \$100 million in State general fund support for the State school facilities program. The 2023-24 Budget includes \$30 million in one-time Proposition 98 funding to support eligible facilities costs for the Charter School Facility Grant Program, and \$15 million in one-time Proposition 98 funding to support grants to local educational agencies to acquire and install commercial dishwashers.

For additional information regarding the 2023-24 Budget, see the DOF and LAO websites at www.dof.ca.gov and www.lao.ca.gov. However, the information presented on such websites are not incorporated herein by any reference.

Future Actions and Events. The District cannot predict what additional 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.

Investment of District Funds

Most District funds are deposited with the Treasurer-Tax Collector of the County (the "Treasurer") to the credit of the proper fund of the District. The Treasurer is responsible for the investment of the funds of the County, and certain classes of involuntary depositors such as school districts (including District funds which will be used to make the Lease Payments), community college districts and certain special districts in the County, are required under state law to be deposited into the County treasury. In addition, certain

agencies invest certain of their funds in the County treasury on a voluntary basis. Deposits made by the County and the various local agencies are commingled in a pooled investment fund (the “Investment Pool”). For more information regarding the Investment Pool, see APPENDIX G – “TULARE COUNTY TREASURY POOL” attached hereto.

Accounting Practices

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

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

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

Comparative Financial Statements

The District’s general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The District’s audited financial statements for the year ended June 30, 2022 are included for reference in APPENDIX C attached hereto. The following table reflects the District’s audited general fund revenues, expenditures and changes in fund balance for fiscal years 2017-18 through 2021-22.

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AUDITED GENERAL FUND REVENUE, EXPENDITURES AND FUND BALANCES
Fiscal Years 2017-18 through 2021-22
Dinuba Unified School District

	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2021-22
REVENUES:					
LCFF Revenue	\$64,971,448	\$69,492,757	\$72,632,804	\$71,187,946	\$78,663,884
Federal Revenue	6,681,700	5,028,670	4,994,984	14,488,551	15,405,907
Other State Revenue	5,674,791	8,948,054	6,398,555	10,946,821	12,809,454
Other Local Revenue	<u>2,780,373</u>	<u>3,712,719</u>	<u>4,253,109</u>	<u>3,726,729</u>	<u>3,015,184</u>
Total Revenues	80,108,312	87,182,200	88,229,452	100,350,047	109,894,429
EXPENDITURES:					
Current					
Instruction	45,048,840	47,133,079	46,914,334	47,140,778	52,144,546
Instruction Related Activities:					
Instructional supervision and admin	2,515,813	2,706,592	2,899,552	2,548,437	3,694,457
Instructional Library, Media, Technology	3,757,892	3,484,991	3,471,791	5,701,746	4,741,038
School Site Administration	4,992,066	5,345,843	5,084,059	5,080,122	5,290,694
Pupil Services:					
Home-to-School Transportation	1,325,002	1,490,109	1,453,645	1,429,411	1,182,352
Food Services	--	--	91,039	119,997	106,060
All Other Pupil Services	5,047,111	6,110,682	6,494,300	6,570,031	8,557,609
General Administration:					
All Other General Administration	3,216,429	3,616,249	3,896,118	4,090,699	4,511,099
Plant Services	7,445,784	7,161,218	6,604,293	6,662,556	7,611,264
Facility Acquisition & Construction	306,440	203,326	571,253	--	239,056
Ancillary Services	1,121,332	1,127,858	1,139,245	853,694	1,114,219
Community Services	15,726	17,251	6,161	11,297	25,627
Transfer to other agencies	1,804,569	2,012,791	2,235,591	2,045,676	2,241,943
Debt Service					
Principal	1,006,208	1,055,761	1,107,191	1,155,587	715,436
Interest	<u>267,643</u>	<u>512,688</u>	352,666	245,691	319,372
Total Expenditures	77,870,855	81,978,438	82,321,238	83,655,722	92,494,772
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,237,457	5,203,762	5,908,214	16,694,325	17,399,657
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	--	52,016	677,921	7,065,040	4,803,498
Other sources	--	6,220,354	--	--	--
Operating Transfers Out	<u>(96,995)</u>	<u>(555,961)</u>	--	<u>(18,842,590)</u>	<u>(12,997,185)</u>
Total Other Sources & Uses	(96,995)	5,716,409	677,921	(11,777,550)	(8,193,687)
NET CHANGE IN FUND BALANCE	2,140,462	10,920,171	6,586,135	4,916,775	9,205,970
FUND BALANCE – JULY 1	<u>22,454,620</u>	<u>24,595,082</u>	<u>29,515,253⁽¹⁾</u>	<u>29,990,672⁽¹⁾</u>	<u>34,907,447</u>
FUND BALANCE – JULY 30	<u>\$24,595,082</u>	<u>\$35,515,253</u>	<u>\$36,101,388</u>	<u>\$34,907,447</u>	<u>\$44,113,417</u>

⁽¹⁾ Different from previous fund balance ending due to restatement.

Source: Dinuba Unified School District.

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. Additional amendments to the budget

process were made by Assembly Bill 2585, effective as of September 9, 2014. AB 2585 eliminated the dual budget cycle option for school districts; all school districts must now be on a single budget cycle.

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

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

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, must approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1. 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 school district's budget is approved, the school district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

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

Within the past five years, the District has submitted, and the County Superintendent of Schools has accepted, positive certifications on all of its interim financial reports.

General Fund Budgeting. The table on the following page show the District's general fund adopted budgets for the years 2019-20 through 2023-24, audited general fund results for the fiscal years 2019-20 through 2021-22, and estimated ending results for the fiscal year 2022-23.

GENERAL FUND BUDGETING⁽¹⁾
Fiscal Years 2019-20 through 2023-24
Dinuba Unified School District

	2019-20⁽²⁾		2020-21⁽²⁾		2021-22⁽²⁾		2022-23		2023-24
	<u>Budgeted</u>	<u>Audited</u>	<u>Budgeted⁽⁴⁾</u>	<u>Audited</u>	<u>Budgeted</u>	<u>Audited</u>	<u>Budgeted⁽³⁾</u>	<u>Unaudited⁽⁴⁾</u>	<u>Budgeted⁽⁴⁾</u>
REVENUES									
LCFF Sources	\$70,834,264	\$70,912,255	\$71,461,650	\$71,187,946	\$78,805,933	\$78,664,884	\$81,692,058	\$87,937,397	\$91,550,860
Federal Sources	7,200,442	5,058,489	14,766,620	14,528,915	20,929,203	15,553,695	16,929,659	15,847,811	16,997,834
Other State Sources	4,959,743	6,398,555	6,207,069	10,946,821	8,280,802	12,809,454	5,680,341	29,799,403	12,434,557
Other Local Sources	<u>2,361,277</u>	<u>3,881,327</u>	<u>3,188,199</u>	<u>3,684,743</u>	<u>3,568,506</u>	<u>2,866,471</u>	<u>3,927,405</u>	<u>6,556,305</u>	<u>4,085,684</u>
Total Revenues	85,355,726	86,250,626	95,623,538	100,348,425	111,584,444	109,893,504	108,229,463	140,140,916	125,068,935
EXPENDITURES									
Certificated Salaries	35,292,738	34,341,485	35,432,861	34,500,070	40,083,830	39,153,887	39,205,776	42,425,039	44,829,839
Classified Salaries	10,336,274	9,996,596	10,277,280	9,827,418	12,318,553	11,134,923	12,266,462	12,365,470	13,849,131
Employee Benefits	21,901,661	22,059,544	22,541,464	22,179,692	25,694,623	24,371,103	27,322,077	27,126,293	29,074,187
Books & Supplies	4,769,752	3,956,762	7,056,383	6,026,018	8,559,038	4,718,931	8,693,028	5,131,250	7,467,848
Services & Operating Expenditures	10,280,284	7,367,024	10,472,731	7,401,776	11,912,437	6,469,398	10,526,178	12,557,336	14,232,633
Capital Outlay	882,921	690,094	944,208	400,128	2,503,867	486,190	1,257,292	2,401,137	1,445,635
Other Outgo	4,080,103	3,695,448	3,702,246	3,446,954	4,282,058	3,276,751	4,520,782	2,978,511	4,852,514
Other Outgo – Transfers of Indirect Costs	<u>(148,128)</u>	<u>(179,683)</u>	<u>(158,610)</u>	<u>(137,096)</u>	<u>(232,946)</u>	<u>(116,411)</u>	<u>(218,730)</u>	<u>(114,036)</u>	<u>(222,931)</u>
Total Expenditures	87,927,270	81,927,270	90,268,563	83,644,960	105,121,460	92,494,772	103,572,865	104,871,001	115,528,856
Excess (Deficiency) of Revenues Over Expenditures	(2,039,879)	4,323,356	5,354,975	16,703,465	6,462,984	17,398,735	4,656,598	35,269,915	9,540,079
Other Financing Sources (Uses)									
Transfers In	677,921	677,921	7,065,040	7,065,040	5,803,659	8,634,533	--	--	--
Transfers Out	<u>(677,921)</u>	<u>(677,921)</u>	<u>(9,342,590)</u>	<u>(18,842,590)</u>	<u>(5,997,346)</u>	<u>(16,828,220)</u>	<u>(4,000,000)</u>	<u>(14,520,609)</u>	<u>(4,000,000)</u>
Net Financing Sources (Uses)	--	--	(2,277,550)	(11,777,550)	(193,687)	(8,193,687)	(4,000,000)	(14,520,609)	(4,000,000)
Net Change in Fund Balance	(2,039,879)	4,323,356	3,077,425	4,925,915	6,269,297	9,205,045	656,598	20,749,306	5,540,079
Fund Balance, July 1	<u>25,697,498</u>	<u>25,697,498</u>	<u>29,892,765</u>	<u>29,892,765</u>	<u>34,818,680</u>	<u>34,818,680</u>	<u>44,023,725</u>	<u>44,023,725</u>	<u>64,773,031</u>
Fund Balance, June 30	<u>\$23,657,619</u>	<u>\$30,020,854</u>	<u>\$32,970,190</u>	<u>\$34,818,680</u>	<u>\$41,087,977</u>	<u>\$44,023,725</u>	<u>\$44,680,323</u>	<u>\$64,773,031</u>	<u>\$70,313,110</u>

⁽¹⁾ The actual amounts reported do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance because revenues for Medi-Cal Billing Option and Medi-Cal Administrative Activities are presented as federal revenues here, while these amounts have been reclassified as local revenues in the Statement of Revenues, Expenditures, and Changes in Fund Balance.

⁽²⁾ From the District's comprehensive audited financial statements for fiscal years 2019-20 through 2021-22, respectively. Reflects unrestricted and restricted general fund activity.

⁽³⁾ From the District's 2022-23 Budget Report.

⁽⁴⁾ From the District's Unaudited Actuals for 2022-23, approved by the Board on August 29, 2023.

Source: Dinuba Unified School District.

District Debt Structure

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

Long-Term Debt. A schedule of changes in long-term debt for the year ended June 30, 2022 is show below:

	Balance July 1, 2021	Additions	Deductions	Balance June 30, 2022
General obligation bonds	\$23,324,269	\$723,694	\$1,600,000	\$22,448,963
Unamortized premium	<u>2,152,062</u>	--	<u>222,228</u>	<u>1,929,834</u>
Total general obligation bonds	25,476,331	723,694	1,822,228	24,377,797
Certificates of participation	5,410,000	--	640,000	4,770,000
Unamortized premium	199,368	--	10,493	188,875
Direct placements certificates of participation	<u>3,395,000</u>	--	<u>525,000</u>	<u>2,870,000</u>
Total certificates of participation	9,004,368	--	1,175,493	7,828,875
Career Technical Education Project Loans (OPSC)	4,161,679	6,000,000	765,775	9,395,904
Financed purchases	336,461	--	336,461	--
Compensated Absences	<u>616,914</u>	--	<u>145,810</u>	<u>471,104</u>
Net OPEB liability	9,605,486	33,235	--	9,638,721
Net pension liability	<u>81,843,475</u>	--	<u>39,371,115</u>	<u>42,472,360</u>
TOTAL	<u>\$131,044,714</u>	<u>\$6,756,929</u>	<u>\$43,616,882</u>	<u>\$94,184,761</u>

Source: Dinuba Unified School District.

General Obligation Bonds. The District has general obligation bonds secured by *ad valorem* taxes levied and collected within the District, on a parity basis with the Bonds, as described below. The following table shows the outstanding principal amount of general obligation bonded debt of the District as of August 1, 2023.

Summary of Outstanding General Obligation Bond Indebtedness Dinuba Unified School District

Issue Date	Issue Name	Original Principal Amount	Outstanding Principal as of August 1, 2023
12/20/2002	General Obligation Bonds, Election of 2002, Series 2002A	\$8,999,976.90	\$359,976.90
9/29/2005	General Obligation Bonds, Election of 2002, Series 2005	1,999,985.40	1,311,440.40
10/3/2006	General Obligation Bonds, Election of 2002, Series 2006	3,914,994.75	480,980.30
9/27/2007	General Obligation Bonds, Election of 2006, Series 2007	8,499,984.80	274,984.80
4/2/2009	General Obligation Bonds, Election of 2006, Series 2009	4,199,999.10	36,605.95
5/26/2016	2016 General Obligation Refunding Bonds	13,085,000.00	10,390,000.00
10/12/2022	General Obligation Bonds, Election of 2006, Series 2022	15,021,888.00	15,021,888.00
TOTAL		<u>\$55,721,828.95</u>	<u>\$27,875,876.35</u>

Source: Dinuba Unified School District.

COMBINED GENERAL OBLIGATION BONDED INDEBTEDNESS
Dinuba Unified School District

Year Ending (August 1)	2002 Authorization			2006 Authorization		2016 Refunding Bonds	2002 Series 2022 Bonds	Total Annual Debt Service
	2002 Series 2002A Bonds	2002 Series 2005 Bonds	2002 Series 2006 Bonds	2006 Series 2007 Bonds	2006 Series 2009 Bonds			
2024	\$1,105,000.00	\$100,000.00	\$200,000.00	--	\$185,000.00	\$1,002,950.00	\$166,375.00	\$2,759,325.00
2025	1,150,000.00	105,000.00	213,502.15	--	--	1,225,850.00	166,375.00	2,860,727.15
2026	1,195,000.00	120,000.00	214,400.26	--	--	1,270,350.00	166,375.00	2,966,125.26
2027	1,245,000.00	130,000.00	219,688.11	--	--	1,309,550.00	166,375.00	3,070,613.11
2028	--	1,320,000.00	355,000.00	--	--	1,356,050.00	166,375.00	3,197,425.00
2029	--	1,380,000.00	--	--	--	1,722,800.00	166,375.00	3,269,175.00
2030	--	1,445,000.00	--	1,000,000.00	--	785,550.00	166,375.00	3,396,925.00
2031	--	--	--	1,040,000.00	--	2,491,750.00	241,375.00	3,773,125.00
2032	--	--	--	1,080,000.00	--	363,750.00	251,375.00	1,695,125.00
2033	--	--	--	--	--	1,349,300.00	411,375.00	1,760,675.00
2034	--	--	--	--	--	--	1,836,375.00	1,836,375.00
2035	--	--	--	--	--	--	1,906,375.00	1,906,375.00
2036	--	--	--	--	--	--	1,986,375.00	1,986,375.00
2037	--	--	--	--	--	--	2,066,375.00	2,066,375.00
2038	--	--	--	--	--	--	2,146,375.00	2,146,375.00
2039	--	--	--	--	--	--	2,236,375.00	2,236,375.00
2040	--	--	--	--	--	--	2,326,375.00	2,326,375.00
2041	--	--	--	--	--	--	2,421,375.00	2,421,375.00
2042	--	--	--	--	--	--	2,516,375.00	2,516,375.00
2043	--	--	--	--	--	--	2,616,375.00	2,616,375.00
2044	--	--	--	--	--	--	2,726,375.00	2,726,375.00
2045	--	--	--	--	--	--	2,831,375.00	2,831,375.00
2046	--	--	--	--	--	--	2,946,375.00	2,946,375.00
2047	--	--	--	--	--	--	3,066,375.00	3,066,375.00
2048	--	--	--	--	--	--	3,191,375.00	3,191,375.00
Total	<u>\$4,695,000.00</u>	<u>\$4,600,000.00</u>	<u>\$1,202,590.52</u>	<u>\$3,120,000.00</u>	<u>\$185,000.00</u>	<u>\$12,877,900.00</u>	<u>\$38,889,375.00</u>	<u>\$65,569,865.52</u>

Source: Dinuba Unified School District.

Certificates of Participation. In August of 2015, the District executed and delivered \$6,235,000 of its Dinuba Unified School District Certificates of Participation (2015 Refunding Lease) (the “2015 Certificates”) to refinance its Certificates of Participation (2004). As of June 30, 2022, the principal balance outstanding on the 2015 Certificates was \$2,870,000.

The following table shows all future annual lease payments due with respect to the 2015 Certificates.

**CERTIFICATES OF PARTICIPATION
(2015 REFUNDING LEASE)
ANNUAL LEASE PAYMENTS
Dinuba Unified School District**

Year Ended <u>June 30,</u>	Principal <u>Amount</u>	<u>Interest</u>	Total <u>Debt Service</u>
2023	\$540,000	\$81,508	\$621,508
2024	560,000	66,172	626,172
2025	575,000	50,268	625,268
2026	590,000	33,938	623,938
2027	<u>605,000</u>	<u>17,182</u>	<u>622,182</u>
Total	<u>\$2,870,000</u>	<u>\$249,068</u>	<u>\$3,119,068</u>

Source: Dinuba Unified School District.

In June of 2019, the District executed and delivered \$6,000,000 of its Dinuba Unified School District Certificates of Participation (2019 School Financing Project) (the “2019 Certificates”). As of June 30, 2022, the principal balance outstanding on the 2019 Certificates was \$4,770,000.

The following table shows all future annual lease payments due with respect to the 2019 Certificates.

**CERTIFICATES OF PARTICIPATION
(2019 SCHOOL FINANCING PROJECT)
ANNUAL LEASE PAYMENTS
Dinuba Unified School District**

Year Ended <u>June 30,</u>	Principal <u>Amount</u>	<u>Interest</u>	Total <u>Debt Service</u>
2023	\$270,000	\$177,738	\$447,738
2024	275,000	172,338	447,338
2025	285,000	166,838	451,838
2026	295,000	161,138	456,138
2027	300,000	155,238	455,238
2028-2032	1,675,000	618,363	2,293,363
2033-2037	<u>1,670,000</u>	<u>275,313</u>	<u>1,945,313</u>
Total	<u>\$4,770,000</u>	<u>\$1,726,966</u>	<u>\$6,496,966</u>

Source: Dinuba Unified School District.

Ad Valorem Property Taxation

The information in this section describes ad valorem property taxation, assessed valuation, and other measures of the tax base of the District. Neither the Certificates nor the obligation of the District to make Lease Payments constitutes an obligation of the District for which the District is obligated to levy or pledge, or for which the District has levied or pledged, any form of ad valorem property or other taxation. Each Certificate represents a fractional and undivided interest in the Lease Payments and prepayments to be made by the District under the Lease. The District is obligated to pay Lease Payments from any source of legally available funds, and has covenanted in the Lease to include all Lease Payments coming due in its annual budgets and to make the necessary annual appropriations therefor.

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

Taxes are levied for each fiscal year on taxable real and personal property which is located 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 unsecured property. 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 respectively and become delinquent on December 10 and April 10 respectively. A 10% penalty attaches to any delinquent installment, plus a minimum \$10 cost on the second installment, plus any additional amount determined by the county treasurer-tax collector. Property on the secured roll with delinquent taxes is declared tax-defaulted on or about June 30 of the calendar year. Such property may thereafter be redeemed 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 relevant county.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent if they are not paid by August 31. In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1 of the fiscal year, and a lien may be recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the assessee; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on specific property of the assessee; (3) filing a certificate of delinquency for record in the county recorder’s office in order to obtain a lien on specified property of the assessee; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. See also “– Secured Tax Charges and Delinquencies” herein.

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

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

Future assessed valuation growth allowed under Article XIII A (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 K-14 school districts will share the growth of “base” revenues from the tax rate area. Each year’s growth allocation becomes part of each agency’s allocation in the following year.

Assessed Valuations

The assessed valuation of property in the District is established by the County assessor, except for public utility property which is assessed by the State Board of Equalization (“SBE”). Assessed valuations are reported at 100% of the “full cash value” of the property, as defined in Article XIII A of the State Constitution. For a discussion of how properties currently are assessed, see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING TAXES AND APPROPRIATIONS” herein.

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Property within the District has a total assessed valuation for fiscal year 2023-24 of \$2,188,251,945. The following table represents a 7-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 exemptions granted after such date in each year.

ASSESSED VALUATIONS
Fiscal Years 2017-18 through 2023-24
Dinuba Unified School District

Tulare County Portion

	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
2017-18	\$1,540,527,183	\$620,119	\$69,451,154	\$1,610,598,456
2018-19	1,617,365,073	620,119	72,145,002	1,690,130,194
2019-20	1,683,574,486	620,119	68,011,590	1,752,206,195
2020-21	1,753,385,638	415,369	69,024,543	1,822,825,550
2021-22	1,852,237,448	445,287	78,654,134	1,931,336,869
2022-23	1,962,190,331	445,287	95,956,111	2,058,591,729
2023-24	2,051,146,321	445,287	112,156,744	2,163,748,352

Fresno County Portion

	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
2017-18	\$12,024,031	--	\$2,429,000	\$14,453,031
2018-19	13,337,531	--	3,740,000	17,077,531
2019-20	13,710,290	--	4,459,800	18,170,090
2020-21	14,386,570	--	3,893,340	18,279,910
2021-22	14,875,014	--	5,948,400	20,823,414
2022-23	15,714,909	--	6,942,800	22,657,709
2023-24	16,704,693	--	7,798,900	24,503,593

Total District

	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
2017-18	\$1,552,551,214	\$620,119	\$71,880,154	\$1,625,051,487
2018-19	1,630,702,604	620,119	75,885,002	1,707,207,725
2019-20	1,697,284,776	620,119	72,471,390	1,770,376,285
2020-21	1,767,772,208	415,369	72,917,883	1,841,105,460
2021-22	1,867,112,462	445,287	84,602,534	1,952,160,283
2022-23	1,977,905,240	445,287	102,898,911	2,081,249,438
2023-24	2,067,851,014	445,287	119,955,644	2,188,251,945

Source: California Municipal Statistics, Inc.

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, outbreak of disease, 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, wildfire, drought, climate change, or toxic contamination, could cause a reduction in the assessed value of taxable property within the District. See “RISK FACTORS – Outbreak of Disease; COVID-19” herein.

Appeals and Adjustments of Assessed Valuations

Under California 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 (“SBE”), with the appropriate county board of equalization or assessment appeals board. County assessors may independently reduce assessed values as well based upon the above factors or reductions in the fair market value of the taxable property. In most cases, an 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 XIII A of the State Constitution. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A 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 XIII A 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 XIII A of the State Constitution.

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

Alternative Method of Tax Apportionment – “Teeter Plan”

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

The District participates in the California Statewide Delinquent Tax Finance Authority (“CSDTFA”). CSDTFA is a joint exercise of powers agency formed for the purpose of purchasing delinquent *ad valorem* property taxes of its members in accordance with Government Code Section 6516.6. The District anticipates that CSDTFA will from time to time purchase delinquent *ad valorem*

property tax receivables from the District. For the most recent fiscal year for which CSDTFA purchased delinquencies (the 2019-20 fiscal year, such delinquencies were purchased from the District at a purchase price equal to 110% thereof. Any penalty charges collected with respect to such delinquencies will be retained by CSDTFA. CSDTFA does not currently purchase *ad valorem* property tax receivables related to the payment of general obligation bonds of the District. See also “– *Ad Valorem* Property Taxation” herein.

Property tax delinquencies may be impacted by economic and other factors beyond the District’s or the County’s control, including the ability or willingness of property owners to pay property taxes during an economic recession or depression. An economic recession or depression could be caused by many factors outside the control of the District, including high interest rates, reduced consumer confidence, reduced real wages or reduced economic activity as a result of the spread of COVID-19 or other outbreak of disease or natural or manmade disaster. See “RISK FACTORS – Outbreak of Disease; COVID-19” herein.

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. dated as of September 22, 2023, for debt issued as of September 1, 2023. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

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

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

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

DINUBA UNIFIED SCHOOL DISTRICT

2023-24 Assessed Valuation: \$2,188,251,945

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 9/1/23</u>
State Center Community College District	1.886%	\$ 6,986,216
Dinuba Joint Unified School District	100.	27,875,877
Kings River Union School District	38.279	<u>452,649</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$35,314,742

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Tulare County Certificates of Participation	4.671	\$ 1,828,384
Tulare County Pension Obligation Bonds	4.671	9,389,644
Tulare County Office of Education Certificates of Participation	4.671	1,605,189
Fresno County General Fund and Pension Obligations	0.023 ⁽¹⁾	46,144
Dinuba Joint Unified School District Certificates of Participation	100.	6,830,000⁽²⁾
City of Dinuba General Fund Obligations	94.953	<u>18,397,369</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$38,096,730

OVERLAPPING TAX INCREMENT DEBT (Successor Agency): \$35,132,674

COMBINED TOTAL DEBT \$108,544,146⁽³⁾

Ratios to 2023-24 Assessed Valuation:

Direct Debt (\$27,875,877)	1.27%
Total Direct and Overlapping Tax and Assessment Debt	1.61%
Combined Direct Debt (\$34,705,877)	1.59%
Combined Total Debt	4.96%

Ratio to Redevelopment Successor Agency 2023-24 Incremental Valuation (\$906,683,727):

Total Overlapping Tax Increment Debt..... 3.87%

(1) 2022-23 ratios.

(2) Excludes the Certificates.

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

DINUBA UNIFIED SCHOOL DISTRICT

Introduction

The District is a joint unified school district organized under the laws of the State of California. The District was established July 1, 1998 as a unified school district combining the Dinuba Elementary School District and the Dinuba Joint Union High School District. The District provides K-12 and adult education within a 56 square mile area of Tulare County and a small portion of Fresno County. The District currently operates six elementary schools, one high school, one adult school, one continuation school, and one independent study school. For fiscal year 2023-24, the District has budgeted an ADA of 6,141 students. The fiscal year 2023-24 total assessed valuation of the area served by the District is \$2,188,251,945.

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: Dinuba Unified School District, Attention: Assistant Superintendent, Business Services, 1327 E. El Monte Way, Dinuba, California 93618.

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. The following table shows the current members and terms of the Board.

BOARD OF TRUSTEES Dinuba Unified School District

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Ron Froese	President	December 2024
Sandra Kizirian	Vice President	December 2026
Bev Keel-Worrell	Member	December 2026
Mary Villarreal	Member	December 2024
Miriam Cendejas	Member	December 2026

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Dr. Joe Hernandez is currently the District's Superintendent. Brief biographies of the Superintendent and the Chief Business Official follow:

Dr. Joe Hernandez, Superintendent. Dr. Hernandez joined the District as Superintendent in 2009. Prior to joining the District, Dr. Hernandez spent six years at Clovis Unified School District as Area Superintendent. Dr. Hernandez received his Doctorate from the University of California, Davis and his Bachelor's degree from California State University, Fresno in Education.

Rachel Nunez, Chief Business Official. Ms. Nunez joined the District as Chief Business Official in July 2021. Prior to joining the District, Ms. Nunez was an account for the Tulare County Office of Education from 2017 through 2021. Ms. Nunez received her Bachelor's degree and Master's in Business Administration from the University of Phoenix. In 2019, Ms. Nunez completed the Chief Business Officer Certification from California Association of School Business Officials.

Average Daily Attendance and Enrollment

On average throughout the District, the regular education pupil-teacher ratio is approximately 28:1 for grades K-3, 31:1 in grades 4-6, 32:1 in grades 7-8, and 32:1 in grades 9-12. The following table shows an seven-year ADA and enrollment history for the District, and a budgeted amount for the current fiscal year.

AVERAGE DAILY ATTENDANCE AND ENROLLMENT Fiscal Years 2016-17 through 2023-24 Dinuba Unified School District

<u>Fiscal Year</u>	<u>Average Daily Attendance⁽¹⁾</u>	<u>Enrollment⁽²⁾</u>
2016-17	6,258	6,586
2017-18	6,278	6,579
2018-19	6,319	6,659
2019-20	6,329	6,670
2020-21	6,329	6,640
2021-22	5,929	6,592
2022-23	5,918	6,507
2023-24 ⁽³⁾	6,141	6,659

Note: Rounded to the nearest whole number.

⁽¹⁾ Reflects P-2 ADA in each school year. Includes ADA of County-operated programs.

⁽²⁾ Except for fiscal year 2020-21, reflects certified enrollment as of the fall census day (the first Wednesday in October), which is reported to CALPADS in each school year and used to calculate each school district's unduplicated EL/LI student enrollment. Enrollment excludes charter school students. CALPADS figures exclude preschool and adult transitional students.

⁽³⁾ Budgeted.

Source: Dinuba Unified School District.

Labor Relations

The District currently employs 398 full-time certificated employees and 173 full-time classified employees. In addition, the District employs 275 part-time faculty and staff. District employees, except for management and some part-time employees, are represented by two employee bargaining units as shown below.

BARGAINING UNITS Dinuba Unified School District

<u>Name of Bargaining Unit</u>	<u>Number of Employees Represented</u>	<u>Current Contract Expiration Date</u>
Dinuba Teachers' Association	333	June 30, 2025
California School Employees Association	302	June 30, 2024

Source: Dinuba Unified School District.

District Retirement Systems

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

STRS. All full-time certificated employees, as well as certain classified employees, are members of the California 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. Previously, 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 increased significantly prior to the implementation of AB 1469 (defined below). 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)

<u>Effective Date</u>	<u>STRS Members Hired Prior to January 1, 2013</u>	<u>STRS Members Hired After January 1, 2013</u>
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 ("PEPRA 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 ("Classic Members") hired before the Implementation Date (defined below) increased from 9.205% of creditable compensation for fiscal year commencing July 1, 2017 to 10.205% of creditable

compensation effective July 1, 2018. For fiscal year commencing July 1, 2021, the contribution rate was 10.250% for Classic Members and 10.205% for PEPRA Members. For fiscal year commencing July 1, 2022, the contribution rate is 10.250% for Classic Members and 10.205% for PEPRA Members. For fiscal year commencing July 1, 2023, the contribution rate will be 10.250% for Classic Members and 10.205% for PEPRA Members.

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

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

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

Source: AB 1469.

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

On June 27, 2019, the Governor signed SB 90 ("SB 90") into law as a part of the 2019-20 Budget. Pursuant to SB 90, the State Legislature appropriated \$2.246 billion to be transferred to the Teacher's Retirement Fund for the STRS Defined Benefit Program to pay in advance, on behalf of employers, part of the contributions required for fiscal years 2019-20 and 2020-21, resulting in K-14 school districts having to contribute 1.03% less in fiscal year 2019-20 and 0.70% less in fiscal year 2020-21, resulting in employer contribution rates of 17.1% in fiscal year 2019-20 and 18.4% in fiscal year 2020-21. In addition, the State made a contribution of \$1.117 billion to be allocated to reduce the employer's share of the unfunded actuarial obligation determined by the STRS Board upon recommendation from its actuary. This additional payment was reflected in the June 30, 2020 actuarial valuation. Subsequently, the State's 2020-21 Budget redirected \$2.3 billion previously appropriated to STRS and PERS pursuant to SB 90 for long-term unfunded liabilities to further reduce the employer contribution rates in fiscal year 2020-21 and 2021-22. As a result, the effective employer contribution rate was 16.15% in fiscal year 2020-21 and 16.92% in fiscal year 2021-22. The employer contribution rate was 19.1% in fiscal year 2022-23 and is 19.1% in fiscal year 2023-24.

The District's contributions to STRS were \$10,402,468 in fiscal year 2018-19, \$9,871,059 in fiscal year 2019-20, \$9,344,564 in fiscal year 2020-21, \$10,343,328 in fiscal year 2021-22, and \$11,549,723 in fiscal year 2022-23 (estimated). The District has budgeted \$11,927,877 for its contribution to STRS for fiscal year 2023-24.

The State also contributes to STRS, currently in an amount equal to 8.328% for fiscal year 2023-24. 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. However, the maximum increase or decrease in a given year is limited to 0.5% of payroll under the STRS valuation policy. Once the State has eliminated its share of the STRS' unfunded actuarial obligation, the State contribution will be immediately reduced to the base contribution rate of 2.017% of payroll.

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 California 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, 2022 included 1,601 public agencies and 1,335 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. Pursuant to SB 90, the State Legislature appropriated \$904 million to the Schools Pool, including transfers in fiscal years 2019-20 and 2020-21 to the Public Employees Retirement Fund to pay, in advance on behalf of K-14 school district employers, part of the contributions required for K-14 school district employers for such fiscal years, as well as additional amounts to be applied toward certain unfunded liabilities for K-14 school district employers. In June 2020, SB 90 was amended by Assembly Bill 84/Senate Bill 111 ("AB 84"). Under AB 84, \$144 million of the State contribution under SB 90 was deemed to satisfy a portion of the State's required contribution in fiscal year 2019-20, and the amounts previously allocated toward future liabilities were redirected such that, \$430 million will satisfy a portion of the employer contribution rate in fiscal year 2020-21, and \$330 million will satisfy a portion of the employer contribution rate in fiscal year 2021-22. As a result of the payments made by the State pursuant to SB 90, as amended by AB 84, the employer contribution rate was 19.721% for fiscal year 2019-20, 20.7% in fiscal year 2020-21, and 22.91% for fiscal year 2021-22. The employer contribution rate was 25.37% in fiscal year 2022-23 and is 26.68% in fiscal year 2023-24. Classic Members contribute at a rate established by statute, which is 7% in fiscal year 2023-24, while PEPRAs Members contribute at an actuarially determined rate, which was 8% in fiscal year 2023-24. See "—California Public Employees' Pension Reform Act of 2013" herein.

The District's contributions to PERS were \$2,550,287 in fiscal year 2018-19, \$2,170,791 in fiscal year 2019-20, \$2,257,790 in fiscal year 2020-21, \$2,668,551 in fiscal year 2021-22, and \$3,524,172 in fiscal year 2022-23 (estimated). The District has budgeted \$3,986,257 for its contribution to PERS for fiscal year 2023-24.

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

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

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FUNDED STATUS
STRS (Defined Benefit Program) and PERS (Schools Pool)(Dollar Amounts in Millions) ⁽¹⁾
Fiscal Years 2010-11 through 2021-22

<u>STRS</u>					
<u>Fiscal Year</u>	<u>Accrued Liability</u>	<u>Value of Trust Assets (MVA)⁽²⁾</u>	<u>Unfunded Liability (MVA)⁽²⁾</u>	<u>Value of Trust Assets (AVA)⁽³⁾</u>	<u>Unfunded Liability (AVA)⁽³⁾</u>
2010-11	\$208,405	\$147,140	\$68,365	\$143,930	\$64,475
2011-12	215,189	143,118	80,354	144,232	70,957
2012-13	222,281	157,176	74,374	148,614	73,667
2013-14	231,213	179,749	61,807	158,495	72,718
2014-15	241,753	180,633	72,626	165,553	76,200
2015-16	266,704	177,914	101,586	169,976	96,728
2016-17	286,950	197,718	103,468	179,689	107,261
2017-18	297,603	211,367	101,992	190,451	107,152
2018-19	310,719	225,466	102,636	205,016	105,703
2019-20	322,127	233,253	107,999	216,252	105,875
2020-21	332,082	292,980	60,136	242,363	89,719
2021-22	346,089	283,340	85,803	257,537	88,552

<u>PERS</u>					
<u>Fiscal Year</u>	<u>Accrued Liability</u>	<u>Value of Trust Assets (MVA)</u>	<u>Unfunded Liability (MVA)</u>	<u>Value of Trust Assets (AVA)⁽³⁾</u>	<u>Unfunded Liability (AVA)⁽³⁾</u>
2010-11	\$58,358	\$45,901	\$12,457	\$51,547	\$6,811
2011-12	59,439	44,854	14,585	53,791	5,648
2012-13	61,487	49,482	12,005	56,250	5,237
2013-14	65,600	56,838	8,761	-- ⁽⁴⁾	-- ⁽⁴⁾
2014-15	73,325	56,814	16,511	-- ⁽⁴⁾	-- ⁽⁴⁾
2015-16	77,544	55,785	21,759	-- ⁽⁴⁾	-- ⁽⁴⁾
2016-17	84,416	60,865	23,551	-- ⁽⁴⁾	-- ⁽⁴⁾
2017-18	92,071	64,846	27,225	-- ⁽⁴⁾	-- ⁽⁴⁾
2018-19 ⁽⁵⁾	99,528	68,177	31,351	-- ⁽⁴⁾	-- ⁽⁴⁾
2019-20 ⁽⁶⁾	104,062	71,400	32,662	-- ⁽⁴⁾	-- ⁽⁴⁾
2020-21	110,507	86,519	23,988	-- ⁽⁴⁾	-- ⁽⁴⁾
2021-22 ⁽⁷⁾	116,982	79,386	37,596	-- ⁽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.

⁽⁵⁾ For the fiscal year 2020-21 actuarially determined contribution, the additional \$430 million State contribution made pursuant to AB 84 did not directly impact the actuarially determined contribution as it was not yet in the Schools Pool by the June 30, 2019 actuarial valuation date. The additional State contribution was treated as an advance payment toward the unfunded accrued liability contribution with required employer contribution rate correspondingly reduced.

⁽⁶⁾ For the fiscal year 2021-22 actuarially required contribution, the impact of the additional \$330 million State contribution made pursuant to AB 84 is directly reflected in the actuarially determined contribution, because the additional payment was in the Schools Pool as of the June 30, 2020 actuarial valuation date, which served to reduce the required employer contribution rate by 2.16% of payroll.

⁽⁷⁾ On April 17, 2023, the PERS Board (defined below) approved the K-14 school district contribution rate for fiscal year 2023-24 and released certain actuarial information to be incorporated into the 2022 PERS Actuarial Valuation to be released in the latter half of 2023.

Source: PERS Schools Pool Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.

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

Based on the multi-year CalSTRS Experience Analysis (spanning from July 1, 2015, through June 30, 2018) (the “2020 Experience Analysis”), on January 31, 2020, the STRS Board adopted a new set of actuarial assumptions that were first reflected in the STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2019 (the “2019 STRS Actuarial Valuation”). While no changes were made to the actuarial assumptions discussed above, which were established as a result of the 2017 Experience Analysis, certain demographic changes were made, including: (i) lowering the termination rates to reflect a continued trend of lower than expected teachers leaving their employment prior to retirement, and (ii) adopting changes to the retirement rates for both Classic Members and PEPPRA Members to better reflect the anticipated impact of years of service on retirements. The 2022 STRS Actuarial Valuation (defined below) continues using the Entry Age Normal Actuarial Cost Method.

The STRS Defined Benefit Program Actuarial Valuation, as of June 30, 2022 (the “2022 STRS Actuarial Valuation”) reports that, based on an actuarial value of assets, the unfunded actuarial obligation decreased by approximately \$1.17 billion since the 2021 STRS Actuarial Valuation and the funded ratio increased by 1.4% to 74.4% over such time period, despite a negative investment return in 2021-22. The main reason for the increase in the funded ratio was the recognition of the deferred investment gains from prior years, primarily an investment gain of 27.2% in 2020-21, which has been partially offset by the impact of the less-than-assumed investment return for the most recently completed fiscal year (2021-22). For actuarial purposes, the STRS Board has approved the use of an actuarial value of assets, which smooths the volatility of investment returns by reflecting only one-third of the net accumulated investment gains or losses in a year. The investment gains that were set aside in the 2021 STRS Actuarial Valuation were more than sufficient to cover the full impact of the negative investment return in 2021-22. Another reason for the improved funding levels and decrease in unfunded actuarial obligation were the additional supplemental payments made by the State in 2021-22 (\$584 million in 2021-22 above what was required by the contribution rate adopted by the STRS Board). Using the Fair Market Value of Assets, the funded ratio has decreased by 6.7% since 2021 Actuarial Valuation from 81.9% to 75.2%, primarily due to the actual market returns for the 2021-22 fiscal year being less than the assumed investment return of 7%. The STRS Board has no authority to adjust rates to pay down the portion of the unfunded actuarial obligation related to service accrued on or after July 1, 2014 for member benefits adopted after 1990 (the “Unallocated UAO”). There was a decrease in the surplus (a negative unfunded actuarial obligation) for the Unallocated UAO from \$469 million as of June 30, 2021 to \$359 million as of June 30, 2022.

According to the 2022 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 100.3%. This finding assumes adjustments to contribution rates in line with the funding plan and STRS Board policies, the future recognition of the currently deferred asset gains, 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 its Annual Comprehensive Financial Report for fiscal year ending June 30, 2022, STRS reported a money weighted net return on investment of negative 2.4% and time-weighted net return on investments of negative 1.3% for fiscal year 2021-22, ending with the total fund value of \$301.6 billion as of June 30, 2022. When STRS released the preliminary investment return for fiscal year 2021-22 on July 29, 2022, STRS noted that it is the first negative return since 2009, reflecting the ongoing volatility in the global financial markets impacted by inflation, rising interest rates, COVID-19 and the war in Ukraine. Due in part to the 27.2% return in fiscal year 2020-21, STRS remains in position to be fully funded by 2046.

On November 2, 2022, STRS released its 2022 Review of Funding Levels and Risks (the STRS 2022 Review of Funding Levels and Risks”), which is based on the 2021 STRS Actuarial Valuation and reflects all relevant changes that have occurred since 2021 STRS Actuarial Valuation, including the negative 2.4% money-weighted investment loss reported for the 2021-22 fiscal year. The key results and findings noted in the STRS 2022 Review of Funding Levels and Risks were that (i) the State’s share of the STRS unfunded actuarial obligation is still projected to be eliminated prior to 2046 (currently projected to be eliminated by fiscal year 2029-30), but not as early as projected in the June 30, 2021 valuation, (ii) the current contribution rates for the State and employers are projected to be sufficient to eliminate their share of the STRS unfunded actuarial obligation by 2046 and contribution rate increases are not expected to be needed for fiscal year 2023-24, (iii) the largest risk facing STRS’ ability to reach full funding remains investment-related risk, especially considering the Defined Benefit Program continues to mature, which will increase the system’s sensitivity to investment experience, and the State’s share of the unfunded actuarial obligation could quickly increase if STRS were to experience another year in which the investment return is significantly below the assumed rate of return, (iv) anticipated continued decreases in enrollment in K-12 public schools could lead to future declines in the size of the active membership, resulting in lower than anticipated payroll growth, which could negatively impact STRS’ ability to achieve full funding, requiring contribution rate increases, especially among employers, (v) a recession resulting in a period of low investment returns and a decline in the size of the active membership could hurt STRS ability to reach full funding, and (vi) the ability of the funding plan to allow STRS to reach full funding is dependent on STRS meeting its current actuarial assumptions over the long term, while uncertainty around inflation, investment markets and payroll growth could put pressure on STRS’ ability to meet some of its long-term actuarial assumptions. In addition, with respect to investment related risks, the STRS 2022 Review of Funding Levels and Risks notes that once the State’s supplemental contribution rate is reduced to zero (as discussed above), if it were ever needed to be increased again, the STRS Board will be limited to increases of only 0.5% of payroll each year, which could take the STRS Board years before it is able to increase the rate to the levels necessary to reduce any newly realized unfunded actuarial obligation.

Between 2019 and 2020, the number of teachers actively working dropped from 451,000, to about 448,000. Between 2020 and 2021, the number of active teachers continued to drop to about 429,000, which resulted in a payroll that remained flat, below the 3.5% annual payroll growth assumption. In 2022, the total number of active members was back to the levels last seen prior to the start of the COVID-19 pandemic, increasing by approximately 20,000 over the last fiscal year. The total payroll increased by more than 6% over the last fiscal year, resulting in STRS collecting more contributions from employers than expected. The STRS 2022 Review of Funding Levels and Risks notes that, a likely contributor to the decline in active membership in 2020-21 was the higher than expected retirements STRS experienced that fiscal year and the uncertainties related to the COVID-19 pandemic. Although an increase in retirements would normally not impact long-term funding, decisions made by employers about whether to replace the teachers who have retired can impact STRS ability to reach full

funding by 2046, especially if it leads to an overall reduction in the number of teachers working in the State and a reduction in total payroll. The STRS 2022 Review of Funding Levels and Risks, also notes that another area of particular concern related to payroll growth and the number of teachers in the State is the decreasing population of children enrolled in K-12 schools in the State. Total enrollment in public schools in the State dropped 271,000, or 4.4% reduction, between 2019-20 and 2021-22. Several factors contributed to the drop of enrollment during that time period, including the increase in the number of homeschool students and students enrolled in private schools during the COVID-19 pandemic. The STRS 2022 Review of Funding Levels and Risks notes that it is unclear whether the decrease in overall enrollment is permanent or simply a temporary effect of the COVID-19 pandemic. See “DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19” herein. In September 2022, the State updated its projection of K-12 enrollment for the State, which assumes the number of children enrolled in K-12 schools will decline approximately 9% over the next 10 years.

On July 27, 2023, STRS reported a net return on investments of 6.3% for fiscal year 2022-23, ending with the total fund value of \$315.6 billion as of June 30, 2023. The 2022-23 return keeps STRS on track long term, as the 3-,5-,10-, 20-, and 30-year returns, including the 10.1% 3-year return, all surpass the actuarial assumption of 7.0%, despite inflation, rising interest rates and global uncertainty. Due in part to the 27.2% return in fiscal year 2020-21, STRS remains in position to be fully funded by 2046.

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

On March 14, 2012, the PERS Board voted to lower the PERS’ rate of expected price inflation and its investment rate of return (net of administrative expenses) (the “PERS Discount Rate”) from 7.75% to 7.5%. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points. On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over a three year phase-in period in accordance with the following schedule: 7.375% for the June 30, 2017 actuarial valuation, 7.25% for the June 30, 2018 actuarial valuation and 7.00% for the June 30, 2019 actuarial valuation. The new discount rate went into effect July 1, 2017 for the State and July 1, 2018 for K-14 school districts and other public agencies. Lowering the PERS Discount Rate means employers that contract with PERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the Reform Act (defined below) will also see their contribution rates rise. The PERS Funding Risk Mitigation Policy recently triggered an automatic decrease of 0.2% in the PERS Discount Rate due to the investment return in fiscal year 2020-21, lowering such rate to 6.8%.

On April 17, 2013, the PERS Board approved new actuarial policies aimed at returning PERS to fully-funded status within 30 years. The policies included 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.

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 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 November 17, 2021 (the “2021 Experience Study”), the PERS Board approved new actuarial assumptions, including (i) lowering the inflation rate to 2.30% per year, (ii) increasing the assumed real wage inflation assumption to 0.5%, which results in a total wage inflation of 2.80%, (iii) increasing the payroll growth rate to 2.80%, and (iv) certain changes to demographic assumptions relating to modifications to the mortality rates, retirement rates, and disability rates (both work and non-work related), and rates of salary increases due to seniority and promotion. These actuarial assumptions will be incorporated into the actuarial valuation for fiscal year ending June 30, 2021 and will first impact contribution rates for school districts in fiscal year 2022-23. Based on the timing of the study, the member data used in the analysis, which runs through June 30, 2019, does not include the impacts of COVID-19. Preliminary analysis of the system experience since the beginning of the pandemic has shown demographic experience (e.g. retirements, deaths, etc.) did differ from the current actuarial assumptions in some areas, which will be more precisely quantified in future actuarial valuations.

On November 15, 2021, the PERS Board selected a new asset allocation mix through its periodic Asset Liability Management Study that will guide the fund’s investment portfolio for the next four years, retained the current 6.8% discount rate and approved adding 5% leverage to increase diversification. The new asset allocation takes effect July 1, 2022 and will impact contribution rates for employers and PEPPA employees beginning in fiscal year 2022-23.

The Schools Pool Actuarial Valuation as of June 30, 2021 (the “2021 PERS Actuarial Valuation”), reported that from June 30, 2020 to June 30, 2021 the funded ratio of the Schools Pool increased by 9.7% (from 68.6% to 78.3%), which was primarily due to investment return in 2020-21 being greater than expected, offset partially by the reduction in discount rate from 7.00% to 6.80%. On July 12, 2021 PERS reported a preliminary 21.3% net return on investments for fiscal year 2021. Since the preliminary return sufficiently exceeded the 7.00% discount rate, the Funding Risk Mitigation Policy triggered a 0.20% reduction in the discount rate, from 7.00% to 6.8%. Pursuant to the Funding Risk Mitigation and Actuarial Amortization policies, a portion of the investment gain was used to fully offset the increase in unfunded liability resulting from the decrease in discount rate. The remaining net investment gain was amortized over 20 years with a five year ramp.

In its Basic Financial Statements for fiscal year ending June 30, 2022, PERS reported a time-weighted net return on investment of negative 6.1% and a money-weighted net return on investment of negative 7.5% for fiscal year 2021-22. When PERS released the preliminary investment returns for fiscal year 2021-22 on July 20, 2022, PERS noted that volatile global financial markets, geopolitical instability, domestic interest rate hikes, and inflation all had an impact on the investment return. The investment return for fiscal year 2021-22 will be reflected in contribution levels for the State and employers in fiscal year 2023-24.

In November 2022, PERS released its 2022 Annual Review of Funding Levels and Risk (the “2022 PERS Funding Levels and Risk Report”), which provided a summary of the current funding levels of the system, the near-term outlook for required contributions and risks faced by the system in the near and long-term. The results presented in the 2022 PERS Funding Levels and Risk Report are based on the June 30, 2021 annual valuations, which have been projected forward to June 30, 2022 based on preliminary investment performance for the year ending June 30, 2022. The unfavorable investment returns during the year ending June 30, 2022 resulted in decreases to the funded ratios for PERS plans. The funded status of the Schools Pool decreased from 78.3% as of June 30, 2021 to a projected 69% as of June 30, 2022. The 2022 PERS Funding Levels and Risk Report notes that the pandemic has potential to alter the experience of the retirement in several different areas, including investment returns, inflation, deaths, retirements, terminations, disability retirements, and pay increases. See “DISTRICT FINANCIAL INFORMATION – Considerations Regarding COVID-19” herein. The 2022 PERS Funding Levels and Risk Report notes that over the next several years, inflation and near-term economic decline, also have the potential to either increase required contributions or add additional financial strain on employers and their ability to make required contributions. PERS and its members are potentially impacted by high inflation because wages generally keep pace with inflation over the long-term, many retirees are likely to receive higher cost-of-living adjustments but will likely still lose purchasing power, and increases in wages exceeding the assumed increases and higher COLAs result in higher contributions for employers. In addition, many forecasters are predicting an economic slowdown in the near future, which could lead to lower investment returns, increased investment volatility, and higher unemployment. If the system experiences lower than expected investment returns, the potential impact on required contributions, combined with the impacts of high inflation, could push contribution rates to levels that would prove challenging for some employers.

On April 17, 2023, the PERS Board established the employer contribution rates for fiscal year 2023-24 and released information from the Schools Pool Actuarial Valuation as of June 30, 2022 (the “2022 PERS Actuarial Valuation”), ahead of its release date in the latter half of 2023. From June 30, 2021 to June 30, 2022, the funded status of the Schools Pool decreased by 10.4% (from 78.3% to 67.9%) and the unfunded accrued liability increased by \$13.6 billion. This deterioration in funded status was due primarily to the lower-than-expected investment return in fiscal year 2021-22. From the Basic Financial Statements issued on November 15, 2022, PERS reported a return on investments of a negative 7.5% (before recognition of administrative expenses) for fiscal year 2021-22 compared to an expected return of 6.8%, which generated an actuarial investment loss of \$12.4 billion. This loss will be amortized over 20 years with a five-year ramp (phase-in) increasing the employer contribution rate in fiscal year 2022-23 by 1.69% of payroll. Due to the five-year ramp, this impact will increase in each year until it reaches an estimated 7.6% of payroll in fiscal year 2027-28. Non-investment experience during fiscal year 2021-22 produced an actuarial loss of \$1.6 billion, which will be amortized over 20 years. The two most significant sources of non-investment experience were salary increases for active members (averaging 8.0% for members actively employed during the entire year ending June 30, 2022) and benefit increases to annuitants, both of which generated an actuarial experience loss. Total reported payroll in fiscal year 2021-22 increased by 10.2% over the prior year, compared to 2.8% expected, which served to reduce the employer contribution rate for fiscal year 2023-24 by 1.04% of payroll. Assuming all actuarial assumptions are realized, including an assumed investment return of 6.80%, and no changes to

assumptions, methods of benefits will occur during the projection period, along with the expected reductions in normal cost due to the continuing transition of active members from Classic Members to PEPRA Members, the projected contribution rate for fiscal year 2024-25 is 27.7%, with annual increases in most years thereafter, resulting in a projected 29.8% employer contribution rate in fiscal year 2028-29. The actual investment return for fiscal year 2022-23 was not known at the time this projection was made. The projections above assume the investment return for that year will be 6.8%. If the actual investment return differs from 6.80%, the actual contribution requirements for the projected years will differ from those shown above. During the time period between the valuation date and the release of information from the 2022 PERS Actuarial Valuation in April 2023, inflation has been significantly higher than the expected rate of 2.3% per annum. Higher inflation is likely to put at least some upward pressure on contribution requirements and downward pressure on the funded status in the June 30, 2023 valuation. Future contribution requirements may differ significantly. The actual long term cost of the plan will depend on the actual benefits and expenses paid and the actual investment experience of the fund.

On July 19, 2023, PERS reported a preliminary net return on investment of 5.8% for fiscal year 2022-23. When factoring in PERS' discount rate of 6.8% — comparable to an assumed annual rate of return — and the 2022-23 preliminary return of 5.8%, the estimated funded status now stands at 72%. As of June 30, 2023, assets were valued at \$462.8 billion. The final investment return for fiscal year 2022-23 will be calculated based on audited figures and will be reflected in contribution levels for the State and school district employers in fiscal year 2024-25.

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 PEPRA Members, 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 (previously, 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, 2022, the District’s proportionate share of the net STRS pension liability was \$28,021,381. As of such date, the District’s proportionate share of the net PERS pension liability was \$14,450,979. For more information, see Note 11 to the fiscal year 2021-22 audited financial statements of the District included as APPENDIX C hereto.

Other Post-Employment Benefits

Benefits Plan. The District provides medical benefits (the “Benefits”) to eligible retirees and their covered eligible dependents through a postemployment benefits plan (the “Plan”). All active employees who retire directly from the District and meet eligibility criteria may participate in the Plan. Certificated unit members hired prior to February 23, 2023 who retire on or after attaining age 55 with at least 10 years of service are eligible to retire with the Benefits. Unit members hired after July 1, 2003 are eligible to retire with the Benefits after completing at least 15 years of service and reaching age 58. Benefits are paid until age 65. Other employees are eligible to retire with the Benefits after attaining age 55 and completing at least 10 years of continuous service. As of June 30, 2022, there are 38 retirees receiving benefits and 40 current employees who will become eligible for benefits.

Funding Policy. The contribution requirements of Plan members and the District are established and may be amended by the Board. Expenditures for the Benefits are recognized on a “pay-as-you-go basis” covering the cost of premiums paid for current retirees. During fiscal years 2018-19, 2019-20, 2020-21, 2021-22, and 2022-23, the District recognized \$7,762,130, \$7,937,175, \$7,781,023, \$8,333,535 and \$8,607,195 of expenditures for the Benefits, respectively, all of which were used to pay current premiums. For fiscal year 2023-24, the District has budgeted \$9,062,017 as its contribution towards its Plan, for current insurance premiums.

GASB Statement Nos. 74 and 75. On June 2, 2015, GASB approved *GASB Statement #74, Financial Reporting for Postemployment Benefit Plans Other Than Pensions* (“GASB 74”) and *GASB Statement #75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (“GASB 75”) with respect to pension accounting and financial reporting standards for public sector post-

retirement benefit programs and the employers that sponsor them. GASB 74 replaces GASB Statements No. 43 and 57 and GASB 75 replaces GASB 45.

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

Under GASB Statement No. 74, the measurement date must be the same as the plan's fiscal year end, but the actuarial valuation date may be any date up to 24 months prior to the measurement date. For the 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 (the "FNP") is performed based on the funding policy and assumptions of the plan, along with the methodology specified in GASB.

GASB Statement No. 74 has an effective date for plan fiscal years beginning after June 15, 2016 and GASB Statement No. 75 is effective for employer fiscal years beginning after June 15, 2017. The District has recognized GASB Statement No. 74 and GASB Statement No. 75 in their financial statements for fiscal year 2019-20. See APPENDIX C – "2021-22 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT" attached hereto. The full extent of the effect of the new standards on the District is not known at this time.

Actuarial Study. The District has implemented GASB 74 and 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 74 and GASB 75 (discussed above) require biennial actuarial valuations for all plans. The most recent actuarial study was dated June 30, 2022 (the "Study"). The Study concluded that, using a "roll-forward" technique for the Total OPEB Liability (the "TOL") based on an actuarial valuation dated June 30, 2022, as of a June 30, 2022 measurement date, the TOL with respect to such Program benefits, was \$482,275 and the Net OPEB Liability ("NOL") was \$9,638,721. As of June 30, 2022, the District had a Fiduciary Net Position ("FNP") of \$3,476,696. 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 FNP are the net assets (liability) of the qualifying irrevocable trust or equivalent arrangement. The NOL is TOL minus the FNP.

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, 2022, the District contracted with the Organization of Self Insured/JPA 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. The District is self-funded for workers' compensation, with excess coverage provided by the Self-Insured Schools of California III ("SISC") public entity risk pool.

Employee Medical Benefits. The District contracts with SISC III-SETC to provide employee medical and surgical benefits, and Delta Dental for dental benefits. Additional dental benefits and basic life insurance benefits are provided through the SISC III-SETC public entity risk pool.

Joint Powers Agreements

The District participates in three joint powers agreements ("JPAs"): the Organization of Self-Insured Schools ("OSS"), School Employees Trust-Tulare County ("SET-TC") and Self-Insured Schools of California III ("SISC"). The relationship between the District and the JPAs is such that none of the JPAs is a component unit of the District for financial reporting purposes.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING TAXES AND APPROPRIATIONS

Article XIII A of the California Constitution

Article XIII A of the State Constitution ("Article XIII A") limits the amount of *ad valorem* property taxes on real property to 1% of "full cash value" as determined by the county assessor. Article XIII A 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 XIII A 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.

Article XIII A 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 XIII A exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b), as the result of an amendment approved by State voters on June 3, 1986, on any bonded indebtedness approved by two-thirds or more of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) on bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. In addition, Article XIII A requires the approval of two-thirds or more of all members of the State legislature to change any State taxes for the purpose of increasing tax revenues.

Proposition 19

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

Legislation Implementing Article XIII A

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

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 and all tax rates reflect the \$1 per \$100 of taxable value (unless noted differently).

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

Proposition 50 and Proposition 171

On June 3, 1986, the voters of the State approved Proposition 50. Proposition 50 amends Section 2 of Article XIII A 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% 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% of the Original Cash Value, then the Replacement Base Year Value is calculated by combining the Original Base Year Value with such excessive Replacement Cash Value; if the Replacement Cash Value does not exceed 120% 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 XIII A 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.

Inter-county transfers under Proposition 171 are more restrictive than intra-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% of the Original Cash Value when the replacement property is acquired or constructed within one year of the destruction, (2) 110% of the Original Cash Value when the replacement property is acquired or constructed within two years of the destruction, or (3) 115% of the Original Cash Value when the replacement property is acquired or constructed within three years of the destruction.

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions (“unitary property”). Under the State Constitution, such property is assessed by the SBE as part of a “going concern” rather than as individual pieces of real or personal property. Such State-assessed unitary and certain other property is allocated to the counties by the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

So long as the District is not a community funded district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State’s school financing formula. See “DISTRICT FINANCIAL INFORMATION – State Funding of Education” herein.

Article XIII B of the California Constitution

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

- (a) “change in the cost of living” with respect to school districts to mean the percentage change in State 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 XIII B, as amended.

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

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for certain debt service authorized as of January 1, 1979, or on bonded indebtedness approved after January 1, 1979, by a vote of the electors of the issuing entity, (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 XIII B includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Article XIII B also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it 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.

Article XIII C and Article XIII D 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 XIII C and XIII D (respectively, “Article XIII C” and “Article XIII D”), 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 XIIC 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 XIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the State Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4. Article XIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIC or Article XIID 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 XIII A. 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.

Proposition 26

On November 2, 2010, voters of the State approved Proposition 26. Proposition 26 amends Article XIIC 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 XIID. 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.

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 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 is 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 XIII B 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 State’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 XIII B and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation.

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

- a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the “change in the cost of living” is now measured by the change in 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 XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school

districts, but only up to a maximum of 4% of the minimum funding level for such districts. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the K-14 school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

- c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit: (i) all appropriations for "qualified capital outlay projects" as defined by the State Legislature, and (ii) any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the 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 XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.
- e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues ("Test 1") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment ("Test 2"). Under Proposition 111, K-14 school districts will receive the greater of (1) Test 1, (2) Test 2, or (3) a third test ("Test 3"), which will replace Test 2 in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in State per capita personal income. Under Test 3, K-14 school districts 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 (also referred to as a "maintenance factor") which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

On November 7, 2000, State voters approved an amendment (commonly known as "Proposition 39") to the State Constitution. Proposition 39 is an initiated amendment that (1) allows school facilities bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the 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% of the value of property. Prior to the approval of Proposition 39, 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 placed certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that such bonds may be issued only if the tax rate projected to be levied as the result of any single election would not exceed \$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 XIII A 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 XIII A of the California Constitution” herein.

Jarvis v. 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 State Controller). 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.

Proposition 1A and Proposition 22

On November 2, 2004, State voters approved Proposition 1A, which amends the State Constitution to significantly reduce the State’s authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the 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 reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 was expected to be approximately \$1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1% 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.

Propositions 30 and 55

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

The revenues generated from the personal income tax increases will be included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See "– 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 4, 2014, State 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 XIII B 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.

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

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

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

Future Initiatives

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

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Special 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, the portion of each Lease Payment constituting interest with respect to the Certificates 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. However, it should be noted that for tax years beginning after December 31, 2022, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code"), generally certain corporations with more than \$1,000,000,000 of average annual adjusted financial statement income, interest (and original issue discount) with respect to the Bonds might be taken into account in determining adjusted financial statement income for purposes of computing the alternative minimum tax imposed by Section 55 of the Code on such corporations. In the further opinion of Special Counsel, the

portion of each Lease Payment constituting interest with respect to the Certificates is exempt from State personal income tax.

The difference between the issue price of a Certificate (the first price at which a substantial amount of the Certificates of the same series and maturity is to be sold to the public) and the stated prepayment price at maturity with respect to such Certificate constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Certificate owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Certificate owner will increase the Certificate owner's basis in the applicable Certificate.

Special Counsel's opinion as to the exclusion from gross income for federal income tax purposes of the portion of each Lease Payment constituting interest (and original issue discount) with respect to the Certificates is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District complies with all requirements of the Code, that must be satisfied subsequent to the execution and delivery of the Certificates to assure that the portion of each Lease Payment constituting interest (and original issue discount) with respect to the Certificates will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the portion of each Lease Payment constituting interest (and original issue discount) with respect to the Certificates to be included in gross income for federal income tax purposes retroactive to the date of execution and delivery of the Certificates. The District has covenanted to comply with all such requirements.

The amount by which a Certificate owner's original basis for determining loss on sale or exchange in the applicable Certificate (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Certificate premium, which must be amortized under Section 171 of the Code; such amortizable Certificate premium reduces the Certificate owner's basis in the applicable Certificate (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 Certificate premium may result in a Certificate owner realizing a taxable gain when a Certificate is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Certificate to the Owner. Purchasers of the Certificates should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Certificate 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 Certificates will be selected for audit by the IRS. It is also possible that the market value of the Certificates might be affected as a result of such an audit of the Certificates (or by an audit of similar certificates). 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 Certificates to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) with respect to the Certificates or their market value.

SUBSEQUENT TO THE DELIVERY OF THE CERTIFICATES, 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 CERTIFICATES INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE CERTIFICATES. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE CERTIFICATES. NO ASSURANCE CAN BE GIVEN THAT, SUBSEQUENT TO THE DELIVERY

OF THE CERTIFICATES, SUCH CHANGES (OR OTHER 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 CERTIFICATES, 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 CERTIFICATES.

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

Although Special Counsel has rendered an opinion that the portion of each Lease Payment constituting interest (and original issue discount) with respect to the Certificates 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 Certificates and the accrual or receipt of interest (and original issue discount) with respect to the Certificates may otherwise affect the tax liability of certain persons. Special Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Certificates, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Certificates.

A copy of the proposed form of opinion of Special Counsel is attached hereto as APPENDIX B.

CERTAIN LEGAL MATTERS

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California Special Counsel, will render an opinion with respect to the Certificates substantially in the form attached hereto as APPENDIX B. A copy of such approving opinion will be available at the time of delivery of the Certificates. The payment of fees of Special Counsel is contingent upon the closing of the Certificates transaction. Certain matters will be passed on for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel, and for the Trustee and the Corporation by their respective counsels.

ENHANCED 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 for this provision is for interest paid after December 31, 2005, regardless of when the tax-exempt obligations were issued. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments made after March 31, 2007 to any bondholder who fails to file an accurate Form W-9 or who meets certain other criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes.

FINANCIAL STATEMENTS

The District's audited financial statements with supplemental information for the year ended June 30, 2022, 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 ChristyWhite, Inc. (the "Auditor") dated December 14, 2022, are attached to this Official Statement as APPENDIX C. In connection with the inclusion of the financial statements and the report of the Auditor thereon in 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.

CONTINUING DISCLOSURE

Current Undertaking. The District will covenant in a Continuing Disclosure Certificate for the benefit of the holders and Beneficial Owners of the Certificates to provide certain financial information and operating data relating to the District by not later than nine months following the end of the District's Fiscal Year (presently ending June 30) (the "Annual Report"), commencing with the report of Fiscal Year ending June 30, 2023, and to provide notices of the occurrence of certain listed events. The Annual Report and notices of listed events will be filed by the District with the Municipal Securities Rulemaking Board through its Electronic Market Municipal Access, located at www.emma.msrb.com. The information on such website is not incorporated herein by any reference. The specific nature of the information to be contained in the Annual Report and the notice of listed events is set forth in APPENDIX D – "FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934, as amended (the "Rule").

Prior Undertakings. In the past five years, the District failed to file a notice of listed events related to a project loan, as required pursuant to its prior continuing disclosure undertakings. The notice has since been filed. Otherwise, the District has filed in a timely manner the annual reports or notices of listed events as required pursuant to its prior continuing disclosure undertakings.

ABSENCE OF MATERIAL LITIGATION

At the time of delivery of and payment for the Certificates, the District and the Corporation will each certify that there is no action, suit, litigation, inquiry or investigation before or by any court, governmental agency, public board or body served, or to the best knowledge of the District or the Corporation threatened, against the District or the Corporation in any material respect affecting the existence of the District or the Corporation or the titles of their officers to their respective offices or seeking to prohibit, restrain or enjoin the sale, execution or delivery of the Certificates or the payment of Lease Payments or challenging, directly or indirectly, the validity or enforceability of the proceedings to lease the Property back from the Corporation, the Trust Agreement, the Lease, the Assignment Agreement or the Site Lease.

There is no action, suit, or proceeding known to be pending or threatened, to restrain or enjoin the execution or delivery of the Certificates, or in any way contesting or affecting the validity of the Certificates or any proceedings of the District taken with respect thereto. The District is not aware of any litigation, pending or threatened, questioning the political existence of the District.

RATINGS

The Certificates are expected to be assigned an insured rating of “AA” by S&P, based upon the issuance of the Policy by AGM at the time of delivery of the Certificates. The Certificates have been assigned an underlying rating of “A” by S&P. The ratings reflect only the view of S&P, and any explanation of the significance of such ratings should be obtained from the following address: 55 Water Street, 45th Floor, New York, New York 10041. There is no assurance that the ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal.

Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the District which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies.

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 rating changes on the Certificates. See APPENDIX D – “FORM OF CONTINUING DISCLOSURE CERTIFICATE” attached hereto. Notwithstanding such covenant, information relating to rating changes on the Certificates may be publicly available from S&P 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 Certificates are directed to S&P, its website and official media outlets for the most current rating changes with respect to the Certificates after the initial execution and delivery thereof.

UNDERWRITING

Purchase of Certificates. The Certificates are being purchased by Piper Sandler & Co. (the “Underwriter”). The Underwriter has agreed, pursuant to a purchase contract (the “Purchase Contract”) by and between the District and the Underwriter, to purchase the Certificates at the purchase price of \$15,278,977.40 (representing the aggregate principal amount evidenced by the Certificates of \$15,145,000.00, plus original issue premium of \$209,702.40, and less an Underwriter’s discount of \$75,725.00). The Underwriter shall also wire \$48,376.56 and \$29,387.75 directly to the Insurer for the premiums and fees for the Insurance Policy and the Reserve Policy, respectively, for the Certificates.

The Purchase Contract provides that the Underwriter will purchase all of the Certificates, if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in such Contract of Purchase. The Underwriter may offer and sell the Certificates to dealers and others at a price lower than the offering price stated on the cover page hereof. The offering price may be changed from time to time by the Underwriter.

Underwriter’s Disclosure. The Underwriter has provided the following information for inclusion in this Official Statement:

Piper Sandler, one of the Underwriters, has entered into a distribution agreement (the “Schwab Agreement”) with Charles Schwab & Co., Inc. (“CS&Co.”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Schwab Agreement, CS&Co. will purchase the Certificates from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any Certificates that CS&Co. sells.

MISCELLANEOUS

The references herein to the Lease, the Site Lease, the Trust Agreement, and the Assignment Agreement are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and for full and complete statements of such provisions reference is made to said documents. Copies of the documents mentioned under this heading are available for inspection at the District and following delivery of the Certificates will be on file at the designated office of the Trustee.

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

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

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

DINUBA UNIFIED SCHOOL DISTRICT

By: /s/ Rachel Nunez
Chief Business Official

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APPENDIX A

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of certain provisions of the legal documents related to the Certificates which are not described in the Official Statement to which this Appendix is attached. This summary is not intended to be definitive and is qualified in its entirety by reference to fully-executed Site Lease, Lease, Assignment Agreement and Trust Agreement for the complete terms thereof. Copies of the Site Lease, the Lease, the Assignment Agreement and the Trust Agreement are available upon request from the District.

DEFINITIONS

The following are summaries of definitions of certain terms used in this Summary of Principal Legal Documents. All capitalized terms not defined therein or elsewhere in the Official Statement have the meanings set forth in the Lease or the Trust Agreement.

“Accountant” means a nationally recognized firm of certified public accountants acceptable to the Insurer.

“Additional Certificates” means certificates of participation authorized by a supplemental Trust Agreement that are executed and delivered by the Trustee under and pursuant to the Trust Agreement.

“Additional Payments” means all amounts payable by the District as Additional Payments as defined in the Lease.

“Administrative Costs” means any and all reasonable charges, fees, costs, losses, liabilities and expenses that the Insurer may pay or incur, including, but not limited to, fees and expenses of the Insurer’s or the Reserve Insurer’s agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of the Trust Agreement or the Certificates. For purposes of the foregoing, costs and expenses will include a reasonable allocation of compensation and overhead attributable to the time of employees of the Insurer or Reserve Insurer spent in connection with the actions described in the preceding sentence.

“Asbestos Containing Materials” means material in friable form containing more than one percent (1%) of the asbestiform varieties of (a) chrysotile (serpentine); (b) crocidolite (ricbeckite); (c) amosite (cummingtonite-grunerite); (d) anthophyllite; (e) tremolite; and (f) actinolite.

“Assignment Agreement” means the Assignment Agreement related to the Certificates, dated as of the date thereof, by and between the Trustee and the Corporation, and any duly authorized and executed amendments thereto.

“Available Coverage” means the coverage then available for disbursement pursuant to the terms of any applicable Reserve Facility without regard to the legal or financial ability or willingness of the provider of such Reserve Facility to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

“AGM Policy Payment” means the total of all amounts paid by the Insurer under the Policy.

“AGM Reimbursement Amounts” a sum equal to (i) the AGM Policy Payment, and (ii) interest on such AGM Policy Payments from the date paid by the Insurer until payment thereof in full by the District, payable to the Insurer at the Late Payment Rate per annum, compounded semi-annually.

“Beneficial Owner” means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Certificates (including persons holding Certificates through

nominees, depositories or other intermediaries), or (b) is treated as the owner of any Certificates for federal income tax purposes.

“Business Day” means any day other than (i) a Saturday or Sunday, or (ii) a day on which banking institutions in the State of New York or the State of California or the state in which the Principal Office of the Trustee is located are authorized or required by law or executive order to remain closed.

“Certificate” or “Certificates” means the Dinuba Unified School District, Certificates of Participation (2023 School Financing Project), and any Additional Certificates executed and delivered by the Trustee pursuant to the Trust Agreement.

“Certificate of Completion” means a certificate of the District Representative stating that all components of the Project have been completed or concluded in conformity with the requirements of the Lease.

“Certificate Payment Date” means June 1 and December 1 of each year commencing June 1, 2024 with respect to the interest payments evidenced by the Certificates and June 1 of each year with respect to the principal payments evidenced by the Certificates.

“Certificate Year” will have the meaning assigned to such term in the Tax Certificate.

“Claim” means any claim or enforcement proceeding in connection with an Insolvency Proceeding.

“Closing Date” means the date on which the Certificates, duly executed by the Trustee, are delivered to the Original Purchaser thereof.

“Code” means the Internal Revenue Code of 1986, and the regulations issued thereunder, as the same may be amended from time to time, and any successor provisions of law. Reference to a particular section of the Code will be deemed to be a reference to any successor to any such section.

“Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate dated as of the Closing Date, executed by the District as it may be amended from time to time in accordance with the terms thereof.

“Corporation” means the Public Property Financing Corporation of California, a nonprofit public benefit corporation organized under the laws of the State, its successors and assigns.

“Corporation Representative” means the President, Vice President, Secretary and Treasurer of the Corporation, or any other person authorized to act on behalf of the Corporation under or with respect to the Lease and the Trust Agreement.

“Defeasance Securities” means (i) Government Obligations, and (ii) evidences of ownership of proportionate interests in future interest and principal payments on Government Obligations held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Government Obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

“Delivery Costs” means and further includes all items of expense directly or indirectly payable by or reimbursable to the District or the Corporation relating to the Project, including but not limited to costs provided in the Purchase Contract with the Original Purchaser, the premium for any insurance policies purchased to guarantee payment of the Certificates and to satisfy the Reserve Requirement, filing and recording costs, settlement costs, printing costs, word processing costs, reproduction and binding costs, initial fees and charges of the Trustee, including its first annual administration fee and the fees of its counsel, legal and municipal advisory fees and charges, financing and other professional consultant fees, costs of rating agencies and costs of providing information to such rating agencies, any computer and other expenses incurred in connection with the Certificates, fees for execution, transportation and safekeeping of the Certificates and charges and fees in connection with the foregoing.

“Delivery Costs Requisition” means a written requisition for the payment of Delivery Costs substantially in the form attached as an exhibit to the Trust Agreement.

“Depository” means DTC; or, such other securities depositories or to such depositories as the District may designate in writing to the Trustee, or any other securities depository acting as Depository pursuant to the Trust Agreement.

“District” means the Dinuba Unified School District, a unified school district organized and existing under the laws and Constitution of the State, and its successors and assigns.

“District Representative” means the Superintendent of the District, the Chief Business Official of the District, or any other person authorized by the Superintendent or the Chief Business Official of the District to act on behalf of the District with respect to the Lease or the Trust Agreement.

“DTC” means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York in its capacity as initial Depository for the Certificates.

“Environmental Regulations” means all Laws and Regulations, now or hereafter in effect, with respect to Hazardous Materials, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act, as amended (42 U.S.C. Section 9601, et seq.) (together with the regulations promulgated thereunder, “CERCLA”), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Section 6901, et seq.) (together with the regulations promulgated thereunder, “RCRA”), the Emergency Planning and Community Right-to-Know Act, as amended (42 U.S.C. Section 11001, et seq.) (together with the regulations promulgated thereunder, “Title III”), the Clean Water Act, as amended (33 U.S.C. Section 1321, et seq.) (together with the regulations promulgated thereunder, “CWA”), the Clean Air Act, as amended (42 U.S.C. Section 7401, et seq.) (together with the regulations promulgated thereunder, “CAA”) and the Toxic Substances Control Act, as amended (15 U.S.C. Section 2601 et seq.) (together with the regulations promulgated thereunder, “TSCA”), and any state or local similar laws and regulations and any so-called local, state or federal “superfund” or “superlien” law.

“Event of Default” means an event of default under the Lease, as defined in the Lease.

“Fiscal Year” means the fiscal year of the District commencing July 1 and ending June 30 of the next year.

“Government Obligations” means non-callable (i) United States Treasury Obligations, (ii) obligations fully and unconditionally guaranteed as to payment of principal and interest by the United States of America, or (iii) obligations fully and unconditionally guaranteed as to payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America.

“Independent Counsel” means an attorney duly admitted to the practice of law before the highest court of the state in which such attorney maintains an office and who is not an employee of the Corporation, the Trustee or the District.

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

“Information Services” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System; or, such other services providing information with respect to called municipal obligations as the District may specify in a certificate to the Trustee or as the District may select.

“Insolvency Proceeding” means, for purposes of the Trust Agreement, any proceeding by or against the Corporation or the District commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law.

“Insurance Policy” or “Policy” means the insurance policy issued by the Insurer guaranteeing the scheduled payment of principal and interest with respect to the Certificates when due.

“Insurer” means Assured Guaranty Municipal Corp., a New York domiciled financial guaranty insurance company, or any successor thereto or assignee thereof.

“Insurer Advances” means the total of all amounts paid by the Insurer under the Policy.

“Insurer Reimbursement Amounts” means interest on all Insurer Advances from the date paid by the Insurer until payment thereof in full, payable to the Insurer at the Late Payment Rate per annum.

“Late Payment Rate” means the lesser of (a) the greater of (i) Prime Rate plus 3% in the case of draws and expenses related to the Policy or Prime Rate plus 5% in the case of draws and expenses related to the Reserve Policy, and (ii) the then applicable highest rate of interest with respect to the Certificates and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate on any amount owing to the Insurer shall be computed on the basis of the actual number of days elapsed over a year of 360 days.

“Laws and Regulations” means any applicable law, regulation, code, order, rule, judgment or consent agreement, including, without limitation, those relating to zoning, building, use and occupancy, fire safety, health, sanitation, air pollution, ecological matters, environmental protection, hazardous or toxic materials, substances or wastes, conservation, parking, architectural barriers to the handicapped, or restrictive covenants or other agreements affecting title to the Property.

“Lease” means the Lease/Purchase Agreement related to the Certificates, dated as of October 1, 2023, by and between the District and the Corporation, and any duly authorized and executed amendments thereto.

“Lease Payment” means any payment required to be paid by the District to the Corporation pursuant to the Lease.

“Lease Payment Date” means the Lease Payment Date defined in the Lease.

“Lease Payment Fund” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“Lease Proceeds” means any proceeds of re-letting or any other disposition of the Property pursuant to the Lease.

“Lease Year” means the period extending from June 1 of each calendar year to May 31 of the subsequent calendar year (as applicable), provided that the first Lease Year will commence on the Closing Date and end on May 31, 2022.

“Lessor” means the Public Property Financing Corporation of California, a nonprofit public benefit corporation organized under the laws of the State, its successors and assigns.

“Letter of Representations” means the letter of the District delivered to and accepted by the Depository on or prior to delivery of the Certificates as book-entry certificates making reference to the DTC Operational Arrangements, as it may be amended from time to time setting forth the basis on which the Depository serves as depository for such book-entry certificates, as such letters were originally executed or as they may be supplemented or revised or replaced by letters from the District and the Trustee delivered to and accepted by the Depository.

“Moody’s” means Moody’s Investors Service, or any successors or assigns thereto.

“Net Proceeds” means any proceeds of any insurance, performance bonds or taking by eminent domain or condemnation paid with respect to the Property remaining after payment therefrom of any expenses (including attorneys’ fees) incurred in the collection thereof.

“Net Proceeds Fund” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Trust Agreement.

“Opinion of Counsel” means a legal opinion issued by Special Counsel addressed to the District, the Corporation and the Trustee.

“Original Purchaser” means Piper Sandler & Co., as original purchaser of the Certificates on the Closing Date.

“Outstanding” when used as of any particular time with respect to Certificates, means (subject to the provisions of the Lease) all Certificates theretofore executed and delivered by the Trustee under the Trust Agreement except:

- (1) Certificates theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (2) Certificates for the payment or prepayment of which funds or Defeasance Securities, together with interest earned thereon, in the necessary amount shall have theretofore been deposited with the Trustee (whether upon or prior to the maturity or prepayment date of such Certificates), provided that, if such Certificates are to be prepaid prior to maturity, notice of such prepayment shall have been given as provided in the Trust Agreement or provision satisfactory to the Trustee shall have been made for the giving of such notice; and
- (3) Certificates in lieu of or in exchange for which other Certificates shall have been executed and delivered by the Trustee pursuant to the Trust Agreement.

“Owner” or “Certificate Owner” or “Owner of a Certificate,” or any similar term, when used with respect to a Certificate means the person in whose name such Certificate is registered on the registration books maintained by the Trustee.

“Participants” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds book-entry certificates as securities depository.

“Participating Underwriter” has the meaning ascribed thereto in the Continuing Disclosure Certificate.

“Permitted Encumbrances” means, as of any particular time: (i) liens for general ad valorem taxes and assessments, if any, which are not then delinquent, or which the District may, pursuant to provisions of the Lease, permit to remain unpaid; (ii) the Assignment Agreement; (iii) the Lease; (iv) the Site Lease; (v) any contested right or claim of any mechanic, laborer, materialman, supplier or vendor filed or perfected in the manner prescribed by law to the extent permitted under the Lease; (vi) easements, rights of way, mineral rights, cell tower leases, the subordinated lease-lease back agreements by and between the District and the developer in connection with the construction and delivery of those portions of the Project undertaken on the Property, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the Closing Date and which the District certifies will not materially impair the use of the Property by the District; and (vii) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the date of recordation of the Lease and to which the Lessor, the District, and the Insurer (so long as the Insurer is not in default of its payment obligations under the Insurance Policy) consent in writing.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State for moneys proposed to be invested therein:

- (a) For all purposes, including investments to accomplish a defeasance pursuant to the Trust Agreement, Defeasance Securities.

(b) For all purposes other than investments to accomplish a defeasance pursuant to the Trust Agreement, any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(i) Federal Housing Administration debentures.

(ii) The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

- Federal Home Loan Mortgage Corporation (FHLMC)
 - Participation certificates (but not including stripped mortgage securities which are purchased at prices exceeding their principal amounts)
 - Senior Debt obligations
- Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives)
 - Consolidated system-wide bonds and notes
- Federal Home Loan Banks (FHL Banks)
 - Consolidated debt obligations
- Federal National Mortgage Association (FNMA)
 - Senior debt obligations
 - Mortgage-backed securities (but not including stripped mortgage securities which are purchased at prices exceeding their principal amounts)
- Financing Corporation (FICO)
 - Debt obligations
- Resolution Funding Corporation (REFCORP)
 - Debt obligations

(iii) Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated "A-1+" or better by S&P or "Prime-1" by Moody's, which may include the Trustee and its affiliates.

(iv) Deposits in banks which have capital and surplus of at least \$15 million.

(v) Commercial paper (having original maturities of not more than 30 days) rated at the time of purchase "A-1+" or better by S&P and "Prime-1" by Moody's.

(vi) Money market funds rated in the highest rating category by S&P and Moody's, including funds for which the Trustee, its parent company, if any, or affiliates or subsidiaries thereof receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise.

(vii) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated "A3" by Moody's and "A" by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

(viii) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (vii) above and rated "A-1+" by S&P and "MIG-1" by Moody's.

(ix) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (vii) above and rated "AA" or better by S&P and "Aa" or better by Moody's.

(x) Pre-refunded municipal obligations rated by S&P and Moody's at least as high as direct and general obligations of the United States of America, meeting the following requirements:

1. such municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for such municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of such municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

2. such municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

3. the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on such municipal obligations (“Verification”);

4. the cash or United States Treasury Obligations serving as security for such municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

5. no substitution of a United States Treasury Obligation will be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

6. the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

(xi) Repurchase agreements entered into with (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least “AA” by S&P and Moody’s; or (2) any broker-dealer with “retail customers” or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least “AA” by S&P and Moody’s, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated at least “AA” by S&P or “Aa” by Moody’s and acceptable to the Insurer (each an “Eligible Provider”), provided that:

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

2. the Trustee or a third party acting solely as agent therefor or for the District (the “Custodian”) has possession of the collateral or the collateral has been transferred to the Custodian in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books) and the collateral is marked to market;

3. the collateral will be marked to market on a daily basis and the provider or Custodian will send monthly reports to the Trustee, the District and the Insurer setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;

4. the repurchase agreement (or guaranty, if applicable) may not be assigned or amended without the prior written consent of the Insurer;

5. the repurchase agreement will state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Custodian is in possession);

6. all other requirements of each Rating Agency in respect of repurchase agreements are met;

7. the repurchase agreement will provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, at the direction of the District or the Trustee (who will give such direction if so directed by the Insurer), within 10 days of receipt of such direction, repurchase all collateral and terminate the repurchase agreement, with no penalty or premium to the District or Trustee.

Notwithstanding the above, if the repurchase agreement has a term of 270 days or less (with no evergreen provisions), collateral levels need not be as specified in (1) above, so long as such collateral levels are 103% or better and the provider is rated at least "A" by S&P and Moody's, respectively.

(xii) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or in the case of a guaranteed corporation the long-term debt is rated at least "AA" (stable) by S&P and "Aa" (stable) by Moody's; or in the case of a monoline financial guaranty insurance company, claims paying ability of the guarantor is rated at least as high as direct and general obligations of the United States of America by S&P and Moody's; provided that, by the terms of the investment agreement:

1. interest payments are to be made to the Trustee at times and in amounts as necessary to pay Lease Payments (or, if the investment agreement is for the construction fund, construction draws) with respect to the Certificates;

2. the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven (7) days' prior notice; the District and the Trustee have agreed to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

3. the provider will send monthly reports to the Trustee, the Insurer and the District setting forth the balance the District or Trustee has invested with the provider and the amounts and dates of interest accrued and paid by the provider;

4. the investment agreement will state that is an unconditional and general obligation of the provider, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel will state that the obligation of the provider to make payments thereunder ranks *pari passu* with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

5. the investment agreement (or guaranty, if applicable) may not be assigned or amended without the prior written consent of the Insurer;

6. the District, the Insurer and the Trustee will receive an opinion of domestic counsel (which will be addressed to the District and the Insurer), to the effect that such investment agreement is legal, valid, binding and enforceable against the provider in accordance with its terms;

7. the District, the Insurer and the Trustee will receive an opinion of foreign counsel to the provider (if applicable) (in a form and substance acceptable to, and addressed to the District, the Insurer and the Trustee), to the effect that (a) the investment agreement has been duly authorized, executed and delivered by the provider and constitutes the legal, valid and binding obligation of the provider, enforceable against the provider in accordance with its terms, (b) the choice of law of the state set forth in the investment agreement is valid under that country's laws and a court in such country would uphold such choice of law, and (c) any judgment rendered by a court in the United States would be recognized and enforceable in such country;

8. the investment agreement will provide that if during its term:

(i) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3," respectively, the provider will, at its option, within ten (10) days of receipt of publication of such

downgrade, either (a) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the District, the Trustee or a third party acting solely as an agent therefor (a "Custodian") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (b) repay the principal of and accrued but unpaid interest on the investment, and

(ii) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", the provider must, at the direction of the District or the Trustee (who will give such direction if so directed by the Insurer), within ten (10) days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the District or Trustee;

9. in the event the provider is required to collateralize, permitted collateral will include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations will be permitted for these providers) and collateral levels must be 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA's and 104% of the total principal when the collateral type is FNMA and FHLMC ("Eligible Collateral"). In addition, the collateral will be marked to market on a daily basis and the provider or Custodian will send monthly reports to the Trustee, the Insurer and the District setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;

10. the investment agreement will state and an opinion of counsel will be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Custodian in possession) and;

11. the investment agreement must provide that if during its term: (i) the provider will default in its payment obligations, the provider's obligations under the investment agreement will, at the direction of the District or the Trustee (who will give such direction if so directed by the Insurer), be accelerated and amounts invested and accrued but unpaid interest thereon will be repaid to the District or Trustee, as appropriate, and (ii) the provider will become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations will automatically be accelerated and amounts invested and accrued but unpaid interest thereon will be repaid to the District or Trustee, as appropriate; and

(xiii) Deposits in the Local Agency Investment Fund of the California State Treasurer, to the extent the Trustee is authorized to register such investments in its name.

"Policy Costs" means costs owed to the Reserve Insurer and representing the repayment of draws and Administrative Costs, and accrued interest thereon, at the Late Payment Rate.

"Policy Payments Account" means the special purpose trust account established by the Trustee pursuant to the Trust Agreement for the benefit of the Certificate Owners, and over which the Trustee shall have exclusive control and sole right of withdrawal.

"Prepayment" means any payment made by the District pursuant to the Lease as a prepayment of Lease Payments.

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

“Prime Rate” means the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A., at its principal office in the City of New York, New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such changed is announced by JP Morgan Chase Bank). In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, the Prime Rate shall be the publicly announced prime or base lending rate of such national bank as the Insurer shall specify.

“Principal Office” means the principal corporate trust operations office of the Trustee, or such other office as the Trustee may inform the District of, provided that for transfer, exchange, registration, surrender and payment of Certificates, such term means the office or agency of the Trustee, or such other address as the Trustee may inform the District, or the principal office of any successor trustee pursuant hereto.

“Project” means the project described in the Lease and any and all substitutions thereto, as provided in the Lease.

“Project Cost Requisition” means a written requisition for the payment of Project Costs substantially in the form attached as an exhibit to the Trust Agreement.

“Project Costs” means, with respect to any item or portion of the Project, the contract price paid or to be paid therefor upon acquisition, construction, procurement or improvement thereof, in accordance with a purchase order or contract therefor. Project Costs include, but are not limited to, the administrative, engineering, legal, financial and other costs incurred by the District and the Corporation in connection with the acquisition, construction, procurement, remodeling or improvement of the Project, all applicable sales taxes and other charges resulting from such construction, procurement, remodeling or improvement of the Project and the costs associated with making rebate calculations required by the Code.

“Project Fund” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“Property” means the site or sites described in the Lease, and the school facilities located thereon.

“Purchase Contract” means that certain contract for the purchase of the Certificates dated as of [____], 2023 by and between the District and the Original Purchaser, relating to the sale and delivery of the Certificates.

“Rating Agency” means any nationally-recognized credit rating agency that maintains a current credit rating with respect to the Certificates.

“Record Date” means the close of business on the fifteenth day of the month preceding each Certificate Payment Date, whether or not such fifteenth day is a Business Day.

“Related Document” means each of the Trust Agreement, the Lease, the Site Lease and the Assignment Agreement.

“Reserve Facility” means any line of credit, letter of credit, insurance policy, surety bond or other credit source deposited with the Trustee, including the Reserve Policy, pursuant to the provisions of the Trust Agreement summarized under “THE TRUST AGREEMENT – Reserve Fund” herein.

“Reserve Fund” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“Reserve Insurer” means Assured Guaranty Municipal Corp., a New York domiciled financial guaranty insurance company, or any successor thereto.

“Reserve Policy” means the Municipal Bond Debt Service Reserve Insurance Policy issued by the Reserve Insurer to initially satisfy the Reserve Requirement.

“Reserve Replenishment Rent” means Reserve Replenishment Rent payable pursuant to the Lease.

“Reserve Requirement” means, as of any calculation date, the lesser of (1) the maximum aggregate annual Lease Payments (in any Fiscal Year) then payable under the Lease, (2) 125% of the average annual aggregate Lease Payments (in any Fiscal Year) then payable under the Lease, or (3) 10% of the original face amount of the Certificates and/or the Additional Certificates, as applicable (less original issue discount if in excess of two percent (2%) of the stated prepayment amount at maturity).

“Responsible Officer” means, with respect to the Trustee, the president, every vice president, every assistant vice president, every trust officer and every officer and assistant officer of the Trustee, other than those specifically above mentioned, to whom any corporate trust matter relating to the Trust Agreement is referred because of his or her knowledge of and familiarity with, a particular subject.

“S&P” means S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, or any successors or assigns thereto.

“Security Document” means each of the Trust Agreement, the Site Lease, the Lease, the Certificates, the Assignment Agreement, and any other transaction document or agreement defined as such in the Policy.

“Site Lease” means the Site Lease related to the Certificates, dated as of October 1, 2023, by and between the Corporation and the District.

“Special Counsel” means Stradling Yocca Carlson & Rauth, a Professional Corporation, or any other attorney or firm of attorneys of nationally recognized standing in matters pertaining to the tax-exempt status of interest on obligations issued by states and their political subdivisions and acceptable to the District.

“State” means the State of California.

“Tax Certificate” means the Tax Certificate of the District, dated as of the Closing Date, concerning matters pertaining to the use and investment of proceeds of the Certificates executed and delivered to the District on the date of execution and delivery of the Certificates, including any and all exhibits attached thereto.

“Term” means the time during which the Lease is in effect, as provided in the Lease.

“Trustee” means U.S. Bank Trust Company, National Association, a national banking association duly organized and existing under the laws of the United States of America, and any successor trustee.

“Trust Agreement” or “Agreement” means the Trust Agreement, together with any amendments thereof or supplements thereto permitted to be made thereunder.

“United States Treasury Obligations” means non-callable direct obligations of the United States of America (other than obligations subject to variation in principal repayment).

THE LEASE AGREEMENT

THE PROJECT

Deposit of Certificate Proceeds. On the Closing Date, the Lessor has agreed to pay or cause to be paid to the District the proceeds of the sale of the Certificates, which moneys to be deposited with the Trustee as provided in the Trust Agreement.

Completion of the Project. The District will arrange for, supervise and provide for, or cause to be supervised and provided for, the construction and completion of the Project. The District will enter into one or more contracts or purchase orders providing for completion of the Project.

Payment of Project and Delivery Costs. Payment of the Project Costs and Delivery Costs will be made from the moneys deposited with the Trustee in the Project Fund as provided in the Trust Agreement, which will be disbursed in accordance and upon compliance with the Trust Agreement.

Completion Certification. Upon completion of all portions of the Project to be financed with the Certificates, satisfactory to the District, the District will deliver to the Trustee a Certificate of Completion with respect thereto. On the date of filing the Certificate of Completion, as indicated therein, all excess moneys remaining in the Project Fund will be transferred by the Trustee in accordance with the Trust Agreement.

Substitution of or Addition to the Project. The District will have the right to substitute alternate items for any portion of the Project listed in the Lease or provide for additional components of the Project by providing the Trustee with a written certificate in the form contained in the Lease as an exhibit and so long as such substitution or addition does not cause, in and of itself, the interest represented by the Certificates to be included in gross income for federal income tax purposes.

Compliance with Law.

Public Bidding. The District will comply with all applicable provisions for bids and contracts prescribed by law, including, without limitation, the Public Contract Code, the Education Code, and the Government Code of the State.

Wage Rates and Working Hours. The District will comply with all applicable provisions relating to prevailing wage rates and working hours, as applicable, required by the Education Code of the State.

Field Act Compliance. If applicable, the District will acquire, construct and install the Project in such manner as to comply with the Field Act.

Plans and Specifications. If applicable, the District will prepare and adopt plans and specifications for the acquisition, construction and installation of the Project or portions thereof pursuant to the Education Code of the State.

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

AGREEMENT TO LEASE; TERM OF LEASE; LEASE PAYMENTS

Lease. The Lessor has leased the Property to the District, and the District has leased the Property from the Lessor, upon the terms and conditions set forth in the Lease. The Lease will not operate as a merger of the District's leasehold estate in the Property pursuant to the Lease and its fee estate in the Property and will not cause the extinguishment of the leasehold interest granted to the Lessor under the Site Lease.

Term. The Term of the Lease will commence on the date of execution thereof and will end on June 1, 2038, unless extended pursuant to the Lease, or unless terminated prior thereto upon the earliest of any of the following events:

(a) Default and Termination. A default by the District and the election of the Lessor (or its assignees) to terminate the Lease;

(b) Payment of All Lease Payments. The payment by the District of all Lease Payments and Reserve Replenishment Rent required under the Lease and any Additional Payments required under the Lease;

(c) Prepayment. The deposit of funds or Government Obligations with the Trustee in amounts sufficient to pay all Lease Payments as the same will become due, as provided by the Lease and as provided by the Trust Agreement; or

(d) Purchase. Upon the exercise by the District of its option to purchase all of the Lessor's interest in the Property as provided in the Lease; provided, however, that upon exercise by the District of its option to purchase the Lessor's interest in a portion of the Property, as provided in the Lease, the Lease will be terminated only with respect to that portion of the Property.

Extension of Lease Term. If (i) on June 1, 2038, the Certificates have not been fully paid, or (ii) if the Lease Payments thereunder shall have been abated at any time and for any reason not paid from the proceeds of rental interruption insurance pursuant to the Lease, or (iii) any amounts shall be due to the Insurer or Reserve Insurer with respect to the Insurance Policy or the Reserve Policy, respectively, then the Term will be extended until such Certificates, Lease Payments or amounts shall be fully paid, except that the Term will in no event be extended beyond June 1, 2048.

Lease Payments.

(a) Time and Amount. Subject to the provisions of the Lease regarding abatement in event of loss of use of any portion of the Property, regarding option to purchase and regarding prepayment of Lease Payments, the District has agreed to pay to the Lessor, its successors and assigns, as annual rental for the use and possession of the Property, the Lease Payments (denominated into components of principal and interest, the interest component being paid semiannually) in the amounts specified in the Lease, to be due and payable on the fifteenth (15th) day of the month (or if such day is not a Business Day, the next succeeding Business Day) immediately preceding the respective Certificate Payment Dates as specified in the Lease (the "Lease Payment Date") which are sufficient in both time and amount to pay when due the annual principal and semiannual interest represented by the Certificates.

In the event the District does not pay a Lease Payment due on the respective Lease Payment Date, the Trustee will provide prompt written notice to the District and the Insurer of such failure to pay; provided, however, that failure to give such notice will not excuse any event of default under the Lease.

(b) Credits. Any amount held in the Lease Payment Fund on any Lease Payment Date (other than accrued or capitalized interest, which will be credited as provided in the Trust Agreement, and other than amounts resulting from the prepayment of the Lease Payments in part but not in whole pursuant to the Lease and other amounts required for payment of principal with respect to any Certificates not presented for payment or interest) will be credited towards the Lease Payment then due and payable. No Lease Payment need be made on any Lease Payment Date if the amounts then held in the Lease Payment Fund are at least equal to the Lease Payment then required to be paid.

(c) Rate on Overdue Payments. In the event the District should fail to make any of the Lease Payments required in the Lease, the Lease Payment in default will continue as an obligation of the District until the amount in default will have been fully paid, and the District has agreed to pay the same with interest thereon, to the extent permitted by law, from the date such amount was originally payable at the rate equal to the original interest rate payable with respect to each Certificate then Outstanding.

(d) Reserve Replenishment Rent. In the event that:

(i) funds have been withdrawn from the Reserve Fund or a draw has been made upon the Reserve Policy in order to pay interest or principal represented by the Certificates or if there shall be a deficiency in the Reserve Fund resulting from a decrease of 10% or more in the market value of the Permitted Investments in the Reserve Fund or the Lease Payment Fund determined as provided in the Trust Agreement, and

(ii) Lease Payments are not then in abatement pursuant to the Lease, and

(iii) the amount of such Lease Payments is less than the fair rental value of the Property, and

(iv) the amount on deposit in the Reserve Fund is less than the Reserve Requirement, or the amount on deposit in the Lease Payment Fund is less than the amount required to be on deposit therein corresponding to the cumulative gross Lease Payments,

then the District will pay from its first legally available moneys after payment of Lease Payments, to the Trustee, Reserve Replenishment Rent in the amount of the deficiency, or, in the case of a draw on the Reserve Policy, in an amount necessary to reimburse the Reserve Insurer for the repayment of the amount drawn on the Reserve Policy, including interest thereon at the Late Payment Rate, consistent in each case with such fair rental value

(A) (1) over a period of not more than four months, in four (4) substantially equal payments, in the event of a deficiency from a decrease in the market value of Permitted Investments on deposit in the Reserve Fund or the Lease Payment Fund; or (2) over a period of not more than twelve months, in twelve substantially equal monthly payments in the event of either a deficiency from a withdrawal of amounts in the Reserve Fund or a draw on the Reserve Policy; and

(B) from the first moneys legally available therefor provided that such payment is consistent with the fair market rental value of the Property, or

(C) if such payments summarized in clause (A) or (B) are inconsistent with fair market rental value, in such maximum amounts as shall be consistent with fair rental value on each Lease Payment Date until the amount of such Reserve Replenishment Rent paid equals the amount of funds withdrawn from the Reserve Fund or drawn on the Reserve Policy (including in such amount interest accrued in respect of such drawing at the Late Payment Rate) or upon any other Reserve Facility to pay interest or principal represented by the Certificates or the decrease in value of Permitted Investments in the Reserve Fund or the Lease Payment Fund.

No Withholding. Notwithstanding any dispute between the Lessor and the District, including a dispute as to the failure of any portion of the Property in use by or possession of the District to perform the task for which it is leased, the District will make all Lease Payments, Reserve Replenishment Rent and Additional Payments when due and will not withhold any Lease Payments, Reserve Replenishment Rent or Additional Payments pending the final resolution of such dispute.

Fair Rental Value. The Lease Payments will be paid by the District in consideration of the right of possession of, and the continued quiet use and enjoyment of, the Property during each such period for which said Lease Payments are to be paid. The parties thereto have agreed and determined that such total rental represents the

fair rental value of the Property. In making such determination, consideration has been given to the insured replacement value of the Property, other obligation of the parties under the Lease (including but not limited to costs of maintenance, taxes and insurance), the uses and purposes which may be served by the Property and the benefits therefrom which will accrue to the District and the general public, and the transfer of the Lessor's leasehold interest in the Property at the end of the Term. In the event that the District and the Trustee, as assignee of the Lessor, agree subsequent to the date thereof that Lease Payments thereunder are less than the fair rental value of the Property, the District and the Trustee may mutually agree that the District will increase the Lease Payments payable thereunder to reflect such fair rental value.

Budget and Appropriation. The District has covenanted to take such action as may be necessary to include in its annual budget and make all necessary annual appropriations for all Lease Payments, Reserve Replenishment Rent and Additional Payments (to the extent the amounts of such Reserve Replenishment Rent and Additional Payments are known to the District at the time its annual budget is proposed), and to maintain such items to the extent unpaid for that Fiscal Year in its budget throughout such Fiscal Year. To the extent the amount of such payments becomes known after the adoption of the annual budget, such amounts will be included and maintained in such budget as amended. During the Term of the Lease, the District will furnish annually, on or before June 30 of each year, to the Trustee a certificate of the District Representative stating that all Lease Payments, Reserve Replenishment Rent and Additional Payments due thereunder for the applicable Fiscal Year have been included in its annual budget and the amount so included. The covenants on the part of the District contained in the Trust Agreement will be deemed to be and will be construed to be duties imposed by law and it will be the ministerial duty of each and every public official of the District to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the District to carry out and perform the covenants and agreements in the Lease agreed to be carried out and performed by the District.

Assignment of Lease Payments. Certain of the Lessor's rights under the Lease, including the right to receive and enforce payment of the Lease Payments, Reserve Replenishment Rent, Additional Payments, and Prepayments, to be made by the District thereunder, have been assigned to the Trustee, subject to certain exceptions, pursuant to the Assignment Agreement, to which assignment the District thereby consents. The Lessor thereby directs the District, and the District has agreed, to pay to the Trustee at the Trustee's corporate trust office in Los Angeles, California, or to the Trustee at such other place as the Trustee will direct in writing, all Lease Payments, Additional Payments, Reserve Replenishment Rent or Prepayments thereof payable by the District thereunder. The Lessor will not assign or pledge the Lease Payments, Additional Payments, Reserve Replenishment Rent or other amounts derived from the Property and from its other rights under the Lease except as provided under the terms of the Lease, the Assignment Agreement and the Trust Agreement, or its duties and obligations except as provided under the Lease, and any assignments in contravention thereof will be void.

Use and Possession. The total Lease Payments due in any Fiscal Year will be for the District's right to use and possession of the Property for such Fiscal Year.

Abatement of Lease Payments in Event of Loss of Use.

(a) Period. The obligation of the District to pay Lease Payments, Additional Payments and Reserve Replenishment Rent will be abated during any period in which by reason of damage, destruction or taking by eminent domain or condemnation with respect to any portion of the Property there is substantial interference with the District's right to use and possession of such portion of the Property.

(b) Amount. The amount of such abatement will be determined by the District such that the resulting Lease Payments and Reserve Replenishment Rent represent fair consideration for the District's right to use and possession of the portion of the Property not damaged, destroyed or taken. The District will calculate such abatement and will provide the Trustee and the Insurer with a certificate setting forth such calculations and the basis therefor (with a copy to the Insurer). Such abatement will commence with such damage, destruction or taking and end with the substantial completion of the replacement or work or repair; provided, however, that during abatement, available moneys on deposit in the Reserve Fund or Lease Payment Fund, and other special sources of money, including without limitation proceeds of rental interruption insurance, will be applied to pay the Lease Payments.

(c) Repair or Replacement. In the event of such abatement, the District will use its best efforts to repair or replace the damaged or destroyed or taken portion of the Property, as the case may be, from Net Proceeds, subject to the requirements of the Lease, or special funds of the District or other moneys the application of which would, in the opinion of Special Counsel addressed to the Trustee, the District, the Insurer and the Lessor, not result in the obligations of the District thereunder constituting indebtedness of the District in contravention of the Constitution and laws of the State.

Additional Payments. In addition to the Lease Payments, the District will also pay such amounts (“Additional Payments”) as will be required for the payment of all Administrative Costs of the Lessor relating to the Property or the Certificates, including without limitation, amounts due by the District to the Insurer and the Reserve Insurer, including all amounts due pursuant to the Trust Agreement (and excepting for Reserve Replenishment Rent due pursuant to provisions summarized under the heading “—Lease Payments – Reserve Replenishment Rent herein), all expenses, compensation and indemnification of the Trustee payable by the District under the Trust Agreement, all fees and expenses owed to the Lessor under the Lease, taxes of any sort whatsoever payable by the Lessor as a result of its interest in the Property or undertaking of the transactions contemplated therein or in the Trust Agreement, fees of auditors, accountants, attorneys or engineers, all other necessary Administrative Costs of the Lessor or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Certificates or of the Trust Agreement including premiums or insurance maintained pursuant to the Lease or to indemnify the Lessor and its employees, officers and directors, the Corporation and its agents, successors and assigns and the Trustee.

Net-Net-Net Lease. The Lease will be deemed and construed to be a “net-net-net lease” and the District has agreed that the Lease Payments will be an absolute net return to the Lessor, free and clear of any expenses, charges or set-offs whatsoever, except as expressly provided therein.

INSURANCE

Public Liability and Property Damage.

(a) Coverage. The District will maintain or cause to be maintained, throughout the Term thereof, a standard comprehensive general public liability and property damage insurance policy or policies in protection of the District, the Lessor and their officers, agents and employees. Said policy or policies will provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the use or operation of any District property or portion thereof.

(b) Limits. Said policy or policies will provide coverage in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of \$150,000 (subject to such deductibles as the District deems adequate and prudent) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy covering all such risks in an amount equal to the liability limits set forth therein.

(c) Joint or Self-Insurance. Such liability insurance, including the deductible, may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and, subject to compliance with the Lease, may be maintained in the form of self-insurance by the District.

(d) Payment of Net Proceeds. The Net Proceeds of such liability insurance will be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds will have been paid.

Workers’ Compensation. The District will also maintain workers’ compensation insurance issued by a responsible carrier authorized under the laws of the State to insure its employees against liability for compensation under the Workers’ Compensation Insurance and Safety Act now in force in the State, or any act hereafter enacted as an amendment or supplement thereto.

Casualty and Theft Insurance.

(a) Coverage. The District will procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease, insurance against loss or damage to any portion of the Property caused by fire and lightning, with extended coverage and theft, vandalism and malicious mischief insurance, but excluding earthquake and flood insurance to the extent not commercially available at a reasonable cost in the judgment of the District. Said extended coverage insurance will, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance.

(b) Amount. Such insurance will be in an amount (except that such insurance may be subject to deductible clauses of not to exceed \$100,000 for any one loss) not less than the greater of (i) replacement cost of the Property and (ii) the aggregate principal amount of the Certificates at the time Outstanding.

(c) Joint or Self-Insurance. Such insurance may be maintained as part of or in conjunction with any other insurance carried or required to be carried by the District, and, subject to compliance with the Lease thereof, may be maintained in the form of self-insurance by the District.

(d) Payment of Net Proceeds. The Net Proceeds of such insurance will be paid to the Trustee and deposited in the Net Proceeds Fund and applied as provided in the Lease.

Rental Interruption Insurance.

(a) Coverage and Amount. The District will maintain or cause to be maintained rental income or use and occupancy insurance in an amount not less than the maximum remaining scheduled Lease Payments in any future 24-month period, to insure against loss of rental income from the Property caused by perils covered by the insurance required to be maintained as provided in the Lease. Notwithstanding the foregoing, rental interruption insurance will not be provided in connection with earthquake or flood events unless commercially available at a reasonable cost in the judgment of the District. Such rental interruption insurance will name the Trustee and the Lessor as additionally secured parties and may not be provided in the form of self-insurance.

(b) Joint Insurance. Such insurance may be maintained as part of or in conjunction with any other rental income insurance carried by the District.

(c) Payment of Net Proceeds. The Net Proceeds of such rental interruption insurance will be paid to the Trustee and deposited (1) in the Reserve Fund to make up any deficiencies therein or draws therefrom or a drawing upon the Reserve Policy, and thereafter (2) in the Lease Payment Fund, to be credited towards the payment of the Lease Payments in the order in which such Lease Payments come due and payable.

Title Insurance. The District will obtain and, throughout the Term of the Lease, maintain or cause to be maintained title insurance on the Property, in the form of a CLTA title policy acceptable to the Insurer, in an amount equal to the aggregate principal amount of the Certificates Outstanding, issued by a company of recognized standing, duly authorized to issue the same, payable to the Trustee for the benefit of the Owners, subject only to Permitted Encumbrances. Said policy or policies will insure (a) the fee interest of the District in the Property, (b) the Lessor's ground leasehold estate in the Property under the Site Lease, and (c) the District's leasehold estate thereunder in the Property, subject only to Permitted Encumbrances. All Net Proceeds received under said policy or policies will be deposited with the Trustee and applied as provided in the Trust Agreement. So long as any of the Certificates remain Outstanding, each policy of the title insurance obtained pursuant thereto or required thereby will provide that all proceeds thereunder will be payable to the Trustee for the benefit of the Certificate Owners.

General Insurance Provisions.

(a) Form of Policies. All policies of insurance required to be procured and maintained pursuant to the Lease and any statements of self-insurance will be in a form certified by an insurance agent, broker or consultant to the District to comply with the provisions thereof. All such policies will provide that the District will give the Trustee and the Insurer thirty (30) days' notice of each expiration, any intended cancellation thereof or reduction of

the coverage provided thereby, and will be provided by carriers rated in the two highest rating categories without regard to modifiers by S&P or Moody's or at least "A" by A.M. Best Company, Inc. Each policy of insurance required to be procured and maintained pursuant to provisions of the Lease regarding casualty and theft insurance, regarding rental interruption insurance and regarding title insurance will provide that the Trustee and the Corporation is an additional insured and all proceeds thereunder will be payable to the Trustee for the benefit of the Owners.

(b) Payment of Premiums. The District will pay or cause to be paid when due the premiums for all insurance policies required by the Lease, and will promptly furnish or cause to be furnished to the Trustee a certificate to such effect, as described in paragraph (d) below.

(c) Protection of the Trustee. The Trustee will not be responsible for the sufficiency or adequacy of any insurance therein required and will be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the District.

(d) Evidence of Insurance. The District will cause to be delivered to the Trustee and the Insurer annually on or before July 1 a certificate stating that the insurance policies required by the Lease are in full force and effect.

(e) Self Insurance. The District may only elect to self-insure pursuant to the Lease, with the consent of the Insurer, if and to the extent such self-insurance method or plan of protection will afford reasonable protection to the Lessor and the Trustee, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by other school districts in the State other than the District. Any self-insurance maintained by the District pursuant to the Lease will comply with the following terms:

(i) The self-insurance program will be approved in writing by an Independent Insurance Consultant;

(ii) The self-insurance program will include an actuarially sound claims reserve fund out of which each self-insured claim will be paid; the adequacy of such fund will be evaluated on an annual basis by an Independent Insurance Consultant; and any deficiencies in any self-insured claims reserve fund will be remedied in accordance with the recommendation of such Independent Insurance Consultant;

(iii) The self-insured claims reserve fund will be held in a separate trust fund by an independent trustee, which may be the Trustee; and

(iv) In the event the self-insurance program will be discontinued, the actuarial soundness of its claims reserve fund, as determined by an Independent Insurance Consultant, will be maintained.

Cooperation. The Lessor will cooperate fully with the District at the expense of the District in filing any proof of loss with respect to any insurance policy maintained pursuant to the Lease and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Property or any portion thereof.

DAMAGE, DESTRUCTION AND EMINENT DOMAIN; USE OF NET PROCEEDS

Application of Net Proceeds.

(a) Deposit in Net Proceeds Fund. The District will remit promptly to the Trustee any Net Proceeds received by the District and the Trustee, pursuant to the Trust Agreement, will deposit such Net Proceeds of insurance which it receives in the Net Proceeds Fund as provided in sections the Lease regarding casualty and theft insurance or regarding title insurance, promptly upon receipt thereof. The District and/or the Lessor will transfer to the Trustee any other Net Proceeds received by the District and/or Lessor in the event of any accident, destruction, theft or taking by eminent domain or condemnation with respect to the Property, for deposit in the Net Proceeds Fund.

(b) Disbursement for Replacement or Repair of the Property. Upon receipt of the certification described in paragraph (i) below, the requisition described in paragraph (ii) below, and the prior written consent of the Insurer (so long as the Insurer is not in default of its payment obligations under the Insurance Policy), the Trustee will disburse moneys in the Net Proceeds Fund to the person, firm or corporation named in the requisition as provided in the Trust Agreement.

(i) Certification. The District Representative must certify to the Lessor and the Trustee (with a copy to the Insurer, so long as the Insurer is not in default of its payment obligations under the Insurance Policy) that:

(A) Sufficiency of Net Proceeds. The Net Proceeds available for such purpose, together with any other funds supplied by the District to the Trustee in a subaccount of the Net Proceeds Fund for such purpose, are expected to equal at least 110% of the projected costs of replacement or repair (or such lesser percentage as may be consented to by the Insurer) as demonstrated in an attached reconstruction budget, and

(B) Timely Completion. In the event that damage, destruction or taking results or is expected to result in an abatement of Lease Payments, such replacement or repair can be fully completed within a period not in excess of the period in which rental interruption insurance proceeds, as described in the Lease together with other identified available moneys, will be available to pay in full all Lease Payments coming due during such period as demonstrated in an attached reconstruction schedule.

(ii) Requisition. The District Representative must state with respect to each payment to be made (1) the requisition number, (2) the name and address of the person, firm or corporation to whom payment is due, (3) the amount to be paid and (4) that each obligation mentioned therein has been properly incurred, is a proper charge against the Net Proceeds Fund, has not been the basis of any previous withdrawal, and specifying in reasonable detail the nature of the obligation. Each such requisition signed by the District Representative will be sufficient evidence to the Trustee of the facts stated therein and the Trustee will have no duty to confirm the accuracy of such facts.

Any balance of the Net Proceeds remaining after such replacement or repair has been completed and after payment or provision for payment of all Certificates as provided in the Trust Agreement will be paid to the District after payment of amounts due the Trustee pursuant to the Trust Agreement, and any amounts due to the Insurer.

(c) Disbursement for Prepayment. If the District Representative notifies the Trustee (with a copy to the Insurer, so long as the Insurer is not in default of its payment obligations under the Insurance Policy) in writing of the District's determination that the certification provided in the Lease cannot be made or that replacement or repair of any portion of the Property is not economically feasible or in the best interest of the District, then the Trustee will (with the prior written consent of the Insurer), promptly transfer the Net Proceeds to the Prepayment Fund as provided in the Trust Agreement and apply them to prepayment of the Certificates as provided in the Trust Agreement and prepayment of Lease Payments as provided in the Lease; provided that in the event of damage or destruction in whole of the Property and in the event such Net Proceeds, together with funds then on hand in the Lease Payment Fund and Reserve Fund are not sufficient to prepay all the Certificates then Outstanding, then the District will not be permitted to certify that repair, replacement or improvement of all of the Property is not economically feasible or in the best interest of the District. In such event, the District will proceed to repair, replace or improve the Property as described therein from legally available funds in the then-current Fiscal Year and will make the required notification to the Trustee pursuant to the Trust Agreement and the Trustee will disburse moneys in the Net Proceeds Fund to the person, firm, or corporation named in the requisition as provided therein.

COVENANTS WITH RESPECT TO THE PROPERTY

Use of the Property. The District represents and warrants that it has an immediate need for, and expects to make immediate use of, all of the Property, which need is not temporary or expected to diminish in the foreseeable future.

Interest in the Property and the Lease.

(a) Lessor Holds Leasehold Interest During Term. During the Term of the Lease, the Lessor does and will hold a leasehold interest in the Property pursuant to the Site Lease. The District will take any and all actions reasonably required, including but not limited to executing and filing any and all documents reasonably required, to maintain and evidence such title and interest at all times during the Term of the Lease.

(b) Title Transferred to the District at End of Term. Upon expiration of the Term as provided in the Lease thereof, all right, title and interest of the Lessor in and to all of the Property will be transferred to and vest in the District, without the necessity of any additional document of transfer.

Option to Purchase. The District may exercise an option to purchase the Lessor's interest under the Site Lease and the Lease in the Property by depositing with the Trustee cash and/or Government Obligations as provided in the Trust Agreement. In such event, all or a portion of the obligations of the District under the Lease, and the security provided by the Lease for said obligations or said portion of the obligations, will cease and terminate as provided in the Lease, excepting in the case all of the Lessor's interest has been purchased, only the obligation of the District to make, or cause to be made, such Lease Payments from such deposit. In the event Lease Payments, Reserve Replenishment Rent and Additional Payments under the Lease, and any other amounts owed to the Insurer or Reserve Insurer, have been paid in full, on the date of said deposit, the Lessor's interest in the Property will revert and transfer to the District automatically and without further action by the District or the Lessor, and the Lessor will execute and deliver such further instruments and take such further action as may reasonably be requested by the District for carrying out the reversion and transfer of the Lessor's interests in the Property. In the event Lease Payments under the Lease have been paid in part only, on the date of said deposit, the District may (with the written consent of the Insurer) specify a discrete portion of the Lessor's interest in the Property for reversion and transfer to the District and the Lessor will execute and deliver such further instruments and take such further action as may reasonably be requested by the District for carrying out the reversion and transfer of such portion of the Lessor's interest in the Property; provided, that such portion will revert and transfer to the District only if the reduction in the fair rental value of the Property effected by such reversion and transfer at the time of such reversion and transfer is proportionately less than or equal to the reduction in the maximum annual Lease Payments under the Lease effected by such purchase. Any such deposit will be deemed to be and will constitute a special fund for the payment of Lease Payments in accordance with the Lease.

Quiet Enjoyment. During the Term, the Lessor will provide the District with quiet use and enjoyment of the Property, and the District will during such Term peaceably and quietly have and hold and enjoy the Property, without suit, trouble or hindrance from the Lessor, or any person or entity claiming under or through the Lessor except as expressly set forth in the Lease. The Lessor will, at the request of the District, join in any legal action in which the District asserts its right to such possession and enjoyment to the extent the Lessor may lawfully do so. Notwithstanding the foregoing, the Lessor will have the right to inspect the Property as provided in the Lease.

Installation of the District's Personal Property. The District may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in or upon any portion of the Property. All such items will remain the sole personal property of the District, regardless of the manner in which the same may be affixed to such portion of the Property, in which neither the Lessor nor the Trustee will have any interest, and may be modified or removed by the District at any time; provided that the District will repair and restore any and all damage to such portion of the Property resulting from the installation, modification or removal of any such items of equipment. Nothing in the Lease will prevent the District from purchasing items to be installed pursuant to the Lease, provided that no lien or security interest will attach to any part of the Property.

Access to the Property. The District has agreed that the Lessor, any Corporation Representative and the Lessor's successors, assigns or designees will have the right at all reasonable times to enter upon the Property or any portion thereof to examine and inspect the Property. The District has further agreed that the Lessor, any such Corporation Representative, and the Lessor's successors, assigns or designees will have such rights of access to the Property as may be reasonably necessary to cause the proper maintenance of the Property in the event of failure by the District to perform its obligations thereunder.

Maintenance, Utilities, Taxes and Assessments.

(a) Maintenance; Repair and Replacement. Throughout the Term of the Lease, as part of the consideration for the rental of the Property, all repair and maintenance of the Property will be the responsibility of the District, and the District will pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Property resulting from ordinary wear and tear or want of care on the part of the District or any sublessee thereof. In exchange for the Lease Payments therein provided, the Lessor has agreed to provide only the Property, as thereinbefore more specifically set forth. The District waives the benefits of subsections 1 and 2 of Civil Code Section 1932, but such waiver will not limit any of the rights of the District under the terms of the Lease.

(b) Tax and Assessments; Utility Charges. The District will also pay or cause to be paid all taxes and assessments, including but not limited to utility charges, of any type or nature charged to the Lessor or the District or levied, assessed or charged against any portion of the Property or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the District will be obligated to pay only such installments as are required to be paid during the Term of the Lease as and when the same become due.

(c) Contests. The District may, upon notice to the Insurer, at its expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom; provided that prior to such nonpayment it will furnish the Lessor, the Trustee and the Insurer with the opinion of an Independent Counsel acceptable to the Lessor, Insurer and the Trustee, to the effect that, by nonpayment of any such items, the interest of the Lessor in such portion of the Property will not be materially endangered and that the Property will not be subject to loss or forfeiture. Otherwise, the District will promptly pay such taxes, assessments or charges or make provisions for the payment thereof in form satisfactory to the Lessor and the Insurer. The Lessor will cooperate fully in such contest, upon the request and at the expense of the District.

Modification of the Property.

(a) Additions, Modifications and Improvements. Following the completion of the Project, the District will, at its own expense, have the right to make additions, modifications, and improvements to any portion of the Property if such improvements are necessary or beneficial for the use of such portion of the Property. Unless otherwise specifically contracted for, all such additions, modifications and improvements will thereafter comprise part of the Property and be subject to the provisions of the Lease. Such additions, modifications and improvements will not in any way damage any portion of the Property or cause it to be used for purposes other than those authorized under the provisions of State and federal law or in any way which would impair the State tax-exempt status or the exclusion from gross income for federal income tax purposes of the interest components of Lease Payments; and the Property, upon completion of any additions, modifications and improvements made pursuant to the Lease, will be of a value which is not substantially less than the value of the Property immediately prior to the making of such additions, modifications and improvements.

(b) No Liens. Except for Permitted Encumbrances, the District will not permit any mechanic's or other lien to be established or remain against the Property for labor or materials furnished in connection with any additions, modifications or improvements made by the District pursuant to the Lease; provided that if any such lien is established and the District will first notify or cause to be notified the Lessor of the District's intention to do so, the District may in good faith contest any lien filed or established against the Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and will provide the Lessor with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Trustee (as assignee of the Lessor). The Lessor will cooperate fully in any such contest, upon the request and at the expense of the District.

(c) Replacements, Redevelopment and Renovation. Following completion of the Project, the District will, at its own expense, have the right to make replacements (but only with the prior written consent of the Insurer, so long as the Insurer is not in default of its payment obligations under the Insurance Policy), or make additional redevelopments or renovations to all or a portion of the Property if the following conditions precedent are satisfied:

(i) If the replacement, redevelopment or renovation should reasonably be expected to materially affect the District's use of the Property, the District receives an opinion of Special Counsel, a copy of which the District will furnish to the Lessor, the Insurer, and the Trustee, that (1) such replacement does not adversely affect the federal income tax exclusion of the interest component of Lease Payments attributable to the Certificates or the State tax-exempt status of the interest components of the Lease Payments, and (2) the Lease will remain the legal, valid, binding and enforceable obligation of the District;

(ii) In the event such replacement, redevelopment or renovation would result in the temporary abatement of Lease Payments as provided in Lease, the District will deposit moneys with the Trustee in advance for payment of Lease Payments from special funds of the District or other moneys, the application of which would not, in the opinion of Special Counsel (a copy of which shall have been delivered to the Insurer and the Trustee), result in such Lease Payments constituting indebtedness of the District in contravention of the Constitution and laws of the State;

(iii) The District will certify to the Insurer and the Trustee that it has sufficient funds to complete such replacement, redevelopment or renovation; and

(iv) In the case of replacement or redevelopment, the District certifies to the Insurer and the Trustee that the annual fair rental value of the replacements will be at least equal to the lesser of (1) the annual fair rental value of the Property immediately prior to such replacement or redevelopment, or (2) 150% of the maximum annual Lease Payments under the Lease.

Encumbrances; Alternative Financing Methods.

(a) Encumbrances. Except as provided in the Lease, the District will not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, liens, charges, encumbrances or claims, as applicable, on or with respect to the Property, other than Permitted Encumbrances and other than the respective rights of the Lessor and the District as therein provided. Except as expressly provided in the Lease, the District will promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, for which it is responsible, if the same shall arise at any time; provided that the District may contest such liens if it desires to do so. The District will reimburse the Lessor for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

(b) Alternative Financing Methods. Notwithstanding the foregoing, the District may, with the prior written consent of the Insurer (so long as the Insurer is not in default of its payment obligations under the Insurance Policy), create or suffer to create any mortgage, pledge, liens, charges, encumbrances or claims upon the Property or any improvements thereto, provided that (1) any such mortgage, pledge, liens, charges, encumbrances or claims will at any time while any of the Certificates remain Outstanding be and remain subordinate in all respects to the Site Lease and Lease and any security interest given to the Trustee for the benefit of the Owners and (2) the District will have first delivered to the Insurer and the Trustee an opinion of Special Counsel substantially to the effect that such mortgage, pledge, liens, charges, encumbrances or claims would not, in and of themselves, result in the inclusion of the interest portion of Lease Payments in the gross income of the owners of the Certificates for purposes of federal income taxation or impair the State tax-exempt status of the interest portion of such payments.

Lessor's Disclaimer of Warranties. THE LESSOR MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY THE DISTRICT OF THE PROPERTY, OR ANY PORTION THEREOF. THE DISTRICT ACKNOWLEDGES THAT THE LESSOR IS NOT A MANUFACTURER OF PORTIONS OF THE PROPERTY, AND THAT THE DISTRICT IS LEASING THE PROPERTY AS IS. In no event will the Lessor be liable for incidental, indirect, special or consequential damages, in connection with or arising out of the Lease, the Site Lease, the Assignment Agreement or the Trust Agreement for the existence, furnishing, functioning or the District's use and possession of the Property.

District's Right to Enforce Warranties of Vendors or Contractors. The Lessor has irrevocably appointed the District its agent and attorney-in-fact during the Term of the Lease, so long as the District will not be

in default thereunder, to assert from time to time whatever claims and rights, including without limitation, warranty claims, claims for indemnification and claims for breach of any representations, respecting the Property which the Lessor may have against any vendor or contractor. The District's sole remedy for the breach of any such warranty, indemnification or representation will be against the vendor or contractor with respect thereto, and not against the Lessor, nor will such matter have any effect whatsoever on the rights and obligations of the Lessor with respect to the Lease, including the right to receive full and timely Lease Payments and all other payments due thereunder. The District will be entitled to retain any and all amounts recovered as a result of the assertion of any such claims and rights. The Lessor will, upon the District's request and at the District's expense, do all things and take all such actions as the District may request in connection with the assertion of any such claims and rights.

Substitution or Release of the Property. The District will, with the prior written consent of the Insurer (so long as the Insurer is not in default of its payment obligations under the Insurance Policy), have the right to substitute alternate real property for any portion of the Property described in the Lease thereto or to release a portion of the Property from the lien of the Lease by providing the Trustee with a supplement to the Lease substantially in the form attached thereto. All costs and expenses incurred in connection with such substitution or release will be borne by the District. Notwithstanding any substitution or release pursuant to the Lease, there will be no reduction in or abatement of the Lease Payments due from the District thereunder as a result of such substitution. No substitution or release will be permitted thereunder unless:

(a) the District finds that the substituted real property (i) has a fair rental value greater than or equal to the fair rental value of the Property to be released so that the Lease Payments secured by the Property to be released being payable by the District pursuant to the Lease will not be reduced and (ii) has an equivalent or greater useful life as the Property to be released and that the useful life of the substituted real property exceeds the remaining term of the Lease Payments thereunder;

(b) the District obtains or causes to be obtained a CLTA title insurance policy with endorsement so as to be payable to the Trustee for the benefit of the Owners. Such policy will comply with the Lease, will be in a form satisfactory to the Trustee, the Insurer and the Lessor, will be in the amount equal to the principal component of Lease Payments attributable to the substituted real property, and will insure the leasehold interest or the fee simple interest of the Lessor or the District, as applicable, to the substituted real property;

(c) the District provides the Lessor, the Insurer and the Trustee with an opinion of Special Counsel that such substitution or release does not cause, in and of itself, the interest evidenced and represented by the Certificates to be included in gross income for federal income tax purposes;

(d) the District will give, or cause to be given, any notice of the occurrence of such substitution or release required to be given pursuant to the Continuing Disclosure Certificate;

(e) upon the substitution of any real property and improvements thereon for all or a portion of the Property then existing, the District, the Lessor and the Trustee will execute and the District will record with the office of the County Recorder, Tulare County, California, any document necessary to reconvey to the District the portion of the Property being substituted and to include the substituted real property and/or improvements thereon as all or a portion of the Property;

(f) the District will certify to the Trustee and the Insurer (so long as the Insurer is not in default of its payment obligations under the Insurance Policy) that the substituted real property is of approximately the same degree of essentiality to the District as the portion of the Property being replaced; and

(g) if the District releases a portion of the Property, the District will certify that the remaining portion of the Property has a sufficient fair rental value so that Lease Payments payable by the District pursuant to the Lease will not be reduced.

Compliance with Law, Regulations, Etc.

(a) The District has, after due inquiry, no knowledge and has not given or received any written notice indicating that the Property or the past or present use thereof or any practice, procedure or policy employed by it in the conduct of its business materially violates any Laws and Regulations. Without limiting the generality of the foregoing, neither the District nor to the best of its knowledge, after due inquiry, any prior or present owner, tenant or subtenant of the Property has, other than as set forth in the Lease or as may have been remediated in accordance with Laws and Regulations, (i) used, treated, stored, transported or disposed of any material amount of flammable explosives, polychlorinated biphenyl compounds, heavy metals, chlorinated solvents, cyanide, radon, petroleum products, asbestos or any Asbestos Containing Materials, methane, radioactive materials, pollutants, hazardous materials, hazardous wastes, hazardous, toxic, or regulated substances or related materials, as defined in CERCLA, RCRA, CWA, CAA, TSCA and Title III, and the regulations promulgated pursuant thereto, and in all other Environmental Regulations applicable to the District, the Property or the business operations conducted by the District thereon (collectively, "Hazardous Materials") on, from or beneath the Property, (ii) pumped, spilled, leaked, disposed of, emptied, discharged or released (hereinafter collectively referred to as "Release") any material amount of Hazardous Materials on, from or beneath the Property, or (iii) stored any material amount of petroleum products at the Property in underground storage tanks.

(b) Excluded from the representations and warranties in the Lease with respect to Hazardous Materials are those Hazardous Materials in those amounts ordinarily found in the inventory of, or used in the maintenance of school and school related buildings, the use, treatment, storage, transportation and disposal of which has been and will be in compliance with all Laws and Regulations.

(c) No portion of the Property located in an area of high potential incidence of radon has an unventilated basement or subsurface portion which is occupied or used for any purpose other than the foundation or support of the improvements to the Property.

Environmental Compliance.

(a) The District will not use or permit the Property or any part thereof to be used to generate, manufacture, refine, treat, store, handle, transport or dispose of, transfer, produce or process Hazardous Materials, except, and only to the extent, if necessary to maintain the improvements on the Property and then, only in compliance with all Environmental Regulations, and any state equivalent laws and regulations, nor will it permit, as a result of any intentional or unintentional act or omission on its part or by any tenant, subtenant, licensee, guest, invitee, contractor, employee and agent, the storage, transportation, disposal or use of Hazardous Materials or the Release or threat of Release of Hazardous Materials on, from or beneath the Property or onto any other property excluding, however, those Hazardous Materials in those amounts ordinarily found in the inventory of a school district, the use, storage, treatment, transportation and disposal of which will be in compliance with all Environmental Regulations. Upon the occurrence of any Release or threat of Release of Hazardous Materials, the District will promptly commence and perform, or cause to be commenced and performed promptly, without cost to the Trustee, all investigations, studies, sampling and testing, and all remedial, removal and other actions necessary to clean up and remove all Hazardous Materials so released, on, from or beneath the Property or other property, in compliance with all Environmental Regulations. Notwithstanding anything to the contrary contained therein, underground storage tanks will only be permitted subject to compliance with the Lease and only to the extent necessary to maintain the improvements on the Property.

(b) The District will comply with, and will cause all tenants, subtenants, licensees, guests, invitees, contractors, employees and agents on the Property to comply with, all Environmental Regulations, and will keep the Property free and clear of any liens imposed pursuant thereto; provided, however, that notwithstanding that a portion of the covenant summarized in this subsection is limited to the District's use of its best efforts, the District will remain solely responsible for ensuring such compliance and such limitation will not diminish or affect in any way the District's obligations contained in the Lease. Upon receipt of any notice from any person with regard to the Release of Hazardous Materials on, from or beneath the Property, the District will give prompt written notice thereof to the Trustee and the Insurer prior to the expiration of any period in which to respond to such notice under any Environmental Regulation.

(c) Irrespective of whether any representation or warranty contained in the Lease is not true or correct, the District will, to the extent permitted by law, defend, indemnify and hold harmless, the Lessor, the Trustee, the Insurer, the Owners, their partners, depositors and each of their respective employees, agents, officers, directors, trustees, successors and assigns, from and against any claims, demands, penalties, fines, attorneys' fees (including, without limitation, attorneys' fees incurred to enforce the indemnification contained in the Lease, consultants' fees, investigation and laboratory fees, liabilities, settlements (five Business Days' prior notice of which the Trustee shall have delivered to the District and the Insurer), court costs, damages, losses, costs or expenses of whatever kind or nature, known or unknown, contingent or otherwise, occurring in whole or in part, arising out of, or in any way related to, (i) the presence, disposal, release, threat of release, removal, discharge, storage or transportation of any Hazardous Materials on, from or beneath the Property, (ii) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such Hazardous Materials, (iii) any lawsuit brought or threatened, settlement reached (five Business Days' prior notice of which the Corporation or the Trustee, as appropriate, shall have delivered to the District), or governmental order relating to Hazardous Materials on, from or beneath the Property, (iv) any violation of Environmental Regulations or the Lease by it or any of its agents, tenants, employees, contractors, licensees, guests, subtenants or invitees, and (v) the imposition of any governmental lien for the recovery of environmental cleanup or removal costs. To the extent that the District is strictly liable under any Environmental Regulation, its obligation to the Owners and the other indemnitees under the foregoing indemnification will likewise be without regard to fault on its part with respect to the violation of any Environmental Regulation which results in liability to any indemnitee. The obligations and liabilities under the Lease will survive the payment and satisfaction of all Certificates and the resignation and removal of the Trustee.

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

Condemnation of Property. The District has covenanted and agreed, to the extent it may lawfully do so, that so long as any of the Certificates remain outstanding and unpaid, the District will not exercise the power of condemnation with respect to the Property. The District has further covenanted and agreed, to the extent it may lawfully do so, that if for any reason the foregoing covenant is determined to be unenforceable or if the District will fail or refuse to abide by such covenant and condemns the Property, then the appraised value of the Property will not be less than the greater of: (i) if the Certificates are then subject to prepayment, the principal and interest components of the Certificates outstanding through the date of their prepayment, or (ii) if the Certificates are not then subject to prepayment, the amount necessary to defease the Certificates to the first available prepayment date in accordance with the Trust Agreement.

ASSIGNMENT, SUBLEASING AND AMENDMENT

Assignment by the Lessor. Except as provided therein, in the Trust Agreement and the Assignment Agreement, the Lessor will not assign the Lease to any other person, firm or corporation so as to impair or violate the representations, covenants and warranties contained in the Lease.

Assignment and Subleasing by the District.

(a) Assignment. The Lease may be assigned by the District, with the prior written consent of the Insurer (so long as the Insurer is not in default of its payment obligations under the Insurance Policy), so long as such assignment does not, in the opinion of Special Counsel, in and of itself, adversely affect the State tax-exempt status or the exclusion from gross income for federal income tax purposes of the interest component of the Lease Payments or affect the validity of the Lease. In the event that the Lease is assigned by the District, the obligation to make Lease Payments under the Lease will remain the obligation of the District.

(b) Sublease. The District may, with the prior written consent of the Insurer (so long as the Insurer is not in default of its payment obligations under the Insurance Policy), sublease all or any portion of the Property, with the consent of the Trustee (as assignee of the Lessor), subject to all of the following conditions:

(i) The Lease and the obligation of the District to make Lease Payments thereunder will remain obligations of the District; and

(ii) The District will, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to the Lessor, the Rating Agency, the Insurer and the Trustee a true and complete copy of such sublease;

(iii) No sublease by the District will cause the Property to be used for a purpose other than a governmental or proprietary function authorized under the provisions of the laws of the State; and

(iv) No sublease shall cause the interest component of the Lease Payments due with respect to the Property to become includable in gross income for federal income tax purposes or subject to State personal income taxes.

Amendments and Modifications. The Lease may be amended or any of its terms modified in accordance with the Trust Agreement.

EVENTS OF DEFAULT AND REMEDIES

Events of Default Defined. The following will be “events of default” under the Lease and the terms “events of default” and “default” means, whenever they are used in the Lease, any one or more of the following events:

(a) Payment Default.

(i) Lease Payments. Failure by the District to pay any Lease Payment (other than Reserve Replenishment Rent) required to be paid thereunder by the corresponding Lease Payment Date; and

(ii) Reserve Replenishment Rent: Failure by the District to timely pay any Reserve Replenishment Rent if and when required by the Trust Agreement.

In determining whether a default has occurred under the provisions summarized in (i) and (ii) above, no effect will be given to payments made under the Insurance Policy.

(b) Covenant Default. Failure by the District to observe and perform any warranty, covenant, condition or agreement on its part to be observed or performed therein or otherwise with respect thereto or in the Trust Agreement or in the Site Lease, other than as described in clause (a) above, for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Lessor, the Trustee, the Insurer or the Owners of not less than twenty percent (20%) in aggregate principal amount of Certificates then Outstanding (with a copy to the Insurer); provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Lessor, the Trustee, the Insurer or such Owners, as the case may be, will not unreasonably withhold their consent to an extension of such time, if corrective action is instituted by the District within the applicable period and diligently pursued until the default is corrected, except that such grace period will not exceed 30 days without the prior written consent of the Insurer.

(c) Bankruptcy or Insolvency. The filing by the District of a case in bankruptcy, or the subjection of any right or interest of the District under the Lease to any execution, garnishment or attachment, or adjudication of the District as a bankrupt, or assignment by the District for the benefit of creditors, or the entry by the District into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the District in any proceedings instituted under the provisions of the federal bankruptcy code, as amended, or under any similar act which may hereafter be enacted.

Remedies on Default. Whenever any event of default referred to in the Lease shall have happened and be continuing, it will be lawful for the Lessor to exercise any and all remedies available pursuant to law or granted

pursuant to the Lease, including writs of mandamus. Notwithstanding anything therein or in the Trust Agreement to the contrary, THERE WILL BE NO RIGHT UNDER ANY CIRCUMSTANCES TO ACCELERATE THE LEASE PAYMENTS OR OTHERWISE DECLARE ANY LEASE PAYMENTS NOT THEN IN DEFAULT TO BE IMMEDIATELY DUE AND PAYABLE. After the occurrence of an event of default thereunder, the District will surrender possession of the Property to the Lessor, if requested to do so by the Lessor, the Insurer, the Trustee or the Owners, in accordance with the provisions of the Trust Agreement. So long as the Insurer is not in default of its payment obligations under the Insurance Policy, the Insurer will control all remedies upon an event of default under the Trust Agreement. The Owners' and Lessor's direction of remedies upon default are subject to the prior written consent of the Insurer.

(a) No Termination: Repossession and Re-Lease on Behalf of the District. In the event the Lessor does not elect to terminate the Lease in the manner provided for in the Lease and summarized in subparagraph (b) below, the Lessor may, (i) with the consent of the Insurer (so long as the Insurer is not in default of its payment obligations under the Insurance Policy) and (ii) with the consent of the District, which consent is thereby irrevocably given, repossess the Property and re-lease it for the account of the District, in which event the District's obligation will accrue from year to year in accordance with the Lease and the District will continue to receive the value of the use of the Property from year to year in the form of credits against its obligation to pay Lease Payments. The obligations of the District will remain the same as prior to such default, to pay Lease Payments, Reserve Replenishment Rent, and Additional Payments whether the Lessor re-enters or not. The District has agreed to and will remain liable for the payment of all Lease Payments, Reserve Replenishment Rent and Additional Payments and the performance of all conditions contained therein and will reimburse the Lessor for any deficiency arising out of the re-leasing of the Property, or, in the event the Lessor is unable to re-lease the Property, then for the full amount of all Lease Payments, Reserve Replenishment Rent and Additional Payments to the end of the Term of the Lease, but said Lease Payments, Reserve Replenishment Rent and Additional Payments and/or deficiency will be payable only at the same time and in the same manner as provided above for the payment of Lease Payments, Reserve Replenishment Rent and Additional Payments thereunder, notwithstanding such repossession by the Lessor or any suit brought by the Lessor for the purpose of effecting such repossession of the Property or the exercise of any other remedy by the Lessor.

The District has irrevocably appointed the Lessor as the agent and attorney-in-fact of the District to repossess and re-lease the Property in the event of default by the District in the performance of any covenants contained therein to be performed by the District and to remove all personal property whatsoever situated upon the Property, to place such property in storage or other suitable place in Tulare County, for the account of and at the expense of the District, and the District has agreed to exempt and to save harmless the Lessor from any costs, loss or damage whatsoever arising or occasioned by any such repossession and re-leasing of the Property. The District has waived any and all claims for damage caused or which may be caused by the Lessor in repossessing the Property as provided therein and all claims for damages that may result from the destruction of or the injury to the Property and all claims for damages to or loss of any property belonging to the District that may be in or upon the Property.

The District has agreed that the terms of the Lease constitute full and sufficient notice of the right of the Lessor to re-lease the Property in the event of such repossession without effecting a surrender of the Lease, and has further agreed that no acts of the Lessor in effecting such re-leasing will constitute a surrender or termination of the Lease irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise, but that, on the contrary, in the event of such default by the District the right to terminate the Lease will vest in the Lessor to be effected in the sole and exclusive manner provided for in subparagraph (b) below.

The District will retain the portion of rental obtained by the Trustee, as assignee of the Lessor, that is in excess of the Lease Payments, Reserve Replenishment Rent and Additional Payments, the fees, expenses and costs of the Trustee of re-leasing the Property, and all amounts payable by the District under the Lease and the Trust Agreement.

In the event that the liability of the District under the Lease is held to constitute indebtedness or liability in any year exceeding in any year the income and revenue provided for such year, the Lessor, or the Trustee or the Owners, as assignees of the Lessor, will not exercise the remedies provided in the Lease.

(b) **Termination: Repossession and Re-Lease.** In the event of the termination of the Lease by the Lessor at its option and in the manner thereafter provided on account of default by the District (and notwithstanding any repossession of the Property by the Lessor in any manner whatsoever or the re-leasing of the Property), the District nevertheless has agreed to pay to the Lessor all costs, losses or damages howsoever arising or occurring payable at the same time and in the same manner as is provided therein in the case of payment of Lease Payments, Reserve Replenishment Rent and Additional Payments. Any proceeds of the re-lease or other disposition of the Property by the Lessor will be deposited into the Lease Payment Fund and be applied in accordance with the provisions of the Trust Agreement. Any surplus received by the Trustee, as assignee of the Lessor, from such re-leasing over total Lease Payments, Reserve Replenishment Rent and Additional Payments that would have been due thereunder and the fees, expenses and costs of the Trustee as assignee of the Lessor on re-leasing the Property will be remitted to the District. Neither notice to pay rent or to deliver up possession of the Property given pursuant to law nor any proceeding taken by the Lessor to recover possession of the Property will of itself operate to terminate the Lease, and no termination of the Lease on account of default by the District will be or become effective by operation of law, or otherwise, unless and until the Lessor shall have given written notice to the District of the election on the part of the Lessor to terminate the Lease. The District has covenanted and agreed that no surrender of the Property for the remainder of the Term thereof or any termination of the Lease will be valid in any manner or for any purpose whatsoever unless stated or accepted by the Lessor by such written notice. No such termination will be effected either by operation of law or act of the parties thereto, except only in the manner therein expressly provided.

(c) The re-leasing of the Property as provided in the Lease will be subject to the opinion of Special Counsel that such re-leasing will not, in and of itself, cause the interest component of the Lease Payments to be subject to State personal income tax or adversely affect the exclusion from gross income for federal income tax purposes.

No Remedy Exclusive. No remedy conferred in the Lease upon or reserved to the Lessor is intended to be exclusive and every such remedy will be cumulative and will be in addition to every other remedy given under the Lease or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default will impair any such right or power or will be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Lessor to exercise any remedy reserved to it in the Lease it will not be necessary to give any notice, other than such notice as may be required in the Lease or by law.

Agreement to Pay Attorneys' Fees and Expenses. In the event either party to the Lease should default under any of the provisions thereof and the nondefaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party contained therein, the defaulting party agrees that it will pay on demand to the nondefaulting party the reasonable fees of such attorneys and such other expenses so incurred by the nondefaulting party.

No Additional Waiver Implied by One Waiver. In the event any agreement contained in the Lease should be breached by either party and thereafter waived by the other party, such waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach thereunder.

Application of the Proceeds from the Re-Lease of the Property. All amounts received by the Lessor under the Lease will, subject to the Trust Agreement, be deposited by the Trustee in the Lease Payment Fund and credited towards the Lease Payments in order of Lease Payment Dates.

Trustee and Owners to Exercise Rights. Such rights and remedies as are given to the Lessor under the Lease have been assigned by the Lessor to the Trustee under the Assignment Agreement, to which assignment the District consents. Such rights and remedies will be exercised by the Trustee, the Insurer and the Owners as provided in the Trust Agreement. To the extent that the Lease confers upon or gives or grants to the Trustee any right, remedy or claim under or by reason of the Lease, the Trustee has been explicitly recognized as being a third-party beneficiary under the Lease and may enforce any such right, remedy or claim conferred, given or granted under the Lease.

MISCELLANEOUS

Binding Effect. The Lease will inure to the benefit of and will be binding upon the Lessor and the District and their respective successors and assigns.

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

Applicable Law. The Lease will be governed by and construed in accordance with the laws of the State.

Execution in Counterparts. The Lease may be executed in any number of counterparts, each of which will be an original and all of which will constitute but one and the same instrument.

THE TRUST AGREEMENT

Transfer and Exchange.

(a) **Transfer of Certificates.** Any Certificate may, in accordance with its terms, be transferred upon the books required to be kept pursuant to the provisions of the Trust Agreement by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Certificate for cancellation at the Principal Office accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever any Certificate or Certificates shall be surrendered for transfer, the Trustee will execute and deliver a new Certificate or Certificates of the same maturity and interest rate, for like aggregate principal amount in authorized denominations. The cost of printing Certificates and any services rendered or expenses incurred by the Trustee in connection with any transfer will be paid by the District. The Trustee will require the payment by the Certificate Owner requesting such transfer of any tax or governmental charge required to be paid with respect to such transfer, and there will be no other charge to any Certificate Owner for any such transfer.

Prior to any transfer of the Certificates outside the book-entry system (including, but not limited to, the initial transfer outside the book-entry system) the transferor will provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045, as amended. The Trustee will conclusively rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

(b) **Exchange of Certificates.** Certificates may be exchanged at the Principal Office for a like aggregate principal amount of Certificates of other authorized denominations of the same maturity and interest rate. The Trustee may require the payment by the Certificate Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. The cost of printing the Certificates and any services rendered or expenses incurred by Trustee in connection with any transfer or exchange will be paid by the District. All Certificates surrendered pursuant to the provisions of the Trust Agreement summarized in this subsection will be cancelled and destroyed by the Trustee and will not be redelivered.

(c) **Time for Transfer or Exchange.** The Trustee will not be obligated to transfer or exchange any Certificate after a Record Date and before the following Certificate Payment Date, or during the period in which it is selecting Certificates for prepayment, or after notice of prepayment has been given as provided in the Trust Agreement.

Certificates Mutilated, Lost, Destroyed or Stolen. If any Certificate shall become mutilated, the Trustee, at the expense of the Owner of said Certificate, will execute and deliver a new Certificate of like tenor and maturity in exchange and substitution for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee will be cancelled by it. If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and, if an indemnity, satisfactory to the Trustee indemnifying the

Trustee, the Corporation and the District, will be given, the Trustee, at the expense of the Certificate Owner, will execute and deliver a new Certificate of like tenor and maturity and numbered as the Trustee will determine in lieu of and in substitution for the Certificate so lost, destroyed or stolen. The Trustee may require payment of an appropriate fee for each new Certificate delivered under the provisions of the Trust Agreement summarized in this subsection and of the expenses which may be incurred by the Trustee in carrying out the duties under the Trust Agreement. Any Certificate executed under the provisions of the Trust Agreement summarized by this paragraph in lieu of any Certificate alleged to be lost, destroyed or stolen will be equally and proportionately entitled to the benefits of the Trust Agreement with all other Certificates secured by the Trust Agreement. The Trustee will not be required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the principal amount of Certificates which may be executed and delivered under or for the purpose of determining any percentage of Certificates Outstanding under the Trust Agreement, but both the original and replacement Certificate will be treated as one and the same. Notwithstanding any other provision of the Trust Agreement summarized in this paragraph, in lieu of delivering a new Certificate in place of one which has been mutilated, lost, destroyed or stolen, and which has matured, or has been called for prepayment, the Trustee may make payment with respect to such Certificate upon receipt of the above-mentioned indemnity.

Payment. Subject to the provisions of the Letter of Representation, payment of interest with respect to any Certificate on any Certificate Payment Date or prepayment date will be made to the person appearing on the registration books of the Trustee as the Owner thereof as of the Record Date immediately preceding such Certificate Payment Date or prepayment date, as the case may be, such interest to be paid to such Owner on the Certificate Payment Date by wire transfer to the bank and account number within the United States of America on file with the Trustee as of the Record Date. Payments of defaulted interest will be paid by wire transfer to the registered Owners as of a special record date to be fixed by the Trustee in its sole discretion, notice of which will be given to the Owners not less than 15 days prior to such special record date. Subject to the provisions of the Letter of Representation, the principal payable upon maturity or prepayment with respect to the Certificates will be payable upon surrender at the Principal Office. Said amounts will be payable in lawful money of the United States of America. The Trustee has been authorized to pay or prepay the Certificates when duly presented for payment at maturity or on prepayment and to cancel all Certificates upon payment thereof.

Additional Certificates. Subsequent to the execution and delivery by the Trustee of the Certificates, and with the prior written consent of the Insurer, the Trustee, will, upon written request or requests of the District Representative and the Corporation Representative, execute and deliver from time to time one or more series of Additional Certificates in such aggregate principal amount as may be set forth in such written request or requests, provided that there will have been compliance with all of the following conditions, which are made conditions precedent to the preparation, execution and delivery of such Additional Certificates:

(a) The parties to the Trust Agreement will have executed a supplemental agreement setting forth the terms and provisions of such Additional Certificates, including the establishment of such funds and accounts, separate and apart from the funds and accounts established thereunder for the Certificates executed and delivered on the Closing Date, as will be necessary or appropriate, which supplemental agreement will require that prior to the delivery of such Additional Certificates the Reserve Requirement with respect to such Additional Certificates will be on deposit in the Reserve Fund established under the Trust Agreement, including amounts under any Reserve Facilities or in a reserve fund established under such supplemental agreement;

(b) The principal and interest payable with respect to such Additional Certificates and any premium payable upon prepayment of such Additional Certificates will be payable only on Certificate Payment Dates applicable to the Certificates;

(c) The Lease shall have been amended by the parties thereto if necessary to (i) increase or adjust the Lease Payments due and payable on each Lease Payment Date to an amount sufficient to pay the principal, premium (if any) and interest payable with respect to all Outstanding Certificates, including all Additional Certificates as and when the same mature or become due and payable (except to the extent such principal, premium, and interest may be payable out of moneys then in the Reserve Fund or otherwise on deposit with the Trustee in accordance with the Trust Agreement, (ii) if appropriate, amend the definition of "Property" to include as part of the Property all or any portion of additions, betterments, extensions, improvements or replacements, or such other real or personal property (whether or not located upon the Property as such Property is constituted as of the date of the Trust Agreement), to

be financed, acquired or constructed by the preparation, execution and delivery of such Additional Certificates, and (iii) make such other revisions to the Lease as are necessitated by the execution and delivery of such Additional Certificates (provided, however, that such other revisions will not prejudice the rights of the Owners of Outstanding Certificates as granted them under the terms of the Trust Agreement);

(d) There shall have been delivered to the Trustee a counterpart of the amendments required by the Trust Agreement;

(e) The Trustee shall have received a certificate of the Corporation Representative that there exists on the part of the Corporation no Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default);

(f) The Trustee shall have received a certificate of the District Representative that (i) there exists on the part of the District no Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) and (ii) the Lease Payments as increased or adjusted do not exceed in any year the fair rental value of the Property (as such term is defined in the amended Lease);

(g) The Trustee will have received an opinion of Special Counsel substantially to the effect that (i) said supplemental agreement and said amendments to the Lease comply in all respects with the requirements of the Trust Agreement, (ii) said supplemental agreement and said amendments to the Lease have been duly authorized, executed and delivered by each of the respective parties thereto (provided that said opinion of Special Counsel, in rendering the opinions set forth in the Trust Agreement and summarized in this clause (ii), will be entitled to rely upon one or more other opinions of counsel, including counsel to any of the respective parties to said supplemental agreement or said amendments to the Lease), (iii) assuming that no Event of Default has occurred and is continuing, the Trust Agreement, as amended by said supplemental agreement, and the Lease, as amended by the respective amendments thereto, constitute the legal, valid and binding obligations of the respective parties thereto, enforceable against said parties in accordance with their respective terms (except to the extent that enforcement thereof may be limited by bankruptcy, insolvency, moratorium, debt adjustment or other laws affecting creditors' rights generally, and except to the extent that enforcement thereof may be limited by general principles of equity, regardless of whether enforcement is sought in a legal or equitable proceeding, and by the limitations on legal remedies against public agencies in the State of California) and (iv) the execution of such supplemental agreement and said amendments to the Lease, and performance by the parties thereunder, will not, in and of itself, result in the inclusion of the interest portion of any Lease Payments payable with respect to the Certificates, including Additional Certificates, theretofore prepared, executed and delivered, in the gross income of the Owners of the Certificates for purposes of federal income taxation;

(h) The District shall have provided the Rating Agency written notice of the proposed execution and delivery of such Additional Certificates.

(i) There shall have been delivered to the Trustee an endorsement to or reissuance of the title insurance policy delivered under the Lease providing that the insured amount is at least equal to the aggregate principal amount of all of the Certificates and Additional Certificates outstanding upon the execution and delivery of such Additional Certificates;

(j) Upon the execution and delivery of such Additional Certificates, the amount in deposit in the Reserve Fund, together with amounts available under any Reserve Facilities on deposit therein, will be equal to the Reserve Requirement, taking into account the execution and delivery of the Additional Certificates; and

(k) Such other conditions shall have been satisfied, and such other instruments shall have been duly executed and delivered to the Trustee (with a copy to the Rating Agency), as the District or the Corporation shall have reasonably requested.

Upon delivery to the Trustee of the foregoing instruments, the Trustee will cause to be executed and delivered Additional Certificates representing the aggregate principal amount specified in such supplemental agreement, and such Additional Certificates will be equally and ratably secured with all Certificates, including any

Additional Certificates, theretofore prepared, executed and delivered, all without preference, priority or distinction (other than with respect to maturity, payment, prepayment or sinking fund payment (if any)) of any one Certificate, including Additional Certificates, over any other; provided, however, that no provision of the Trust Agreement will require the District to consent to or otherwise permit the preparation, execution and delivery of Additional Certificates, it being understood and agreed that any such consent or other action of the District to permit the preparation, execution and delivery of Additional Certificates, or lack thereof, will be in the sole discretion of the District.

PROJECT FUND

Establishment of Project Fund. The Trustee will establish a special fund designated as the “Dinuba Unified School District Certificates of Participation (2023 School Financing Project) Project Fund,” referred to in the Trust Agreement as the “Project Fund”; will keep the Project Fund separate and apart from all other funds and moneys held by it; and will administer such fund as provided in the Trust Agreement. The Project Fund will be held and applied by the Trustee in accordance therewith.

Purpose of Project Fund. Moneys in the Project Fund will be expended for Project Costs and Delivery Costs.

Deposit of Moneys; Payment of Project Costs and Delivery Costs.

(a) **Deposits.** There will be credited to the Project Fund the following amounts: (1) the proceeds of sale of the Certificates required to be deposited therein pursuant to the Trust Agreement; (2) all investment earnings on moneys held in the various accounts of the Project Fund, which will remain in the account of the Project Fund which generated such earnings until expended or applied to the prepayment of Certificates, as described in the Trust Agreement; and (3) any other deposits made to the Project Fund by the District.

(b) **Disbursements.** The Trustee will disburse moneys in the Project Fund from time to time to pay Project Costs directly, to provide funds to the District from time to time so that the District may pay Project Costs directly, or to reimburse the District for payment of Project Costs, upon receipt (either by mail, by facsimile transmission or electronic delivery) by the Trustee of a Project Cost Requisition signed by the District Representative. The Trustee will disburse moneys from the Project Fund to pay Delivery Costs or to reimburse the District for payment of such Delivery Costs upon receipt by the Trustee of a Delivery Cost Requisition signed by the District Representative. The Trustee will be absolutely protected in making any such disbursements in reliance upon a Project Cost Requisition or Delivery Cost Requisition, as applicable, signed by the District Representative. Each such Project Cost or Delivery Cost Requisition signed by the District Representative will be sufficient evidence to the Trustee of the facts stated therein and the Trustee will have no duty to confirm the accuracy of such facts.

Transfers of Unexpended Proceeds. Upon the filing with the Trustee of the Certificate of Completion pursuant to the Lease, the Trustee will withdraw all remaining moneys in the Project Fund (other than any moneys retained therein to pay Project Costs not then due and payable and certified by the District Representative) and will either transfer such moneys to the Lease Payment Fund to be applied to the payment of principal and interest evidenced by the Certificates as prescribed in the Trust Agreement, or at the written election of the District, will transfer such moneys to the Prepayment Fund to be applied to the prepayment of Certificates as described in the Trust Agreement or to the District for the purpose of capital expenditures of the District and, following final disbursement of any moneys retained in the Project Fund as described above, will close the Project Fund.

LEASE PAYMENTS; LEASE PAYMENT FUND

Security Provisions.

(a) Assignment of Rights in Lease and Site Lease. The Corporation has, pursuant to the Assignment Agreement, assigned and set over to the Trustee certain of its rights in the Lease and Site Lease, including but not limited to all of the Corporation's rights to receive and collect all of the Lease Payments, Reserve Replenishment Rent, Prepayments and all other amounts required to be deposited in the Lease Payment Fund pursuant to the Lease and the Site Lease or pursuant to the Trust Agreement. All such Lease Payments, Reserve Replenishment Rent, Prepayments and such other amounts to which the Corporation may at any time be entitled (other than amounts due to the Corporation under the Lease) will be paid directly to the Trustee, and all of the Lease Payments, Reserve Replenishment Rent and Prepayments collected or received by the Corporation will be deemed to be held and to have been collected or received by the Corporation as the agent of the Trustee and if received by the Corporation at any time will be deposited by the Corporation with the Trustee within five Business Days after the receipt thereof, and all such Lease Payments will be forthwith deposited by the Trustee upon the receipt thereof in the Lease Payment Fund, and all such Prepayments will be forthwith deposited by the Trustee upon the receipt thereof in the Prepayment Fund, and all such Reserve Replenishment Rent will be forthwith deposited by the Trustee upon receipt thereof in the Reserve Fund.

(b) Security Interest in Moneys and Funds. The Corporation and the District, as their interests may appear, have granted to the Trustee for the benefit of the Owners a lien on and a security interest in all moneys in the funds held by the Trustee under the Trust Agreement (excepting only the Project Fund and Rebate Fund), including without limitation, the Lease Payment Fund, the Reserve Fund (including payments of Reserve Replenishment Rent pursuant to the Trust Agreement), the Prepayment Fund and the Net Proceeds Fund, and all such moneys will be held by the Trustee in trust and applied to the respective purposes specified therein and in the Lease.

(c) Pledge of Lease Payments and Lease Proceeds. The Lease Payments and any Lease Proceeds are have been irrevocably pledged pursuant to the Trust Agreement to and will be used for the punctual payment of the interest and principal represented by the Certificates and the Lease Payments and Lease Proceeds will not be used for any other purpose while any of the Certificates remain Outstanding. The pledge contained in the Trust Agreement and summarized in this subsection will constitute a first lien on the Lease Payments and Lease Proceeds in accordance with the terms thereof, subject to the Lease.

Establishment of Lease Payment Fund. The Trustee will establish a special fund designated as the "Little Lake City School District Certificates of Participation (2022 School Financing Project) Lease Payment Fund." All moneys at any time, from whatever sources deposited by the Trustee in the Lease Payment Fund will be held by the Trustee in trust for the benefit of the Owners of the Certificates. So long as any Certificates are Outstanding, neither the District nor the Corporation will have any beneficial right or interest in the Lease Payment Fund or the moneys deposited therein, except only as provided in the Trust Agreement, and such moneys will be used and applied by the Trustee as thereafter set forth.

Deposits. There will be deposited in the Lease Payment Fund all Lease Payments and in the Prepayment Fund all Prepayments received by the Trustee, including any moneys received by the Trustee for deposit therein pursuant to the Lease, and any other moneys required to be deposited therein pursuant to the Lease, including without limitation provisions of the Lease regarding proceeds of rental interruption insurance or pursuant to the Trust Agreement, which moneys will be applied as a credit towards any Lease Payment then due.

Application of Moneys. Except as provided in the Trust Agreement, all amounts in the Lease Payment Fund will be used and withdrawn by the Trustee solely for the purpose of paying the principal and interest with respect to the Certificates as the same will become due and payable, in accordance with the provisions of the Trust Agreement, subject to the requirement that certain investment earnings may be transferred to the Rebate Fund, as provided in the Trust Agreement.

On each Certificate Payment Date, the Trustee first will set aside in the Lease Payment Fund an amount sufficient to pay the interest evidenced by the Certificates becoming due and payable on such date, and wire such amount as provided in the Trust Agreement to the Owners; and second will set aside an amount sufficient to pay the principal evidenced by the Certificates becoming due and payable on such Certificate Payment Date.

Surplus. Any funds remaining in the Lease Payment Fund after payment of all Certificates Outstanding, including payment of any applicable fees, expenses or other amounts owed to the Trustee pursuant to the Trust Agreement, any amounts owed to the Insurer or the Reserve Insurer, and any other Additional Payments due under the Lease, or provision made therefor satisfactory to the Trustee, and provision for any amounts required to be transferred to the Rebate Fund pursuant to the Trust Agreement, will be withdrawn by the Trustee and remitted to the District.

RESERVE FUND

Establishment of Reserve Fund. The Trustee will establish a special fund designated as the “Dinuba Unified School District Certificates of Participation (2023 School Financing Project) Reserve Fund,” referred to therein as the “Reserve Fund.” All moneys at any time on deposit in the Reserve Fund (including any Reserve Facility thereafter provided to satisfy the Reserve Requirement in whole or in part) will be held by the Trustee in trust for the benefit of the Owners of the Certificates, as a reserve for the payment when due of all the Lease Payments to be paid pursuant to the Lease and of all payments with respect to the Certificates and applied solely as provided therein.

Funding.

(a) **Reserve Requirement.** There will be maintained in the Reserve Fund an amount equal to the Reserve Requirement. Notwithstanding the foregoing, in the event of a partial prepayment or defeasance of the Certificates, the Reserve Requirement will thereafter be determined by the District and communicated to the Trustee in writing and any funds in excess of such redetermined Reserve Requirement shall be utilized as set forth in the Trust Agreement. On the Closing Date, there will be deposited in the Reserve Fund the Reserve Policy, making an amount available thereunder and in the Reserve Fund equal to the Reserve Requirement. The Reserve Requirement may thereafter be satisfied by the District crediting to the Reserve Fund moneys or, with notice to the Rating Agency and with the prior written consent of the Insurer, another Reserve Facility or Facilities, or any combination thereof, which in the aggregate make funds available in the Reserve Fund in an amount equal to the Reserve Requirement; provided, however, the long-term unsecured debt or claim-paying ability or financial strength, as the case may be, of the provider of any such Reserve Facility, must be rated by the Rating Agency, at the time of deposit, no lower than that of the District.

The term of any Reserve Facility will either be equal to the term of the Lease or a rollover of the Reserve Facility or other equivalent replacement will be required such that the aggregate term of all Reserve Facilities will equal the term of the Lease.

(b) **Reserve Facility.** Any amounts paid by the Reserve Insurer pursuant to the Reserve Policy and any other amounts paid pursuant to any other Reserve Facility will be deposited in the Reserve Fund. The District may substitute moneys for all or part of the amount available to be drawn under a Reserve Facility so long as, at the time of such substitution, the amount on deposit in the Reserve Fund, together with the amount available under all Reserve Facilities (taking into account any reduction in the amount available under such Reserve Facility to be made in connection with said substitution) will be at least equal to the Reserve Requirement. The District will not substitute any Reserve Facility in lieu of all or any portion of moneys on deposit in the Reserve Fund without the prior written consent of the Insurer (so long as the Insurer is not in default in its payment obligations under the Insurance Policy).

Amounts on deposit in the Reserve Fund which are not derived from payments under the Reserve Policy or any other Reserve Facility credited to the Reserve Fund to satisfy a portion of the Reserve Requirement will be used and withdrawn by the Trustee prior to using and withdrawing any amounts derived from payments under the Reserve Policy or any other Reserve Facility. In order to accomplish such use and withdrawal of such amounts not derived from payments under the Reserve Facility, the Trustee will, as and to the extent necessary, liquidate any investments purchased with such amounts.

(c) **Delinquent Lease Payments.** If there are no amounts currently due to the Reserve Insurer under the Reserve Policy, and the sum of the amount on deposit in the Reserve Fund, plus the amount available under the

Reserve Policy and any other Reserve Facilities, shall be reduced below the Reserve Requirement, the first payments of Lease Payments thereafter payable by the District and not needed to pay interest and principal components of Lease Payments payable to the Certificate Owners on the next Certificate Payment Date will be used to first, reimburse the Reserve Insurer and the provider of any other Reserve Facility for any repayment or payment obligation owing thereto for any draw on such other Reserve Facility to the Reserve Fund and second, to increase the balance in the Reserve Fund to an amount which, when added to the amount available under the Reserve Policy and any other Reserve Facilities, is equal to the Reserve Requirement.

(d) Certain Net Proceeds. Net Proceeds of rental interruption insurance will be deposited as provided in the Lease and the Trust Agreement.

(e) Reserve Replenishment Rent. Any Reserve Replenishment Rent payable pursuant to the Lease will be deposited in the Reserve Fund, or paid to the Reserve Insurer or other provider of a Reserve Facility, as applicable.

Transfers of Excess. The Trustee will, on or before May 15 and November 15 of each year, provide written notice to the District of any moneys which are estimated to be on hand in the Reserve Fund (including investment earnings) in excess of the Reserve Requirement on the next succeeding June 1 or December 1, as the case may be, and no later than three (3) Business Days immediately preceding any Lease Payment Date, the Trustee will transfer such excess moneys to the Lease Payment Fund to be applied to the Lease Payment then due from the District. In the event of such a partial prepayment or defeasance of Certificates, a proportionate amount in the Reserve Fund (determined on the basis of the principal evidenced by Certificates to be prepaid or redeemed, and the original aggregate principal evidenced by the Certificates, but not in excess of the amount of funds available as a result of the re-determination of the Reserve Requirement as summarized in “– Reserve Requirement” above) will, at the direction of the District, be applied to the prepayment or defeasance of Certificates as provided in the Trust Agreement.

The transfers described above are in each case subject to the requirement that if the Certificate proceeds will have become subject to the arbitrage rebate provisions of Section 148(f) of the Code as described in the Trust Agreement then certain investment earnings are to be transferred to the Rebate Fund at the direction of the District as provided in the Trust Agreement.

Application of Reserve Fund in the Event of Delinquency in Lease Payment Fund.

(a) At least five (5) Business Days immediately preceding any Certificate Payment Date, the Trustee will ascertain the necessity for a claim under the Reserve Policy in accordance with the terms of the Trust Agreement, and will provide notice to the Reserve Insurer at least five (5) Business Days prior to each date upon which interest or principal is due with respect to the Certificates.

(b) Whether or not Lease Payments are then in abatement, if three (3) Business Days immediately preceding any Certificate Payment Date, the moneys available in the Lease Payment Fund do not equal the amount of the principal and interest with respect to the Certificates then coming due and payable, the Trustee first will apply the moneys available in the Reserve Fund to make delinquent Lease Payments on behalf of the District by transferring the amount necessary for such purpose to the Lease Payment Fund. All cash and investments in the Reserve Fund will be transferred to the Lease Payment Fund before any drawing will be made on the Reserve Policy or any other Reserve Facility. The Trustee will take whatever action is necessary to liquidate or draw upon investments of funds held in the Reserve Fund or draw upon the Reserve Facility securing the Reserve Fund to make such funds available for application as provided thereunder on the Certificate Payment Date.

(c) Draws on all Reserve Facilities (including the Reserve Policy) on which there is Available Coverage will be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Fund.

(d) The Trustee will repay any draws under the Reserve Policy (including interest accrued thereon at the Late Payment Rate) from Reserve Replenishment Rent paid by the District pursuant to the Lease. The Trustee

will also pay all related reasonable Administrative Costs incurred by the Reserve Insurer (including interest accrued thereon at the Late Payment Rate), and all other Policy Costs, from Additional Payments paid by the District pursuant to the Lease.

(e) Repayment of Policy Costs will commence in the first month following each draw, and each such monthly payment will be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw. Payment of any Policy Costs and reimbursements of amounts with respect to other Reserve Facilities will be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Fund.

(f) Amounts in respect of Policy Costs paid to the Reserve Insurer will be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the Reserve Insurer on account of principal due, the coverage under the Reserve Policy will be increased by a like amount, subject to the terms of the Reserve Policy.

(g) If the District fails to pay any Policy Costs in accordance with the requirements of the Trust Agreement, the Reserve Insurer will be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Trust Agreement other than remedies which would adversely affect Owners of the Certificates. The Trust Agreement, the Lease, and the Site Lease will not be discharged or terminated until all Policy Costs owing the Reserve Insurer shall have been paid in full. The District's obligation to pay such amounts will expressly survive payment in full of the Certificates.

(h) The District has agreed that failure to pay any Administrative Costs on a timely basis will result in the accrual of interest on the unpaid amount at the Late Payment Rate, compounded semi-annually, from the date that payment is first due to the Reserve Insurer or until the date that the Reserve Insurer is paid in full.

(i) The Reserve Policy will expire on the earlier of the date the Certificates are no longer outstanding and the final maturity of the Certificates.

Trustee to Make All Lease Payments. If on any Certificate Payment Date the moneys on deposit in the Reserve Fund and the Lease Payment Fund (excluding amounts required for payment of principal or interest with respect to Certificates not presented for payment) are sufficient to pay all Outstanding Certificates, including all principal, interest and prepayment premiums (if any), the Trustee will, upon the written direction of the District Representative, transfer all amounts in the Reserve Fund to the Lease Payment Fund to be applied to the payment of the Lease Payments or Prepayments on behalf of the District and such moneys will be distributed to the Owners of Certificates in accordance with the Trust Agreement. Any amounts remaining in the Reserve Fund upon payment in full of all Outstanding Certificates and the Trustee's fees and expenses pursuant to the Trust Agreement, amounts owed to the Insurer and Reserve Insurer, and any other Additional Payments due under the Lease, or upon provision for such payments as provided in the Trust Agreement and provisions for any amounts required to be transferred to the Rebate Fund pursuant to the Trust Agreement, will at the written direction of the District, be withdrawn by the Trustee and paid to the District.

NET PROCEEDS FUND

Establishment of Net Proceeds Fund; Deposits. The Trustee will establish when required a special fund designated as the "Dinuba Unified School District Certificates of Participation (2023 School Financing Project) Net Proceeds Fund," referred to therein as the "Net Proceeds Fund," to be maintained and held in trust for the benefit of the Owners, subject to disbursement therefrom as provided therein. The Trustee will deposit Net Proceeds in the Net Proceeds Fund as provided in the Lease.

Disbursements.

(a) Casualty Insurance. The Trustee will disburse Net Proceeds for replacement or repair of the Property as provided in the Lease, or transfer such proceeds to the Prepayment Fund upon notification of the District Representative as provided in the Lease. Pending such application, such Net Proceeds may be invested by the Trustee as directed by the District in Permitted Investments that mature not later than such times moneys are

expected to be needed to pay such costs of repair or replacement. After all of the Certificates have been paid and the entire amount of principal and interest with respect to the Certificates has been paid in full, or provision made for payment satisfactory to the Trustee, including provision for all amounts required to be transferred to the Rebate Fund pursuant to the Trust Agreement, the Trustee will pay any remaining moneys in the Net Proceeds Fund to the District after payment of any amounts due to the Trustee pursuant to the Trust Agreement and any other Additional Payments due under the Lease.

(b) Title Insurance. Proceeds of any policy of title insurance received by the Trustee with respect to the Property will be applied and disbursed by the Trustee upon the written request of the District as follows:

(i) If the District determines that the title defect giving rise to such proceeds has not substantially interfered with its use and occupancy of the Property and will not result in an abatement of Lease Payments and Additional Payments payable by the District under the Lease (such determination to be certified by the District in writing), such proceeds will be remitted to the District and used for any lawful purpose thereof; or

(ii) If the District determines that the title defect giving rise to such proceeds has substantially interfered with its use and occupancy of the Property and will result in an abatement of Lease Payments and Additional Payments payable by the District under the Lease, then the Trustee will (with the prior written consent of the Insurer), immediately deposit such proceeds in the Prepayment Fund and such proceeds will be applied to the prepayment of Certificates in the manner provided in the Trust Agreement.

Cooperation. The Corporation and the Trustee will cooperate fully with the District at the expense of the District in filing any proof of loss with respect to any insurance policy maintained pursuant to the Lease and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Property or any item or portion thereof; provided, however, the Trustee will not be obligated to take any action thereunder if it is not indemnified to its satisfaction from and against any liability or expense arising therefrom.

MONEYS IN FUNDS; INVESTMENT

Held in Trust. The moneys and investments held by the Trustee under the Trust Agreement (other than the Project Fund and the Rebate Fund) are irrevocably held in trust for the benefit of the Owners and, in the case of the Rebate Fund, for payment as required to the United States Treasury, and for the purposes therein specified, and such moneys, and any income or interest earned thereon, will be expended only as provided in the Trust Agreement, and will not be subject to levy or attachment or lien by or for the benefit of any creditor of the Corporation, the Trustee or the District, or any of them.

Investments Authorized.

(a) By Trustee. Subject to the further provisions of the Trust Agreement, moneys held by the Trustee thereunder will be invested and reinvested on maturity by the Trustee pursuant to the Trust Agreement. The Trustee will report any such investments to the District on a monthly basis in its regular statements. Such investments and reinvestments will be made giving full consideration for the time at which funds are required to be available based upon information supplied by the District.

Investments purchased with funds on deposit in the Lease Payment Fund and Prepayment Fund will mature not later than the Certificate Payment Date or prepayment date, as appropriate, immediately succeeding the investment. Investments purchased with funds on deposit in the Project Fund will not mature later than the dates upon which such funds will be needed to be expended for the payment of Delivery Costs or Project Costs.

(b) Upon Direction of the District. The District Representative will direct by facsimile or electronic mail such investment in specific Permitted Investments not less than two Business Days prior to the date that such Permitted Investment is to take effect, confirmed by written order filed with the Trustee. In the event that the

District Representative does not so direct the Trustee, the Trustee will invest in the Permitted Investments described in paragraph (b)(iv) of the definition thereof contained in Section 1.01 of the Trust Agreement.

(c) Registration. Such investments, if registerable, will be registered in the name of the Trustee for the benefit of the Owners and held by the Trustee or its nominee.

(d) Trustee as Purchaser or Agent. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by the Trust Agreement. The Trustee may act as purchaser or agent in the making or disposing of any investment. The Trustee or any of its affiliates may act as a sponsor of, or as an advisor to any provider of, Permitted Investments thereunder. The District has acknowledged that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions as they occur, the District specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the District periodic cash transaction statements which include detail for all investment transactions made by the Trustee thereunder.

(e) Trustee Standard of Care. Except as otherwise provided in the Trust Agreement, the Trustee will not be responsible or liable for any loss suffered in connection with any investment of funds or sale of such investment made by it in accordance with the Trust Agreement or disposition made by it in accordance with the Trust Agreement.

Disposition of Investments. Any income, profit or loss on the investment of moneys held by the Trustee thereunder will be credited to the respective fund for which it is held, except as otherwise provided in the Trust Agreement.

Accounting. The Trustee will furnish to the District, not less than monthly, an accounting (which may be in the form of its regular statements) of all investments made by the Trustee and all funds and amounts held by the Trustee; provided, that the Trustee will not be obligated to deliver an accounting for any fund or account that (i) has a balance of zero and (ii) has not had any activity since the last reporting date. The Trustee will keep accurate records of all funds administered by it and of all Certificates paid and discharged.

Valuation and Disposition of Investments.

(a) Valuation. For the purpose of determining the amount in any fund, all Permitted Investments (except investment agreements) credited to such fund will be valued at the lower of the cost or the market price, exclusive of accrued interest. With respect to all funds and accounts, investments will be valued by the Trustee (i) not less often than annually, and as otherwise directed by the District, and (ii) upon any draw upon the Reserve Fund. In making any such valuations, the Trustee may utilize, and conclusively rely upon, such valuation services as may be available to the Trustee, including those within its regular accounting system.

(b) Disposition. Subject to the provisions of the Trust Agreement, the Trustee will sell, or present for prepayment, any Permitted Investment so purchased by the Trustee whenever it will be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited.

Commingling of Moneys in Funds. The Trustee may, and upon the written request of the District Representative will, commingle any of the funds held by it pursuant to the Trust Agreement into a separate fund or funds for investment purposes only; provided, however, that all funds or accounts held by the Trustee thereunder will be accounted for separately notwithstanding such commingling by the Trustee. The District will ensure that any such commingling complies with Section 1.148-4 of the Treasury Regulations, and will provide direction to the Trustee accordingly.

THE TRUSTEE

Appointment of Trustee.

(a) Appointment. U.S. Bank Trust Company, National Association, a national banking association organized under the laws of the United States of America, has been appointed as Trustee by the Corporation and the District.

(b) Qualifications. The Corporation and the District have agreed that they will maintain a Trustee having a corporate trust office in New York, New York, San Francisco, California or Los Angeles, California capable of exercising trust powers in the State of California, with a combined capital (exclusive of borrowed capital) and a surplus of at least Seventy-Five Million Dollars (\$75,000,000), or be a member of a bank holding company system, which will have a combined capital and surplus of at least Seventy-Five Million Dollars (\$75,000,000), and subject to supervision or examination by federal or state authority, so long as any Certificates are Outstanding. If such bank, national banking association or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to then for the purpose of the Trust Agreement the combined capital and surplus of such bank, national banking association or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(c) Removal. So long as there is no Event of Default then in effect, the District (with the prior written consent of the Insurer) may remove the Trustee initially appointed, and any successor thereto, and may appoint a successor or successors thereto.

(d) Resignation. The Trustee may, upon prior written notice to the District, the Insurer and the Corporation, resign; provided that such resignation will not take effect until the successor Trustee is appointed as provided in the Trust Agreement. Upon receiving such notice of resignation, the District will promptly appoint a successor Trustee. In the event the District does not name a successor Trustee within thirty (30) days of receipt of notice of the Trustee's resignation, then the Trustee may petition a court of suitable jurisdiction to seek the immediate appointment of a successor Trustee.

(e) Successor. Any successor Trustee will be acceptable to the Insurer, and will be a bank, national banking association or trust company meeting the qualifications as set forth in the Trust Agreement. Any resignation or removal of the Trustee and appointment of a successor Trustee will become effective upon acceptance of appointment by the successor Trustee. Upon such acceptance, the successor Trustee will mail notice thereof to (i) the District, the Corporation, and the Insurer and (ii) the Owners at their respective addresses set forth on the Certificate registration books maintained pursuant to the Trust Agreement.

Merger or Consolidation. Any company or banking association into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it will be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company will be eligible under the Trust Agreement, will be the successor to the Trustee without the execution or filing of any paper or further act, anything therein to the contrary notwithstanding.

Protection of the Trustee.

(a) Reliance Upon Papers or Documents. The Trustee will be protected and will incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, facsimile transmission, electronic mail, request, consent, direction, waiver, certificate, statement, affidavit, voucher, bond, requisition or other paper or document which it will in good faith believe to be genuine and to have been passed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of the Trust Agreement, and the Trustee will be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may, in the absence of bad faith on its part, accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements.

The Trustee has agreed to accept and act upon instructions or directions pursuant to the Trust Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate will be amended and replaced whenever a person is to be added or deleted from the listing. If the District elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions will be deemed controlling. The Trustee will not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The District has agreed to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

(b) Reliance Upon Opinions of Counsel. The Trustee may consult with counsel, who may be counsel to the District, with regard to legal questions and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered by it thereunder in good faith in accordance therewith. Before being required to take any action, the Trustee may require an opinion of Independent Counsel acceptable to the Trustee which opinion will be made available to the other parties thereto upon request, which counsel may be counsel to any of the parties thereto, or a verified certificate of any party thereto, or both, concerning the proposed action. If it does so in good faith, Trustee will be absolutely protected in relying thereon.

(c) Reliance Upon Requested Certificates. Whenever in the administration of its duties under the Trust Agreement, the Trustee will deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action thereunder, such matter (unless other evidence in respect thereof be therein specifically prescribed), in the absence of bad faith on its part, will be deemed to be conclusively proved and established by the certificate of the District Representative or the Corporation Representative and such certificate will be full warranty to the Trustee, in the absence of bad faith on its part, for any action taken or suffered under the provisions of the Trust Agreement upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

Rights of the Trustee.

(a) Ownership of Certificates. The Trustee may become the Owner with the same rights it would have if it were not Trustee; may acquire and dispose of other bonds or evidence of indebtedness of the District with the same rights it would have if it were not the Trustee; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners, whether or not such committee will represent the Owners of the majority in principal amount of the Certificates then Outstanding.

(b) Attorneys, Agents, Receivers. The Trustee may execute any of the trusts or powers thereof and perform the duties required of it thereunder by or through attorneys, agents, or receivers, will not be responsible for the actions or omissions of such attorneys, agents or receivers if appointed by it with reasonable care, and will be entitled to advice of counsel concerning all matters of trust and its duty thereunder; provided that the Trustee will not assign any of its trust responsibilities without the prior written consent of the District.

(c) Funds and Accounts. In addition to the funds and accounts established or required to be established pursuant to the Trust Agreement, the Trustee may establish such additional funds and accounts as it deems necessary or appropriate to perform its duties thereunder.

Standard of Care. So long as there is no Event of Default, (a) the Trustee will not be liable in connection with the performance of its duties thereunder, except for its own negligence or willful misconduct, and (b) the Trustee will only perform those duties specifically set forth therein and no implied duties, covenants or obligations will be read into the Trust Agreement. In the event of and during the continuance of an Event of Default, the Trustee will exercise such care in performing its duties thereunder as a prudent person would exercise in the conduct of his or her affairs.

Compensation of the Trustee. As an Additional Payment under the Lease, the District will from time to time on demand, pay to the Trustee reasonable compensation for its services and the services of any accountants, consultants, attorneys and other experts as may be engaged by the Trustee to provide services under the Trust Agreement pursuant to a written agreement between the District and the Trustee, and the reimbursement for all expenses incurred in and about the performance of its powers and duties under the Trust Agreement. The District's obligation thereunder will remain valid and binding notwithstanding maturity and payment of the Certificates and resignation or removal of the Trustee.

Indemnification of Trustee. The District will, to the extent permitted by law, indemnify and save the Trustee and its officers, directors, agents, and employees harmless from and against all claims, losses, costs, expenses, liability and damages, including legal fees and expenses, arising out of (i) the use, maintenance, condition, construction or management of, or from any work or thing done on the Property or the Project by the District, (ii) any breach or default on the part of the District in the performance of any of its obligations under the Trust Agreement and any other agreement made and entered into for purposes of the Property or the Project, (iii) any act of negligence of the District or of any of its agents, contractors, servants, employees or licensees with respect to the Property or the Project, (iv) any act of negligence of any assignee of, or purchaser from, the District or of any of its or their agents, contractors, servants, employees or licensees with respect to the Property or the Project, (v) the expenditure of Delivery Costs, or (vi) the exercise and performance by the Trustee of its powers and duties thereunder or any related document, (vii) the sale of the Certificates and the carrying out of any of the transactions contemplated by the Certificates or the Trust Agreement or (viii) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made in light of the circumstances in which they were made, not misleading in any official statement or other disclosure document utilized in connection with the sale of the Certificates. The indemnification set forth in the Trust Agreement will extend to the Trustee's officers, agents, employees, successors and assigns. No indemnification will be made under the Trust Agreement or elsewhere in the Trust Agreement or other agreements for willful misconduct or negligence by the Trustee, its officers, directors, agents, employees, successors or assigns. The District's obligations thereunder will remain valid and binding notwithstanding maturity and payment of the Certificates, or the resignation or removal of the Trustee.

In accepting the trust created, the Trustee acts solely as Trustee for the Owners and not in its individual capacity, and all persons, including, without limitation, the Owners, Corporation and the District, having any claim against the Trustee arising from the Trust Agreement will look only to the funds and accounts held by the Trustee thereunder for payment, except as otherwise provided therein or where the Trustee has breached its standard of care as described in the Trust Agreement. Under no circumstances will the Trustee be liable in its individual capacity for the obligations evidenced by the Certificates.

No provision of the Trust Agreement will require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties thereunder or in the exercise of any of its rights or powers.

The Trustee will not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Certificates at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee or in the exercise of any right thereunder.

The Trustee is authorized and directed to execute in its capacity as Trustee the Assignment Agreement.

Every provision of the Trust Agreement, the Lease, the Site Lease and the Assignment Agreement relating to the conduct or liability of the Trustee will be subject to the provisions of the Trust Agreement.

The Trustee will have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Certificates.

The Trustee will not to be deemed to have knowledge of any Event of Default thereunder or under the Lease unless a Responsible Officer of the Trustee has actual knowledge thereof at its Principal Office.

The Trustee will not be considered in breach of or in default in its obligations under the Trust Agreement or progress in respect thereto in the event of an unavoidable delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

The Trustee will be under no obligation to exercise any of the rights or powers vested in it by the Trust Agreement at the request, order or direction of any of the Owners pursuant to the provisions of the Trust Agreement unless such Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein.

The Trustee may consult with counsel, who may be counsel of or to the District, with regard to legal questions, and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered by it under the Trust Agreement in good faith and in accordance with the Trust Agreement.

MODIFICATION OR AMENDMENT OF AGREEMENTS

Amendments Permitted.

(a) With Consent. The Trust Agreement, the Lease and the Site Lease, and the rights and obligations of the Corporation, the District, and the Owners thereunder, may be modified or amended at any time, by a supplemental agreement or amendment thereto which will become effective, with the prior written consent of the Insurer and the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, and with notice to the Rating Agency, exclusive of Certificates disqualified as provided in the Trust Agreement. No such modification or amendment will:

(i) extend or have the effect of extending the fixed maturity of any Certificate or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof or reducing any premium payable upon the prepayment thereof, or

(ii) reduce or have the effect of reducing the percentage of Certificates required for the affirmative vote or written consent to an amendment or modification of the Trust Agreement, the Lease, or the Site Lease, or

(iii) modify any of the rights or obligations of the Trustee without its written assent thereto, or

(iv) amend the provisions summarized under the subheading “MODIFICATION OR AMENDMENT OF AGREEMENTS – Amendments Permitted” above, without the prior written consent of the Insurer and the Owners of all Certificates then outstanding.

The Trustee will be furnished such Opinions of Counsel as it deems necessary concerning (i) the lack of material adverse effect of the amendment on Owners and (ii) that the amendment will not, in and of itself, affect the tax status of interest with respect to the Certificates. Any such supplemental agreement or amendments thereto shall become effective as provided in the Trust Agreement. The Trustee may rely on an Opinion of Counsel that each such amendment is authorized or permitted pursuant thereto.

(b) Without Consent. The Trust Agreement, the Lease and the Site Lease, and the rights and obligations of the Corporation, the District and the Owners thereunder, may be modified or amended at any time by a supplemental agreement or amendments thereto, with notice to the Rating Agency, and without the consent of any such Owners, but with the prior written consent of the Insurer, only to the extent permitted by law, and only:

- (i) to add to the covenants and agreements of the District and the Corporation thereunder,
- (ii) to cure, correct or supplement any ambiguous or defective provision contained therein,
- (iii) in regard to matters arising thereunder, as the parties thereto may deem necessary or desirable (which may be based upon opinions as provided in the Trust Agreement), will not adversely affect the interest of the Owners,
- (iv) to substitute the Property, or a portion thereof, in accordance with the Lease,
- (v) to make such additions, deletions or modifications as may be necessary or appropriate to assure the exclusion from gross income for federal income tax purposes of the interest component of Lease Payments and the interest payable with respect to the Certificates,
- (vi) to add to the rights of the Trustee,
- (vii) to maintain the rating or ratings assigned to the Certificates, or
- (viii) to provide for the execution and delivery of Additional Certificates in accordance with the provisions of the Trust Agreement.

No such modification or amendment, however, will modify any of the rights or obligations of the Trustee without its written assent thereto. Any such supplemental agreement will become effective upon execution and delivery by the parties thereto as the case may be. The Trustee may rely upon an opinion of counsel that each amendment is authorized or permitted by the Trust Agreement.

Procedure for Amendment with Written Consent of the Owners. The Trust Agreement, the Site Lease or the Lease may be amended by supplemental agreement as provided in the Trust Agreement in the event the consent of the Owners is required pursuant to the Trust Agreement. Such supplemental agreement, together with a request to the Owners for their consent thereto, will be mailed by the Trustee to each Owner of a Certificate at his or her address as set forth in the Certificate registration books maintained pursuant to the Trust Agreement, but failure to receive copies of such supplemental agreement and request so mailed will not affect the validity of the supplemental agreement when assented to as in the Trust Agreement provided.

Such supplemental agreement will not become effective unless there will be filed with the Trustee the written consents of the (i) Insurer and (ii) the Owners of at least a majority in aggregate principal amount of the Certificates then Outstanding (exclusive of Certificates disqualified as provided in the Trust Agreement) and notices will be mailed as thereafter in the Trust Agreement provided. Any such consent will be binding upon the Owner of the Certificate giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trustee prior to the date when the notice thereafter in the Trust Agreement provided for has been mailed.

After the Owners of the required percentage of Certificates shall have filed their consent to such supplemental agreement, the Trustee will mail a notice to the Owners of the Certificates in the manner provided in the Trust Agreement for the mailing of such supplemental agreement, stating in substance that such supplemental agreement has been consented to by the Owners of the required percentage of Certificates and will be effective as provided in the Trust Agreement (but failure to mail copies of said notice will not affect the validity of such supplemental agreement or consents thereto). A record, consisting of the papers required by the Trust Agreement to be filed with the Trustee, will be proof of the matters therein stated until the contrary is proved. The Trustee may obtain and conclusively rely on an opinion of counsel with regard to such matters.

Disqualified Certificates. Certificates owned or held by or for the account of the District or the Corporation or by any person directly or indirectly controlled or controlled by, or under direct or indirect common control with the District or the Corporation (except any Certificates held in any pension or retirement fund) will not

be deemed Outstanding for the purpose of any vote, consent, waiver or other action or any calculation of Outstanding Certificates provided for in the Trust Agreement, and will not be entitled to vote upon, consent to, or take any other action provided for in the Trust Agreement. Upon request of the Trustee, the District and the Corporation will specify in a certificate to the Trustee those Certificates disqualified pursuant to the Trust Agreement and the Trustee may conclusively rely on such certificate.

The District or the Trustee may adopt appropriate regulations to require each Owner, before his consent provided for in the Trust Agreement will be deemed effective, to reveal if the Certificates as to which such consent is given are disqualified as provided in the Trust Agreement.

Effect of Supplemental Agreement. From and after the time any supplemental agreement becomes effective pursuant to the Trust Agreement, the Site Lease or the Lease, as the case may be, will be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties thereto and all Owners of Certificates Outstanding, as the case may be, will thereafter be determined, exercised and enforced thereunder subject in all respects to such modification and amendment, and all the terms and conditions of any supplemental agreement will be deemed to be part of the terms and conditions of the Trust Agreement or the Lease, as the case may be, for any and all purposes.

Endorsement or Replacement of Certificates Delivered After Amendments. The Trustee may determine that Certificates delivered after the effective date of any action taken as provided in the Trust Agreement will bear a notation, by endorsement, in form approved by the District, as to such action. In that case, upon demand of the Owner of any Outstanding Certificate at such effective date and presentation of his or her Certificate for such purpose at the Principal Office, a suitable notation will be made on such Certificate. The District may determine that new Certificates, so modified as in the opinion of the District, are necessary to conform to such Owner's action, will be prepared, executed and delivered. In that case, upon demand of the Owner of any Certificate then Outstanding, such new Certificate will be exchanged in the Principal Office without cost to such Owner, for a Certificate of the same character then Outstanding, upon surrender of such Certificate.

Amendatory Endorsement of Certificates. Subject to the Trust Agreement, the provisions of the Trust Agreement will not prevent an Owner from accepting any amendment as to the particular Certificates held by him, provided that due notification thereof is made on such Certificates.

Copies of Amendments Delivered to the Rating Agency. Copies of any modifications or amendments to the Trust Agreement, the Lease, the Site Lease or the Assignment Agreement will be delivered by the District to the Rating Agency at least 10 days prior to the effective date thereof.

COVENANTS; NOTICES

Compliance With and Enforcement of the Lease. The District has covenanted and agreed with the Owners and the Insurer to perform all obligations and duties imposed on it under the Lease. The Corporation has covenanted and agreed with the Owners to perform all obligations and duties imposed on it under the Lease.

The District will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation or termination of the Lease by the Corporation thereunder. The Corporation and the District, immediately upon receiving or giving any notice, communication or other document in any way relating to or affecting their respective estates, or either of them, in the Property, which may or can in any manner affect such estate of the District, will deliver the same, or a copy thereof, to the Trustee.

Payment of Taxes. The District will pay all taxes as provided in the Lease.

Observance of Laws and Regulations. The District will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States of America, or of the State, or by any officer, board or commission having jurisdiction or control,

as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the District, including its right to exist and carry on business as a school district, to the end that such rights, privileges and franchises will be maintained and preserved, and will not become abandoned, forfeited or in any manner impaired.

Prosecution and Defense of Suits. The District will promptly, and also upon request of the Trustee, the Insurer or any Owner, from time to time take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Property, whether now existing or hereafter developing and will prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and will indemnify and save the Trustee, and every Owner harmless from all loss, cost, damage and expense including reasonable attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

District Budgets. In accordance with the Lease, the District Representative will certify to the Trustee on or before July 1 of each year that the District has included all Lease Payments (other than Lease Payments of advance rental), Reserve Replenishment Rent and Additional Payments due under the Lease in the Fiscal Year covered by its annual budget and the amount so included. If the District fails to certify that it has included all such Lease Payments, Reserve Replenishment Rent and Additional Payments in such annual budget, the Trustee will promptly provide the District written notice specifying that the District has failed to observe and perform its covenant and agreement in the Lease and requesting that such failure be remedied within 30 days, or such failure will constitute an Event of Default under the Lease. The Trustee will forward a copy of such notice to the Corporation and the Insurer. Upon receipt of such notice, the District will notify the Trustee of the proceedings proposed to be taken by the District, and will keep the Trustee advised of all proceedings thereafter taken by the District.

Further Assurances. The Corporation and the District will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Trust Agreement, and for the better assuring and confirming unto the Owners and the Insurer the rights and benefits provided therein.

Continuing Disclosure. The District has covenanted that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Trust Agreement, failure of the District to comply with the Continuing Disclosure Certificate will not be considered an Event of Default or an event of default thereunder; however, any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under the Trust Agreement and the Continuing Disclosure Certificate.

LIMITATION OF LIABILITY

Limited Liability of the District. Except for the payment of Lease Payments, Reserve Replenishment Rent, Additional Payments and Prepayments when due in accordance with the Lease and the performance of the other covenants and agreements of the District contained therein and in the Lease, the District will have no obligation or liability to any of the other parties or to the Owners with respect to the Trust Agreement or the terms, execution, delivery or transfer of the Certificates, or the distribution of Lease Payments to the Owners by the Trustee.

No Liability of the District or Corporation for Trustee Performance. Except as expressly provided therein, neither the District nor the Corporation will have any obligation or liability to any other parties or to the Owners with respect to the performance by the Trustee of any duty imposed upon it under the Trust Agreement.

Limited Liability of Trustee.

(a) **No Investment Advice.** The Trustee will have no obligation or responsibility for providing information to the Owners concerning the investment character of the Certificates.

(b) Sufficiency of the Trust Agreement or Lease Payments. The Trustee makes no representations as to the validity or sufficiency of the Certificates, will incur no responsibility in respect thereof, other than in connection with the duties or obligations therein or in the Certificates assigned to or imposed upon it. The Trustee will not be responsible for the sufficiency or enforceability of the Lease, the Site Lease or the Assignment Agreement. The Trustee will not be liable for the sufficiency or collection of any Lease Payments or other moneys required to be paid to it under the Lease (except as provided in the Trust Agreement), its right to receive moneys pursuant to said Lease, or the value of or title to the Property.

(c) Actions of Corporation and the District. The Trustee will have no obligation or liability to any of the other parties or the Owners with respect to the Trust Agreement or failure or refusal of any other party to perform any covenant or agreement made by any of them under the Trust Agreement or the Lease, but will be responsible solely for the performance of the duties and obligations expressly imposed upon it thereunder as provided in the Trust Agreement.

(d) Recitals and Agreements of Corporation and the District. The recitals of facts, covenants and agreements therein and in the Certificates contained will be taken as statements, covenants and agreements of the District or the Corporation (as the case may be), and the Trustee assumes no responsibility for the correctness of the same.

Limitation of Rights to Parties and Certificate Owners. Nothing in the Trust Agreement or in the Certificates expressed or implied is intended or will be construed to give any person other than the District, the Corporation, the Trustee, the Insurer and the Owners, any legal or equitable right, remedy or claim under or in respect of the Trust Agreement or any covenant, condition or provision thereof; and all such covenants, conditions and provisions are and will be for the sole and exclusive benefit of the District, the Corporation, the Trustee, the Insurer and the Owners.

No Liability of the Corporation to the Owners. Except as expressly provided therein, the Corporation will not have any obligation or liability to the Owners with respect to the payment when due of the Lease Payments by the District or with respect to the observance or performance by the District of the other agreements, conditions, and covenants imposed upon the District by the Lease or by the Trust Agreement.

EVENTS OF DEFAULT AND REMEDIES OF CERTIFICATE OWNERS

Assignment of Rights. The parties thereto acknowledge that pursuant to the Assignment Agreement the Corporation has transferred, assigned and set over to the Trustee for the benefit of the Owners, certain of the Corporation's rights under the Lease and the Site Lease.

Events of Default.

(a) Remedies. If an Event of Default will happen, then, and in each and every such case during the continuance of such Event of Default, the Trustee may exercise any and all remedies available pursuant to law or granted pursuant to the Lease, including writs of mandamus; provided, however, that notwithstanding anything therein or in the Lease to the contrary, THERE WILL BE NO RIGHT UNDER ANY CIRCUMSTANCES TO ACCELERATE THE MATURITIES OF THE CERTIFICATES OR OTHERWISE TO DECLARE ANY LEASE PAYMENTS NOT THEN IN DEFAULT TO BE IMMEDIATELY DUE AND PAYABLE; provided further that so long as the Insurer shall not be in default of its payment obligations under the Insurance Policy, the Insurer will control all remedies available upon an Event of Default.

(b) Actual Knowledge. The Trustee will not be deemed to have knowledge of any Event of Default unless and until a Responsible Officer shall have actual knowledge thereof, or shall have received written notice thereof at its Principal Office.

(c) Action on Default. If an Event of Default (within the meaning of the Lease) will happen, then such Event of Default will constitute an Event of Default thereunder. The Trustee may give notice, as assignee of

the Corporation, of an Event of Default under the Lease or under the Trust Agreement to the District, and will do so if directed to do so by the Insurer or the Owners of not less than a majority of the aggregate principal evidenced by Certificates then Outstanding. In each and every case during the continuance of an Event of Default, the Trustee (a) may, at the direction of the Owners of not less than a majority of the aggregate principal evidenced by Certificates then Outstanding, and with the consent of the Insurer and (b) will, at the direction of the Insurer and upon notice in writing to the District and the Corporation, exercise any of the remedies granted to the Corporation under the Lease and may, in addition, take whatever action at law or in equity may appear necessary or desirable to enforce its rights as assignee pursuant to the Assignment Agreement or to protect and enforce any of the rights vested in the Trustee or the Owners by the Trust Agreement or by the Certificates, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement or for the enforcement of any other legal or equitable right, including any one or more of the remedies set forth in the Trust Agreement.

Application of Funds. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Trust Agreement or of the Lease, will be deposited into the Lease Payment Fund and be applied by the Trustee after payment of all amounts due and payable under the Trust Agreement and the Lease in the following order upon presentation of the several Certificates, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, Costs and Expenses: to the payment of the costs, fees and expenses of the Trustee and then of the Owners in declaring such Event of Default and in performing its duties thereunder, including reasonable compensation to its or their agents, attorneys and counsel;

Second, Interest: to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installment, and, if the amount available will not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Third, Principal: to the payment to the persons entitled thereto of the unpaid principal with respect to any Certificates which will have become due, whether at maturity or by call for prepayment, in the order of their due dates, with interest on the overdue principal and interest at a rate equal to the rate paid with respect to the Certificates and, if the amount available will not be sufficient to pay in full all the amounts due with respect to the Certificates on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference; and

Fourth, Insurance: to the extent not included in clauses First, Second and Third in the Trust Agreement and summarized above, to the payment of all amounts then due to the Insurer or Reserve Insurer, as certified in writing to the Trustee. The Trustee may conclusively rely on a certification of the Insurer or Reserve Insurer.

Institution of Legal Proceedings. If one or more Events of Default will happen and be continuing, the Trustee may, and, upon the written request of the Owners of a majority in principal amount of the Certificates then Outstanding, and upon being indemnified to its satisfaction therefor, will, proceed to protect or enforce its rights or the rights of the Owners by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained in the Trust Agreement or the Lease, or in aid of the execution of any power therein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee will deem most effectual in support of any of its rights or duties thereunder; provided that such written request will not be otherwise than in accordance with provisions of law and the Trust Agreement and that the Trustee will have the right to decline to follow any such written request if the Trustee will be advised by counsel that the action or proceeding so requested may not be taken lawfully or if the Trustee in good faith will determine that the action or proceeding so requested would be unjustly prejudicial to the Certificate Owners not a party to such written request or expose the Trustee to liability.

Non Waiver. Nothing in the Trust Agreement or in the Certificates will affect or impair the obligation of the District which is absolute and unconditional, to pay or prepay the Lease Payments or Additional Payments as provided in the Lease. No delay or omission of the Trustee or of any Owner of any of the Certificates to exercise any right or power arising upon the happening of any Event of Default will impair any such right or power or will be construed to be a waiver of any such Event of Default or an acquiescence therein, and every power and remedy

given by the Trust Agreement to the Trustee or to the Owners may be exercised from time to time and as often as will be deemed expedient by the Trustee or the Owners.

Remedies Not Exclusive. No remedy therein conferred upon or reserved to the Trustee or to the Owners is intended to be exclusive of any other remedy, and every such remedy will be cumulative and will be in addition to every other remedy given thereunder or now or hereafter existing, at law or in equity or by statute or otherwise.

Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, will have taken any action, by judicial proceedings or otherwise, pursuant to its duties thereunder, whether upon its own discretion, or upon the request of the Owners of a majority in principal amount of the Certificates then Outstanding, it will have full power, in the exercise of its discretion for the best interest of the Owners of the Certificates, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee will not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Insurer (so long as the Insurer is not in default in its payment obligations under the Insurance Policy) and the Owners of at least a majority in principal amount of the Outstanding Certificates thereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Limitation on Certificate Owners' Right to Sue. No Owner of any Certificate executed thereunder will have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Trust Agreement, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default under the Lease; (b) such Owner will, so long as the Insurer is not in default of its payment obligations under the Insurance Policy, have secured the Insurer's consent to such institution, (c) the Owners of a majority in aggregate principal amount of all the Certificates then Outstanding shall have made written request upon the Trustee to exercise the powers thereinbefore granted or to institute such action, suit or proceeding in its own name; (d) said Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (e) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (f) there shall have been a default in the payment of such Owner's proportionate interest in the Lease Payments as the same become due.

Such notification, request, tender of indemnity, refusal or omission, and default are declared, in every case, to be conditions precedent to the exercise by any Owner of any remedy thereunder; it being understood and intended that no one or more Owners will have any right in any manner whatever by his or her or their action to enforce any right under the Trust Agreement, except in the manner therein provided and for the equal benefit of all Owners of the Outstanding Certificates.

The right of any Owner of any Certificate to receive payment of said Owner's proportionate interest in the Lease Payments as the same become due, or to institute suit for the enforcement of such payment, will not be impaired or affected without the consent of such Owner, notwithstanding the foregoing provisions of the Trust Agreement or any other provision of the Trust Agreement.

Agreement to Pay Attorneys' Fees and Expenses. In the event any party to the Trust Agreement should default under any of the provisions thereof and the nondefaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement or observance of any obligation or agreement on the part of the defaulting party contained therein, the defaulting party has agreed that it will on demand therefor pay to the nondefaulting party the reasonable fees of such attorneys and such other expenses so incurred by the nondefaulting party.

MISCELLANEOUS

Defeasance.

(a) Methods. If and when any Outstanding Certificates will be paid and discharged in any one or more of the following ways:

(i) Payment or Prepayment: by well and truly paying or causing to be paid the principal, interest and prepayment premiums (if any) with respect to such Certificates Outstanding, as and when the same become due and payable;

(ii) Cash: prior to maturity, by depositing with the Trustee (or such other independent escrow agent as the District shall select), in trust, an amount of cash which (including cash then on deposit in the Lease Payment Fund in the event of prepayment or provision for payment of all Outstanding Certificates, and cash then on deposit Reserve Fund (in the event of prepayment or provision for payment of all Outstanding Certificates or as otherwise provided in the Trust Agreement) is fully sufficient to pay and discharge such Certificates (including all principal and interest represented thereby and prepayment premiums if any) at or before their maturity date; or

(iii) Defeasance Securities: prior to maturity, by irrevocably depositing with the Trustee (or such other independent escrow agent as the District shall select), in trust, Defeasance Securities together with cash, if required (including cash then on deposit in the Lease Payment Fund in the event of prepayment or provision for payment of all Outstanding Certificates, and cash then on deposit Reserve Fund (in the event of prepayment or provision for payment of all Outstanding Certificates or as otherwise provided in the Trust Agreement), in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon, be fully sufficient to pay and discharge such Certificates (including all principal and interest represented thereby and prepayment premiums if any) at or before their maturity date;

and all other amounts due thereunder have been paid in full, then, notwithstanding that any Certificates will not have been surrendered for payment, all obligations of the Corporation, the Trustee and the District with respect to such Certificates will cease and terminate, except only the obligation of the Trustee to pay or cause to be paid, from Lease Payments paid by or on behalf of the District from funds deposited pursuant to provisions of the Trust Agreement summarized in (i) and (iii) above, to the Owners of the Certificates not so surrendered and paid all sums due with respect thereto, and in the event of deposits pursuant to the provisions of the Trust Agreement summarized in (ii) and (iii) above, the Certificates will continue to represent direct and proportionate interests of the Owners thereof in Lease Payments under the Lease.

(b) Surplus Moneys. Any funds held by the Trustee, at the time of payment or provision for payment of all Outstanding Certificates pursuant to the one of the procedures of the Trust Agreement described in paragraphs (a)(i) through (a)(iii) above, which are not required for the payment to be made to Owners, will be paid over to the District, after the payment of any amounts due to the Trustee pursuant to the Trust Agreement, and any other Additional Payments due under the Lease.

(c) Surviving Provisions. Notwithstanding the satisfaction and discharge thereof, the Trustee will retain such rights, powers and privileges thereunder as may be necessary or convenient for the payment of the principal, interest and prepayment premium, if any, with respect to the Certificates and for the registration, transfer and exchange of the Certificates.

(d) Opinions and Reports. Prior to any defeasance becoming effective under the Trust Agreement, the District will cause to be delivered (i) an executed copy of a report, addressed to the Trustee, the Insurer, and the District, in a form and substance acceptable to the Trustee and the District, of a nationally recognized firm of certified public accountants acceptable to the Insurer, verifying that the Defeasance Securities and cash, if any, satisfy the requirements of the Trust Agreement, (ii) a copy of the escrow deposit agreement entered into in connection with such defeasance acceptable to the Trustee, the District, and the Insurer, (iii) a copy of an Opinion of Counsel, dated the date of such defeasance and addressed to the Trustee, the Insurer and the District, in form and substance acceptable to the District and the Insurer, covering the validity and enforceability of the escrow agreement and substantially to the effect that such Certificates are no longer Outstanding under the Trust Agreement, and (iv) a certificate of discharge of the Certificates from the Trustee.

Notwithstanding any other provision of the Trust Agreement, the Trust Agreement will not be discharged until all Policy Costs owing to the Insurer and all amounts due or to become due to the Insurer shall have been paid in full. The District's obligation to pay such amount will expressly survive payment in full of the Certificates.

The Insurer is entitled to receive copies of substantially final drafts of the above-referenced documents not less than five (5) Business Days prior to the funding of the escrow.

Non-Presentment of Certificates. In the event any Certificate will not be presented for payment when the principal with respect thereto becomes due, either at maturity, or at the date fixed for prepayment thereof, if moneys sufficient to pay such Certificate shall have been deposited in the Prepayment Fund or Lease Payment Fund, as applicable, all liability of the District to the Owner thereof for payment of such Certificate will forthwith cease, terminate and be completely discharged, and thereupon it will be the duty of the Trustee to hold such moneys, without liability for interest thereon, for the benefit of the Owner of such Certificate who will thereafter be restricted exclusively to such moneys, for any claim of whatever nature on his or her part under the Trust Agreement or on, or with respect to, said Certificate.

Any moneys so deposited with and held by the Trustee not so applied to the payment of interest or principal with respect to Certificates within two (2) years after the date on which the same shall have become due will be paid by the Trustee to the District, free from the trusts created by the Trust Agreement. In addition, Trustee will be indemnified from and against any and all liabilities to third parties resulting from its actions under the Trust Agreement. Thereafter, Owners will be entitled to look only to the District for payment, and then only to the extent of the amount so repaid by the Trustee. The District will not be liable for any interest on the sums paid to it pursuant to the provisions of the Trust Agreement summarized in this paragraph and will not be regarded as a trustee or trustees of such money.

Acquisition of Certificates by District. All Certificates acquired by the District, whether by purchase, gift or otherwise, will be surrendered by the District to the Trustee for cancellation.

Records. The Trustee will keep complete and accurate records of all moneys received and disbursed by it under the Trust Agreement, which will be available for inspection by the District, the Corporation and any Owner, or the agent of any of them, at any time during regular business hours upon reasonable prior notice.

Waiver of Notice. Whenever in the Trust Agreement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any case the giving or receipt of such notice will not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Separability of Invalid Provisions. In case any one or more of the provisions contained in the Trust Agreement or in the Certificates will for any reason be held to be invalid, illegal or unenforceable in any respect, then such invalidity, illegality or unenforceability will not affect any other provision of the Trust Agreement, and the Trust Agreement will be construed as if such invalid or illegal or unenforceable provision had never been contained therein. The parties thereto declare that they would have entered into the Trust Agreement and each and every other section, paragraph, sentence, clause or phrase thereof and authorized the delivery of the Certificates pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of the Trust Agreement may be held illegal, invalid or unenforceable.

Provisions Relating to Certificate Insurance. Notwithstanding any other provision in the Trust Agreement to the contrary, the following provisions will apply for the benefit of the Insurer:

(a) Any notice that is required to be given to any Owners, Information Services, or the Depository will be given to the Insurer.

(b) Notwithstanding any other provision in the Trust Agreement, in determining whether the rights of the Owners will be adversely affected by an action taken pursuant to the terms and provisions of the Trust Agreement, the Trustee will consider the effect of such action on the Owners as if there were no Insurance Policy.

(c) The Insurer shall be deemed to be the sole Owner of all of the Insured Certificates for purposes of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Owner of the Insured Certificates are entitled to take pursuant to this Trust Agreement pertaining to:

(i) defaults and remedies, and

(ii) the duties and obligations of the Trustee.

(d) As a term of the Trust Agreement and each Insured Certificate, the Trustee and Owners have appointed the Insurer as their agent and attorney-in-fact with respect to the Insured Certificates and have agreed that the Insurer may at any time during the continuation of any Insolvency Proceeding direct all matters relating to such Insolvency Proceeding, including without limitation all matters relating to any (i) Claim, (ii) the direction of any appeal of any order relating to any Claim, (iii) the posting of any surety, supersedeas or performance bond pending any such appeal, and (iv) the right to vote to accept or reject any plan of adjustment. In addition, the Trustee and Owners have delegated and assigned to the Insurer, to the fullest extent permitted by law, their rights with respect to the Insured Certificates in the conduct of any Insolvency Proceeding, including without limitation all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding.

(e) Any provision in the Trust Agreement expressly recognizing or granting rights in and to the Insurer may not be amended in any manner that affects the rights of the Insurer without the prior written consent of the Insurer.

(f) Whenever the consent of the Owners of Insured Certificates is required pursuant to the provisions in the Trust Agreement, the Insurer's prior written consent will also be required.

(g) Payment Procedures Under the Insurance Policy.

(i) If, on the third Business Day prior to a Certificate Payment Date there is not on deposit with the Trustee, after making all transfers and deposits required under the Trust Agreement, moneys sufficient to pay the principal and interest with respect to the Insured Certificates due on such Certificate Payment Date, the Trustee shall give notice to the Insurer and to its designated agent, if any (the "Insurer's Fiscal Agent") by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the Certificate Payment Date, there continues to be a deficiency in the amount available to pay the principal and interest with respect to the Insured Certificates due on such Certificate Payment Date, the Trustee shall make a claim under the Policy and give notice to the Insurer and the Insurer's Fiscal Agent, if any, by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest with respect to the Insured Certificates and the amount required to pay principal with respect to the Insured Certificates, confirmed in writing to the Insurer and the Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filing in the form of Notice of Claim and Certificate delivered with the Policy.

(ii) The Trustee will designate any portion of payment of principal evidenced by Insured Certificates paid by the Insurer, whether by virtue of mandatory sinking fund prepayment, if any, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Insured Certificates registered to the then current Certificate Owner, whether DTC or its nominee or otherwise, and will issue a replacement Insured Certificate to the Insurer, registered in the name directed by the Insurer, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Insured Certificate will have no effect on the amount of principal or interest payable by the District with respect to any Insured Certificate or the subrogation rights of the Insurer.

(iii) The Trustee shall keep a complete and accurate record of all funds deposited by the Insurer into the Policy Payments Account and the allocation of such funds to payment of interest and principal with respect to any Insured Certificate. The Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

(iv) Upon payment of a claim under the Policy, the Trustee shall establish the Policy Payments Account. The Trustee shall receive any amount paid under the Policy in trust on behalf of Owners of Insured Certificates and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Owners of Insured Certificates in the same manner as principal and interest payments are to be made with respect to the Insured Certificates under the sections hereof regarding payment of Insured Certificates. It shall not

be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything herein to the contrary, the District agrees to pay to the Insurer, (i) a sum equal to the total of all Insurer Advances; (ii) to the extent permitted by law and subject to Section 4.11 of the Lease, interest on such Insurer Advances at the Late Payment Rate. The District hereby covenants and agrees that the Insurer Reimbursement Amounts are secured by a lien on and pledge of the funds on deposit with the Trustee and payable from such funds on a parity with interest and principal due with respect to the Insured Certificates.

Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following a Certificate Payment Date shall promptly be remitted to the Insurer.

(h) Subrogation. The Insurer shall, to the extent it makes any payment of principal or interest with respect to the Certificates, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Policy (which subrogation rights shall also include the rights of any such recipients in connection with any Insolvency Proceeding). Each obligation of the District and the Corporation to the Insurer under this Trust Agreement and each Related Document shall survive discharge or termination of such Related Document.

(i) The District shall pay or reimburse the Insurer and the Reserve Insurer, solely from Lease Payments and Additional Payments, as applicable, any and all charges, fees, costs and expenses that the Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in any Related Document; (ii) the pursuit of any remedies under the Trust Agreement or any other Related Document or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Trust Agreement or any other Related Document whether or not executed or completed, or (iv) any litigation or other dispute in connection with the Trust Agreement or any other Related Document or the transactions contemplated thereby, other than costs resulting from the failure of the Insurer to honor its obligations under the Policy. The Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Trust Agreement or any other Related Document.

(j) After payment of reasonable expenses of the Trustee, the application of fund realized upon default shall be applied to the payment of expenses of the Corporation, the District or rebate only after the payment of past due and current debt service on the Insured Certificates and amounts required to restore the Reserve Fund to the Reserve Requirement.

(k) The Insurer shall be entitled to pay principal or interest with respect to the Insured Certificates that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the District (as such terms are defined in the Policy) and any amounts due on the Insured Certificates as a result of acceleration of the maturity thereof, whether or not the Insurer has received a Notice of Nonpayment (as such terms are defined in the Policy) or a claim upon the Policy.

(l) The rights granted to the Insurer under the Trust Agreement or any other Related Document to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Certificate Owners and such action does not evidence any position of the Insurer, affirmative or negative, as to whether the consent of the Certificate Owners or any other person is required in addition to the consent of the Insurer.

(m) No contract shall be entered into or any action taken by which the rights of the Insurer may be impaired or prejudiced in any material respect, except upon the prior written consent of the Insurer.

(n) The Corporation and the District will permit the Insurer to discuss the affairs, finances and accounts of the Corporation and the District or any information the Insurer may reasonably request regarding the security for the Insured Certificates with appropriate officers of the Corporation and the District and will use commercially reasonable efforts to enable the Insurer to have access to the facilities, books and records of the Corporation and the District on any Business Day upon reasonable prior notice.

(o) Amounts paid by the Insurer pursuant to the Policy shall not be deemed paid for the purposes hereof and the Insured Certificates relating to such payments shall remain Outstanding and the principal and interest evidenced thereby shall continue to be due and owing until paid by the District in accordance with the Trust Agreement.

(p) The Trustee shall notify the Insurer of any failure of the Corporation or the District to provide notices, certification and other information in the Trust Agreement.

(q) So long as any Insured Certificates remain Outstanding or any amounts are owed to the Insurer, the District shall not issue or incur indebtedness payable from or secured in whole or in part by the Lease Payments that (i) bears interest at other than fixed rates or (ii) permits the holder to tender such indebtedness for purchase prior to the stated maturity thereof, in either case without the prior written consent of the Insurer.

(r) So long as any Insured Certificates remain Outstanding or any amounts are owed to the Insurer by the District, the District shall not enter into any interest rate exchange agreement, cap, collar, floor, ceiling or other agreement or instrument involving reciprocal payment obligations between the District and a counterparty based on interest rates applied to a notional amount of principal, without the prior written consent of the Insurer.

Information to be Provided to the Insurer. The District, or the Trustee, as applicable, will furnish to the Insurer the following:

(a) Annual audited financial statements within 180 days after the end of the District's fiscal year (together with a certification of the District that it is not aware of any default or Event of Default under the Trust Agreement or the Lease), and the District's annual budget within 30 days after the approval thereof together with such other information, data or reports as the Insurer shall reasonably request from time to time;

(b) Notice of any draw upon the Reserve Fund within two Business Days after knowledge thereof other than (i) withdrawals of amounts in excess of the Reserve Requirement and (ii) withdrawals in connection with a refunding of Certificates;

(c) Notice of any default known to the Trustee, the Corporation, or the District within five Business Days after knowledge thereof;

(d) Prior notice of the advance refunding or prepayment of any of the Certificates, including the principal amount, maturities and CUSIP numbers thereof;

(e) Notice of the resignation or removal of the Trustee and the appointment of, and acceptance of duties by, any successor thereto;

(f) Notice of the commencement of any Insolvency Proceeding by or against the Corporation or the District;

(g) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal or interest with respect to the Certificates;

(h) A full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver to the Security Documents;

(i) All reports, notices and correspondence to be delivered to Certificate Owners under the terms of the Security Documents;

(j) All information furnished pursuant to the Continuing Disclosure Certificate shall be provided simultaneously to the Insurer; and

The Insurer shall have the right to receive such additional information as it may reasonably request.

Interested Parties.

(a) Insurer as Third Party Beneficiary. The Insurer has been deemed to be a third-party beneficiary of the Trust Agreement.

(b) Parties Interested therein. Nothing in the Trust Agreement expressed or implied is intended or will be construed to confer upon, or to give grant to any person or entity, other than the District, the Corporation, the Trustee, the Insurer and the Owners of the Certificates, any right, remedy or claim under or by reason of the Trust Agreement or any covenant, condition or stipulation thereof, and all covenants, stipulations, promises and agreements in the Trust Agreement contained by and on behalf of the District will be for the sole and exclusive benefit of the District, the Corporation, the Trustee, the Insurer and the registered owners of the Certificates.

THE ASSIGNMENT AGREEMENT

The Assignment Agreement provides for the transfer, assignment and setting over by the Corporation to the Trustee, for the benefit of the Owners of Certificates, all of the Corporation's rights under the Lease (excepting only the Corporation's rights to recover attorneys' fees and expenses in the event the Corporation is a non-defaulting party to the Lease after a default), including, without limitation, (1) the right to receive and collect all of the Lease Payments, Additional Payments and Prepayments from the District under the Lease; (2) the right to receive and collect any proceeds of any insurance maintained pursuant to the Lease, or any condemnation award rendered with respect to the Property or any lease of the Property in the event of a default by the District under the Lease; (3) the right to take all actions and give all consents under the Lease; (4) the right to exercise such rights and remedies conferred on the Corporation under the Lease as may be necessary or convenient (a) to enforce payment of the Lease Payments, Additional Payments, Prepayments and any other amounts required to be deposited in the Lease Payment Fund, the Prepayment Fund, the Net Proceeds Fund or any other fund established under the Trust Agreement, or (b) otherwise to protect the interests of the Corporation in the event of a default by the District under the Lease; and (5) the right of the Corporation to receive rentals in excess of Lease Payments as compensation for re-letting the Property upon events of default under the Lease. The Trustee accepts such assignment for the benefit of the Owners of the Certificates, subject to the provisions of the Trust Agreement.

THE SITE LEASE

Pursuant to the Site Lease, the District, as lessor, leases to the Corporation, as lessee, all of its right, title and interest in the Property. The term of the Site Lease will commence as of the date of the Lease and will remain in effect until the expiration of the term of such Lease. The Property will be simultaneously leased back to the District under the Lease, and title will remain in the District.

APPENDIX B
PROPOSED FORM OF OPINION OF SPECIAL COUNSEL
FOR THE CERTIFICATES

October 26, 2023

Board of Trustees
Dinuba Unified School District

\$15,145,000
DINUBA UNIFIED SCHOOL DISTRICT
Certificates of Participation
(2023 School Financing Project)
Evidencing the Fractional Interests of the
Owners Thereof in Lease Payments to be
Made by the
DINUBA UNIFIED SCHOOL DISTRICT

Members of the Board of Trustees:

We have examined a certified copy of the record of the proceedings relative to the execution and delivery of \$15,145,000 principal amount of Dinuba Unified School District Certificates of Participation (2023 School Financing Project) and dated the Date of Delivery (the "Certificates"), evidencing the fractional and undivided interests of the registered owners thereof in the right to receive certain Lease Payments (as that term is defined in the Trust Agreement hereinafter mentioned) under and pursuant to that certain Lease/Purchase Agreement (the "Lease"), dated as of October 1, 2023, between the Dinuba Unified School District (the "District") and the Public Property Financing Corporation of California, a nonprofit corporation duly organized and existing under and by virtue of the laws of the State of California (the "Corporation"), all of which right to receive such Lease Payments has been assigned without recourse by the Corporation to U.S. Bank Trust Company, National Association, a national banking association duly organized and existing under the laws of the United States of America, as trustee (the "Trustee"), pursuant to the Trust Agreement, dated as of October 1, 2023, by and among the District, the Corporation and the Trustee (the "Trust Agreement"), which Certificates have been executed by the Trustee pursuant to the terms of the Trust Agreement.

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 certify the same by independent investigation.

In our opinion, such proceedings show lawful authority for the execution and delivery by the District of the Trust Agreement and the Lease under the laws of the State of California now in force, and the Lease and the Trust Agreement have been duly authorized, executed and delivered by the District and, assuming due authorization, execution and delivery by the Trustee and the Corporation as appropriate, are valid and binding obligations of the District, enforceable against the District in accordance with their

respective terms. The Certificates, assuming due execution and delivery by the Trustee, are entitled to the benefits of the Trust Agreement. The obligation of the District to make the Lease Payments under the Lease does not constitute a debt of the District or the State of California, or of any political subdivision thereof, within the meaning of any constitutional debt limit or restriction, does not violate any statutory debt limitation, and does not constitute an obligation for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation.

We are further of the opinion that under existing statutes, regulations, rulings and judicial decisions, the portion of each Lease Payment constituting interest with respect to the Certificates 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; however, for tax years beginning after December 31, 2022, with respect to applicable corporations as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code"), interest (and original issue discount) with respect to the Certificates might be taken into account in determining adjusted financial statement income for the purposes of computing the alternative minimum tax imposed on such corporations.

We are further of the opinion that the portion of each Lease Payment constituting interest (and original issue discount) with respect to the Certificates is exempt from State of California personal income tax.

We are further of the opinion that the difference between the issue price of a Certificate (the first price at which a substantial amount of the Certificates of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Certificates constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Certificate owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Certificate owner will increase the Certificate owner's basis in the applicable Certificate.

We are further of the opinion that the amount by which a Certificate owner's original basis for determining loss on sale or exchange of the applicable Certificate (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Certificate premium, which must be amortized under the Code; such amortizable Certificate premium reduces the Certificate owner's basis in the applicable Certificate (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 Certificate premium may result in a Certificate owner realizing a taxable gain when a Certificate is sold by the Certificate owner for an amount equal to or less (under certain circumstances) than the original cost of the Certificate to the Certificate owner. Purchasers of the Certificates should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Certificate 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 Trust Agreement and the Tax Certificate permit certain actions to be taken or to be omitted if a favorable opinion of Special 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 Certificate 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 Certificates.

The opinions expressed herein as to the exclusion from gross income of the portion of each Lease Payment constituting interest (and original issue discount) with respect to the Certificates 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 Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the execution and delivery of the Certificates to assure that such portion of each Lease Payment constituting interest (and original issue discount) with respect to the Certificates will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the portion of each Lease Payment constituting interest (and original issue discount) with respect to the Certificates to be included in gross income for federal income tax purposes retroactive to the date of execution and delivery of the Certificates. The District has covenanted to comply with all such requirements.

It is possible that subsequent to the delivery of the Certificates 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 Certificates or the market value of the Certificates. No assurance can be given that subsequent to the delivery of the Certificates such changes or interpretations will not occur.

With respect to the opinions expressed herein, the rights and obligations under the Certificates, the Lease and the Trust Agreement are subject to bankruptcy, insolvency, moratorium and other laws affecting the enforcement of creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

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APPENDIX C

2021-22 AUDITED FINANCIAL STATEMENTS OF THE DISTRICT

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DINUBA UNIFIED SCHOOL DISTRICT

AUDIT REPORT
JUNE 30, 2022



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DINUBA UNIFIED SCHOOL DISTRICT
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FINANCIAL SECTION

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Independent Auditors' Report

Governing Board
Dinuba Unified School District
Dinuba, California

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dinuba Unified School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Dinuba Unified School District's basic financial statements as listed in the table of contents.

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 Dinuba Unified School District, as of June 30, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Dinuba Unified School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Dinuba Unified School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user of the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Dinuba Unified School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Dinuba Unified School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Dinuba Unified School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2022 on our consideration of the Dinuba 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 the Dinuba 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 Dinuba Unified School District's internal control over financial reporting and compliance.



San Diego, California
December 14, 2022

DINUBA UNIFIED SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

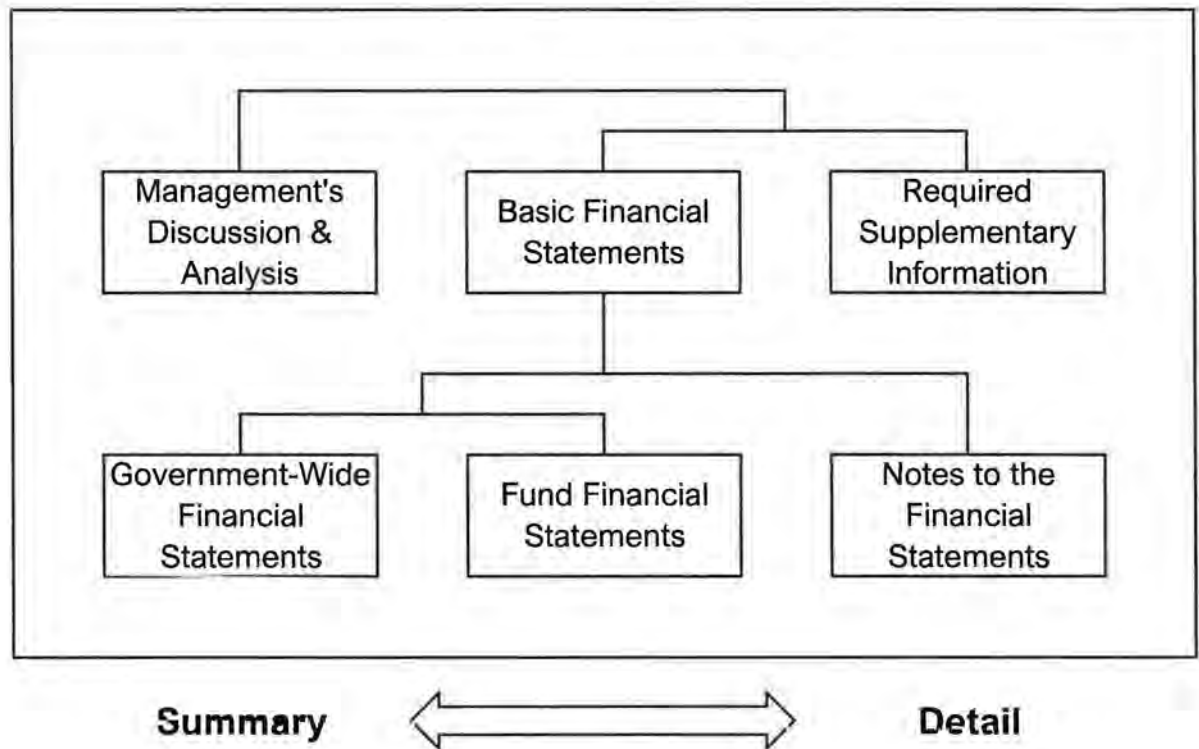
Our discussion and analysis of Dinuba Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2022. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position was \$82,759,468 at June 30, 2022. This was an increase of \$30,580,384 from the prior year, after restatement.
- Overall revenues were \$119,946,983 which exceeded expenses of \$89,366,599.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financial Section



**DINUBA UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

OVERVIEW OF FINANCIAL STATEMENTS (continued)

Components of the Financial Section (continued)

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

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
 - ▶ **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

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

Government-Wide Statements

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

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

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

**DINUBA UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was \$82,759,468 at June 30, 2022, as reflected in the table below. Of this amount, \$(17,747,118) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities		
	2022	2021	Net Change
ASSETS			
Current and other assets	\$ 134,665,635	\$ 104,170,363	\$ 30,495,272
Capital assets	81,049,390	81,873,795	(824,405)
Total Assets	215,715,025	186,044,158	29,670,867
DEFERRED OUTFLOWS OF RESOURCES	19,093,037	23,606,472	(4,513,435)
LIABILITIES			
Current liabilities	21,712,241	17,037,601	4,674,640
Long-term liabilities	89,996,351	124,455,251	(34,458,900)
Total Liabilities	111,708,592	141,492,852	(29,784,260)
DEFERRED INFLOWS OF RESOURCES	40,340,002	11,817,015	28,522,987
NET POSITION			
Net investment in capital assets	46,582,797	53,797,852	(7,215,055)
Restricted	53,923,789	62,858,254	(8,934,465)
Unrestricted	(17,747,118)	(60,315,343)	42,568,225
Total Net Position	\$ 82,759,468	\$ 56,340,763	\$ 26,418,705

**DINUBA UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

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

	Governmental Activities		
	2022	2021	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 1,357,790	\$ 335,918	\$ 1,021,872
Operating grants and contributions	28,979,422	30,135,603	(1,156,181)
Capital grants and contributions	7,053,644	21,346,034	(14,292,390)
General revenues			
Property taxes	5,662,725	6,111,626	(448,901)
Unrestricted federal and state aid	78,426,567	71,431,816	6,994,751
Other	(1,533,165)	2,174,896	(3,708,061)
Total Revenues	119,946,983	131,535,893	(11,588,910)
EXPENSES			
Instruction	45,870,494	50,286,329	(4,415,835)
Instruction-related services	12,432,392	14,157,342	(1,724,950)
Pupil services	13,738,897	12,891,828	847,069
General administration	4,415,963	4,618,402	(202,439)
Plant services	7,714,167	7,741,343	(27,176)
Ancillary and community services	1,414,796	1,374,355	40,441
Debt service	1,708,146	1,554,519	153,627
Other outgo	2,071,744	1,875,477	196,267
Total Expenses	89,366,599	94,499,595	(5,132,996)
Change in net position	30,580,384	37,036,298	(6,455,914)
Net Position - Beginning, as Restated	52,179,084	19,304,465	32,874,619
Net Position - Ending	\$ 82,759,468	\$ 56,340,763	\$ 26,418,705

The cost of all our governmental activities this year was \$89,366,599 (refer to the table above). The amount that our District taxpayers ultimately financed for these activities through taxes was only \$5,662,725 because a portion of the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

**DINUBA UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

In the table below, we have presented the net cost of each of the District's functions. Net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

	Net Cost of Services	
	2022	2021
Instruction	\$ 21,937,610	\$ 12,604,063
Instruction-related services	9,695,010	9,649,954
Pupil services	5,755,700	5,257,287
General administration	3,876,509	3,901,106
Plant services	7,323,334	7,255,442
Ancillary and community services	359,109	890,628
Debt service	1,708,146	1,554,519
Transfers to other agencies	1,320,325	1,569,041
Total	\$ 51,975,743	\$ 42,682,040

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$117,470,154, which is more than last year's ending fund balance of \$89,919,400. The District's General Fund had \$17,399,657 more in operating revenues than expenditures for the year ended June 30, 2022 as well as net financing sources (uses) totaling \$(8,193,687). The District's Deferred Maintenance Fund had \$439,421 more in operating revenues than expenditures for the year ended June 30, 2022, as well as net financing sources (uses) totaling \$11,925,695. The District's County School Facilities Fund had \$3,955,825 more in operating revenues than expenditures for the year ended June 30, 2022, as well as net financing sources (uses) totaling \$3,977,691.

CURRENT YEAR BUDGET 2021-2022

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

**DINUBA UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

By the end of 2021-2022 the District had invested \$81,049,390 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2022	2021	Net Change
CAPITAL ASSETS			
Land	\$ 6,337,823	\$ 6,337,823	\$ -
Construction in progress	7,930,753	7,780,686	150,067
Land improvements	28,282,745	28,282,745	-
Buildings & improvements	96,495,737	93,473,630	3,022,107
Furniture & equipment	7,391,515	7,080,110	311,405
Less: Accumulated depreciation	(65,389,183)	(61,081,199)	(4,307,984)
Total Capital Assets	\$ 81,049,390	\$ 81,873,795	\$ (824,405)

Long-Term Liabilities

At year-end, the District had \$89,996,351 in long-term liabilities, a decrease of 30.03% from last year's balance – as shown in the table below. More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.

	Governmental Activities		
	2022	2021	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	\$ 24,377,797	\$ 25,476,331	\$ (1,098,534)
Total certificates of participation	7,828,875	9,004,368	(1,175,493)
Career Technical Education Project Loans - OPSC	9,395,904	4,161,679	5,234,225
Financed purchases	-	336,461	(336,461)
Compensated absences	471,104	616,914	(145,810)
Net OPEB liability	9,638,721	9,605,486	33,235
Net pension liability	42,472,360	81,843,475	(39,371,115)
Less: current portion of long-term liabilities	(4,188,410)	(2,427,784)	(1,760,626)
Total Long-term Liabilities	\$ 89,996,351	\$ 128,616,930	\$ (38,620,579)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

In its September 2022 quarterly report, the UCLA Anderson Forecast stated the U.S. economy was likely to muddle along with below-trend growth and continued high inflation over the next twelve months. No recession is forecast at this time; however, the possibility still exists that persistent inflation and aggressive interest rate policy will lead to a hard landing of the economy, potentially triggering a recession. In California, defense spending and technology demands will likely keep the economy growing.

**DINUBA UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2022**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)

Fiscal policy for the funding of public education changes annually based on fluctuations in State revenues. The May 2022 Budget Revision includes total funding of \$128.3 billion (\$78.4 billion General Fund and \$49.9 billion other funds) for all K-12 education programs, additionally, the revised spending plan further accelerates the implementation of the "California for All Kids" plan, which is a whole-child support framework designed to target inequities in educational outcomes among students from different demographic backgrounds and empower parents and families with more options and services. The Proposition 98 Guarantee continues to be in Test 1 for 2021-22 and 2022-23. To accommodate enrollment increases related to the expansion of transitional kindergarten, the Governor's Budget proposed re-benching the Test 1 percentage to increase the percentage of General Fund revenues due to the Guarantee, from 38.03 percent to approximately 38.4 percent. The May Revision updates the increased Test 1 percentage from approximately 38.4 percent to approximately 38.3 percent. At May Revision, the 2022-23 cost-of-living adjustment (COLA) is updated to 6.56 percent, the largest COLA in the history of LCFF.

The District participates in state employee pensions plans, California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2022. The amount of the liability is material to the financial position of the District. The CalSTRS projected employer contribution rate for 2022-23 is 19.10 percent. The CalPERS projected employer contribution rate for 2022-23 is 25.37 percent. The projected increased pension costs to school employers remain a significant fiscal factor.

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

All of these factors were considered in preparing the District's budget for the 2022-23 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the District's Chief Business Official, Rachel Nunez at 1327 E. El Monte Way, Dinuba, CA 93618.

DINUBA UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities
ASSETS	
Cash and investments	\$ 111,253,544
Accounts receivable	23,186,245
Inventory	224,418
Prepaid expenses	1,428
Capital assets, not depreciated	14,268,576
Capital assets, net of accumulated depreciation	66,780,814
Total Assets	215,715,025
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	15,261,938
Deferred outflows related to OPEB	3,150,351
Deferred amount on refunding	680,748
Total Deferred Outflows of Resources	19,093,037
LIABILITIES	
Accrued liabilities	15,119,266
Unearned revenue	2,404,565
Long-term liabilities, current portion	4,188,410
Long-term liabilities, non-current portion	89,996,351
Total Liabilities	111,708,592
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	31,489,231
Deferred inflows related to OPEB	8,850,771
Total Deferred Inflows of Resources	40,340,002
NET POSITION	
Net investment in capital assets	46,582,797
Restricted:	
Capital projects	28,003,582
Debt service	5,655,417
Educational programs	15,306,713
Food service	4,374,773
Associated student body	583,304
Unrestricted	(17,747,118)
Total Net Position	\$ 82,759,468

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

**DINUBA UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

Function/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES					
Instruction	\$ 45,870,494	\$ 393,794	\$ 16,485,446	\$ 7,053,644	\$ (21,937,610)
Instruction-related services					
Instructional supervision and administration	3,094,162	-	1,798,428	-	(1,295,734)
Instructional library, media, and technology	4,572,734	-	587,174	-	(3,985,560)
School site administration	4,765,496	-	351,780	-	(4,413,716)
Pupil services					
Home-to-school transportation	2,014,864	-	-	-	(2,014,864)
Food services	3,883,652	-	4,490,343	-	606,691
All other pupil services	7,840,381	195,278	3,297,576	-	(4,347,527)
General administration					
Centralized data processing	129,240	-	-	-	(129,240)
All other general administration	4,286,723	12,011	527,443	-	(3,747,269)
Plant services	7,714,167	-	390,833	-	(7,323,334)
Ancillary services	1,389,291	5,288	1,050,399	-	(333,604)
Community services	25,505	-	-	-	(25,505)
Interest on long-term debt	1,708,146	-	-	-	(1,708,146)
Other outgo	2,071,744	751,419	-	-	(1,320,325)
Total Governmental Activities	\$ 89,366,599	\$ 1,357,790	\$ 28,979,422	\$ 7,053,644	(51,975,743)
General revenues					
Taxes and subventions					
Property taxes, levied for general purposes					3,626,036
Property taxes, levied for debt service					1,662,171
Property taxes, levied for other specific purposes					374,518
Federal and state aid not restricted for specific purposes					78,426,567
Interest and investment earnings					(2,369,229)
Miscellaneous					836,064
Subtotal, General Revenue					82,556,127
CHANGE IN NET POSITION					30,580,384
Net Position - Beginning, as Restated					52,179,084
Net Position - Ending					\$ 82,759,468

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

DINUBA UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2022

	General Fund	Deferred Maintenance Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 55,487,219	\$ 27,447,947	\$ 12,885,155	\$ 15,433,223	\$ 111,253,544
Accounts receivable	10,550,252	-	12,000,000	635,993	23,186,245
Due from other funds	192,127	5,695,583	6,838	344,419	6,238,967
Stores inventory	123,172	-	-	101,246	224,418
Prepaid expenditures	1,428	-	-	-	1,428
Total Assets	\$ 66,354,198	\$ 33,143,530	\$ 24,891,993	\$ 16,514,881	\$ 140,904,602
LIABILITIES					
Accrued liabilities	\$ 13,789,376	\$ 11,744	\$ 926,591	\$ 63,205	\$ 14,790,916
Due to other funds	6,046,840	-	-	192,127	6,238,967
Unearned revenue	2,404,565	-	-	-	2,404,565
Total Liabilities	22,240,781	11,744	926,591	255,332	23,434,448
FUND BALANCES					
Nonspendable	139,736	-	-	101,246	240,982
Restricted	13,617,937	-	23,965,402	16,158,303	53,741,642
Committed	-	33,131,786	-	-	33,131,786
Unassigned	30,355,744	-	-	-	30,355,744
Total Fund Balances	44,113,417	33,131,786	23,965,402	16,259,549	117,470,154
Total Liabilities and Fund Balances	\$ 66,354,198	\$ 33,143,530	\$ 24,891,993	\$ 16,514,881	\$ 140,904,602

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

DINUBA UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET
POSITION
JUNE 30, 2022

Total Fund Balance - Governmental Funds **\$ 117,470,154**

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:

Capital assets	\$ 146,438,573	
Accumulated depreciation	<u>(65,389,183)</u>	81,049,390

Deferred amount on refunding:

In governmental funds, the net effect of refunding bonds is recognized when debt is issued, whereas this amount is deferred and amortized in the government-wide financial statements:

680,748

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturing interest owing at the end of the period was:

(328,350)

Long-term liabilities:

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Total general obligation bonds	\$ 24,377,797	
Total certificates of participation	7,828,875	
Career Technical Education Project Loans - OPSC	9,395,904	
Compensated absences	471,104	
Net OPEB liability	9,638,721	
Net pension liability	<u>42,472,360</u>	(94,184,761)

Deferred outflows and inflows of resources relating to pensions:

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources related to pensions	\$ 15,261,938	
Deferred inflows of resources related to pensions	<u>(31,489,231)</u>	(16,227,293)

Deferred outflows and inflows of resources relating to OPEB:

In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported.

Deferred outflows of resources related to OPEB	\$ 3,150,351	
Deferred inflows of resources related to OPEB	<u>(8,850,771)</u>	(5,700,420)

Total Net Position - Governmental Activities **\$ 82,759,468**

**DINUBA UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2022**

	General Fund	Deferred Maintenance Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
LCFF sources	\$ 78,663,884	\$ 1,695,583	\$ -	\$ 344,419	\$ 80,703,886
Federal sources	15,405,907	-	-	4,007,985	19,413,892
Other state sources	12,809,454	-	7,419,753	987,524	21,216,731
Other local sources	3,015,184	(769,466)	(366,110)	3,150,442	5,030,050
Total Revenues	109,894,429	926,117	7,053,643	8,490,370	126,364,559
EXPENDITURES					
Current					
Instruction	52,144,546	-	-	645,095	52,789,641
Instruction-related services					
Instructional supervision and administration	3,694,457	-	-	-	3,694,457
Instructional library, media, and technology	4,741,038	-	-	-	4,741,038
School site administration	5,290,694	-	-	151,987	5,442,681
Pupil services					
Home-to-school transportation	1,182,352	-	-	-	1,182,352
Food services	106,060	-	-	3,517,457	3,623,517
All other pupil services	8,557,609	-	-	-	8,557,609
General administration					
All other general administration	4,511,099	-	-	116,411	4,627,510
Plant services	7,611,264	-	-	93,497	7,704,761
Facilities acquisition and construction	239,056	486,696	2,446,420	2,500	3,174,672
Ancillary services	1,114,219	-	-	1,011,586	2,125,805
Community services	25,627	-	-	-	25,627
Transfers to other agencies	2,241,943	-	-	-	2,241,943
Debt service					
Principal	715,436	-	640,000	2,511,800	3,867,236
Interest and other	319,372	-	11,398	684,186	1,014,956
Total Expenditures	92,494,772	486,696	3,097,818	8,734,519	104,813,805
Excess (Deficiency) of Revenues Over Expenditures	17,399,657	439,421	3,955,825	(244,149)	21,550,754
Other Financing Sources (Uses)					
Transfers in	4,803,498	11,925,695	1,071,490	-	17,800,683
Other sources	-	-	6,000,000	-	6,000,000
Transfers out	(12,997,185)	-	(3,093,799)	(1,709,699)	(17,800,683)
Net Financing Sources (Uses)	(8,193,687)	11,925,695	3,977,691	(1,709,699)	6,000,000
NET CHANGE IN FUND BALANCE					
Fund Balance - Beginning	34,907,447	20,766,670	16,031,886	18,213,397	89,919,400
Fund Balance - Ending	\$ 44,113,417	\$ 33,131,786	\$ 23,965,402	\$ 16,259,549	\$ 117,470,154

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

**DINUBA 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, 2022**

Net Change in Fund Balances - Governmental Funds **\$ 27,550,754**

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	\$	3,483,579	
Depreciation expense:		<u>(4,307,984)</u>	(824,405)

Debt service:

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

3,867,236

Debt proceeds:

In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:

(6,000,000)

Deferred amounts on refunding:

In governmental funds, deferred amounts on refunding are recognized in the period they are incurred. In the government-wide statements, the deferred amounts on refunding are amortized over the life of the debt. The net effect of the deferred amounts on refunding during the period was:

(62,522)

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was:

30,504

Accreted interest on long-term debt:

In governmental funds, accreted interest on capital appreciation bonds is not recorded as an expenditure from current resources. In the government wide statement of activities, however, this is recorded as interest expense for the period.

(723,694)

(continued on next page)

DINUBA 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, 2022

Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was:

145,810

Postemployment benefits other than pensions (OPEB):

In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was:

293,629

Pensions:

In governmental funds, pension costs are recognized when employer contributions are made. In the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was:

6,070,351

Amortization of debt issuance premium or discount:

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is:

232,721

Change in Net Position of Governmental Activities

\$ 30,580,384

**DINUBA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

The District operates under a locally elected Board form of government and provides educational services to grades K-12 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

B. Component Units

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

C. Basis of Presentation

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

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

DINUBA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

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

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

Major Governmental Funds

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

Deferred Maintenance Fund: This fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (*Education Code Sections 17582–17587*). In addition, whenever the state funds provided pursuant to *Education Code Sections 17584 and 17585* (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a school district may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the District (*Education Code Sections 17582 and 17583*).

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

Non-Major Governmental Funds

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

Student Activity Fund: This fund may be used to account for student body activities that do not meet the fiduciary criteria established in GASB Statement No. 84.

Adult Education Fund: This fund is used to account separately for federal, state, and local revenues for adult education programs. Money in this fund shall be expended for adult education purposes only. Moneys received for programs other than adult education shall not be expended for adult education (*Education Code Sections 52616[b] and 52501.5[a]*).

DINUBA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Special Revenue Funds (continued)

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus

Government-Wide Statements

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

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

Governmental Funds

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

Revenues – Exchange and Non-Exchange Transactions

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

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

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

DINUBA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

Unearned Revenue

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

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

Expenses/Expenditures

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

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

Cash and Cash Equivalents

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

Investments

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

Inventories

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Assets

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

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

Included in capital assets are right to use lease assets as a result of implementing GASB Statement No. 87. The right to use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, plus ancillary charges necessary to place the lease into service. The right to use lease assets are amortized on a straight-line basis over the life of the related lease.

Depreciation/amortization is computed using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Land Improvements	20 years
Buildings	50 years
Equipment	3-15 years

Interfund Balances

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

DINUBA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Postemployment Benefits Other Than Pensions (OPEB)

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

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

Valuation Date	June 30, 2022
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

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

Premiums and Discounts

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

Deferred Outflows/Deferred Inflows of Resources

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

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

Pensions

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

DINUBA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance

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

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

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

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

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

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

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

DINUBA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Interfund Activity

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

G. Estimates

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

H. Budgetary Data

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

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

I. Property Tax

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

DINUBA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. This standard's primary objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after June 15, 2021. The District has implemented this Statement as of June 30, 2022.

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. This standard's primary objectives are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after December 15, 2021. The District has not yet determined the impact on the financial statements.

GASB Statement No. 92 – In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. This standard's primary objectives are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. A portion of this statement was effective upon issuance, while the majority of this statement was postponed by GASB Statement No. 95 and is effective for periods beginning after June 15, 2021. The District has fully implemented this Statement as of June 30, 2022.

GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. This statement defines a SBITA; establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The statement is effective for periods beginning after June 15, 2022. The District has not yet determined the impact on the financial statements.

GASB Statement No. 97 – In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. This standard's primary objectives are to increase consistency and comparability related to reporting fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; to mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and to enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The statement is effective for periods beginning after June 15, 2021. The District has implemented this Statement as of June 30, 2022.

DINUBA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements (continued)

GASB Statement No. 99 – In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The statement addresses various practice issues, including: (a) clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives, (b) disclosures related to nonmonetary transactions; clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements, (c) terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and (d) terminology used in Statement 53 to refer to resource flows statements. A portion of this statement was effective upon issuance, while the remaining portions of this statement were effective for periods beginning after June 15, 2022 and for periods beginning after June 15, 2023. The District has implemented the requirements that were effective upon issuance but has not yet determined the impact on the financial statements for the requirements of this statement that are not yet effective.

GASB Statement No. 100 – In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement is effective for periods beginning after June 15, 2023. The District has not yet determined the impact on the financial statements.

GASB Statement No. 101 – In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for periods beginning after December 15, 2023. The District has not yet determined the impact on the financial statements.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Activities
Investment in county treasury	\$ 110,275,948
Cash on hand and in banks	583,304
Cash with fiscal agent	15,136
Cash in revolving fund	379,156
Total	\$ 111,253,544

DINUBA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 2 – CASH AND INVESTMENTS (continued)

B. Policies and Practices

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

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

Cash with Fiscal Agent – This represents amounts held by a third-party custodian in the District's name to be used for capital projects.

C. General Authorizations

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

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

DINUBA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 2 – CASH AND INVESTMENTS (continued)

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$110,275,948 which is equal to its book value. The average weighted maturity for this pool is 691 days.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2022, the pooled investments in the County Treasury were not rated.

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2022, a portion of the District's bank balance was exposed to custodial credit risk amounting to \$201,703 because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

DINUBA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 2 – CASH AND INVESTMENTS (continued)

G. Fair Value

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

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

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

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

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

The District's fair value measurements at June 30, 2022 were as follows:

	Uncategorized
Investment in county treasury	\$ 110,275,948
Total	\$ 110,275,948

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2022 consisted of the following:

	General Fund	County School Facilities Fund	Non-Major Governmental Funds	Governmental Activities
Federal Government				
Categorical aid	\$ 8,891,153	\$ -	\$ 542,139	\$ 9,433,292
State Government				
Apportionment	21,089	-	-	21,089
Categorical aid	1,276,084	12,000,000	35,600	13,311,684
Lottery	278,447	-	-	278,447
Local Government				
Other local sources	83,479	-	58,254	141,733
Total	\$ 10,550,252	\$ 12,000,000	\$ 635,993	\$ 23,186,245

DINUBA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 was as follows:

	Balance July 01, 2021	Additions	Deletions	Balance June 30, 2022
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 6,337,823	\$ -	\$ -	\$ 6,337,823
Construction in progress	7,780,686	2,988,066	2,837,999	7,930,753
Total capital assets not being depreciated	14,118,509	2,988,066	2,837,999	14,268,576
Capital assets being depreciated				
Land improvements	28,282,745	-	-	28,282,745
Buildings & improvements	93,473,630	3,022,107	-	96,495,737
Furniture & equipment	7,080,110	311,405	-	7,391,515
Total capital assets being depreciated	128,836,485	3,333,512	-	132,169,997
Less: Accumulated depreciation				
Land improvements	15,100,810	1,336,754	-	16,437,564
Buildings & improvements	41,144,349	2,549,844	-	43,694,193
Furniture & equipment	4,836,040	421,386	-	5,257,426
Total accumulated depreciation	61,081,199	4,307,984	-	65,389,183
Governmental Activities				
Capital Assets, net	\$ 81,873,795	\$ 2,013,594	\$ 2,837,999	\$ 81,049,390

Depreciation expense for the year ended June 30, 2022 was charged to functions as follows:

Governmental Activities	
Instruction	\$ 2,326,311
School site administration	172,320
Home-to-school transportation	904,677
Food services	430,798
Centralized data processing	129,240
Plant services	344,638
Total	\$ 4,307,984

DINUBA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 5 – INTERFUND TRANSACTIONS

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

Individual interfund receivable and payable balances at June 30, 2022 were as follows:

Due To Other Funds	Due From Other Funds				Total
	General Fund	Deferred Maintenance Fund	County School Facilities Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 5,695,583	\$ 6,838	\$ 344,419	\$ 6,046,840
Non-Major Governmental Funds	192,127	-	-	-	192,127
Total	\$ 192,127	\$ 5,695,583	\$ 6,838	\$ 344,419	\$ 6,238,967

Due from the General Fund to the Adult Education Fund to fund program expenditures	\$ 344,419
Due from the General Fund to the Deferred Maintenance Fund for planned project costs	5,695,583
Due from the County School Facilities Fund to the General Fund for planned project costs	6,838
Due from the Adult Education Fund to the General Fund for indirect cost	62,494
Due from the Cafeteria Fund to the General Fund for indirect cost	129,633
Total	\$ 6,238,967

B. Operating Transfers

Interfund transfers for the year ended June 30, 2022 consisted of the following:

Interfund Transfers Out	Interfund Transfers In				Total
	General Fund	Deferred Maintenance Fund	County School Facilities Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 11,925,695	\$ 1,071,490	\$ -	\$ 12,997,185
County School Facilities Fund	3,093,799	-	-	-	3,093,799
Non-Major Governmental Funds	1,709,699	-	-	-	1,709,699
Total	\$ 4,803,498	\$ 11,925,695	\$ 1,071,490	\$ -	\$ 17,800,683

Transfer from the General Fund to the Deferred Maintenance Fund to cover planned project costs	\$ 11,925,695
Transfer from the General Fund to the County School Facilities Fund for board approved facilities transfer	1,071,490
Transfer from the Capital Facilities Fund to the General Fund for OPSC financial hardship payment	1,709,699
Transfer from the County School Facilities Fund to the General Fund to reverse facilities transfer	3,093,799
Total	\$ 17,800,683

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2022 consisted of the following:

	General Fund	Deferred Maintenance Fund	County School Facilities Fund	Non-Major Governmental Funds	District-Wide	Governmental Activities
Payroll	\$ 3,272,582	\$ -	\$ -	\$ -	\$ -	\$ 3,272,582
Construction	-	-	818,421	-	-	818,421
Vendors payable	1,999,516	-	108,170	20,815	-	2,128,501
Unmatured interest	-	-	-	-	328,350	328,350
Other liabilities	8,517,278	11,744	-	42,390	-	8,571,412
Total	\$ 13,789,376	\$ 11,744	\$ 926,591	\$ 63,205	\$ 328,350	\$ 15,119,266

DINUBA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2022 consisted of the following:

	<u>General Fund</u>
Federal sources	\$ 1,767,306
State categorical sources	637,259
Total	<u>\$ 2,404,565</u>

NOTE 8 – LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2022 consisted of the following:

	<u>Restated Balance July 01, 2021</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2022</u>	<u>Balance Due In One Year</u>
Governmental Activities					
General obligation bonds	\$ 23,324,269	\$ 723,694	\$ 1,600,000	\$ 22,447,963	\$ 2,160,000
Unamortized premium	2,152,062	-	222,228	1,929,834	222,237
Total general obligation bonds	<u>25,476,331</u>	<u>723,694</u>	<u>1,822,228</u>	<u>24,377,797</u>	<u>2,382,237</u>
Certificates of participation	5,410,000	-	640,000	4,770,000	270,000
Unamortized premium	199,368	-	10,493	188,875	10,493
Subtotal certificates of participation	<u>5,609,368</u>	<u>-</u>	<u>650,493</u>	<u>4,958,875</u>	<u>280,493</u>
Direct placement certificates of participation	3,395,000	-	525,000	2,870,000	540,000
Total certificates of participation	<u>9,004,368</u>	<u>-</u>	<u>1,175,493</u>	<u>7,828,875</u>	<u>280,493</u>
Career Technical Education Project Loans - OPSC	4,161,679	6,000,000	765,775	9,395,904	985,680
Financed purchases	336,461	-	336,461	-	-
Compensated absences	616,914	-	145,810	471,104	-
Net OPEB liability	9,605,486	33,235	-	9,638,721	-
Net pension liability	81,843,475	-	39,371,115	42,472,360	-
Total	<u>\$ 131,044,714</u>	<u>\$ 6,756,929</u>	<u>\$ 43,616,882</u>	<u>\$ 94,184,761</u>	<u>\$ 4,188,410</u>

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments on certificates of participation are made in the County School Facility Fund.
- Payments on direct placement certificates of participation are made in the Capital Facilities Fund.
- Payments for the career technical education project loans are made in the General Fund and the Capital Facilities Fund.
- Payments for financed purchases are made in the General Fund.
- Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

A. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2022 amounted to \$471,104. This amount is included as part of long-term liabilities in the government-wide financial statements.

DINUBA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 8 – LONG-TERM LIABILITIES (continued)

B. Direct Placement Certificates of Participation – 2015 Refunding Lease

The Certificates of Participation (2015 Refunding Lease) were executed and delivered pursuant to a Lease Agreement, dated as of August 1, 2015, by and between the California School Boards Association Financing Corporation and the District, to refinance the 2004 Certificates maturing on and after February 1, 2016 and pay costs of issuance. The Certificates were issued in the amount of \$6,235,000 with an interest rate of 2.84%. Debt service payments for the Certificates are made from the General Fund. As a result, the refunded certificates are considered to be defeased, and the related liability for the certificates has been removed from the District's financial statements. Amounts paid to the refunded certificates escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized as an expense over the life of the certificates. This refunding reduced total debt service payments by \$526,596 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$451,206. As of June 30, 2022, the principal balance outstanding was \$2,870,000.

The outstanding Certificates of Participation – 2015 Refunding Lease as of June 30, 2022 are as follows:

Year Ended June 30,	Principal	Interest	Total
2023	\$ 540,000	\$ 81,508	\$ 621,508
2024	560,000	66,172	626,172
2025	575,000	50,268	625,268
2026	590,000	33,938	623,938
2027	605,000	17,182	622,182
Total	\$ 2,870,000	\$ 249,068	\$ 3,119,068

C. 2019 Certificates of Participation

The 2019 Certificates of Participation were executed and delivered pursuant to a Lease Agreement, dated as of June 1, 2019, by and between the California School Boards Association Financing Corporation (the Corporation) and the District, to lease certain real property and facilities of the District known as Kennedy Elementary School. The Certificates were issued in the amount of \$6,000,000 with an interest rate of 2.00% to 4.00% and mature on February 1, 2039. The Certificates are being executed and delivered pursuant to a Trust Agreement among U.S. Bank National Association, Los Angeles, California, as trustee, the Corporation and the District. As of June 30, 2022, the principal balance outstanding was \$4,770,000.

The outstanding 2019 Certificates of Participation as of June 30, 2022 are as follows:

Year Ended June 30,	Principal	Interest	Total
2023	\$ 270,000	\$ 177,738	\$ 447,738
2024	275,000	172,338	447,338
2025	285,000	166,838	451,838
2026	295,000	161,138	456,138
2027	300,000	155,238	455,238
2028 - 2032	1,675,000	618,363	2,293,363
2033 - 2037	1,670,000	275,313	1,945,313
Total	\$ 4,770,000	\$ 1,726,966	\$ 6,496,966

DINUBA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 8 – LONG-TERM LIABILITIES (continued)

D. General Obligation Bonds

The outstanding general obligation bonds as of June 30, 2022, including interest, are as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2021	Additions	Deductions	Bonds Outstanding June 30, 2022
2002 Bond Series A CAB	2002	August 2027	11.436%	\$ 359,977	\$ 2,698,459	\$ 317,412	\$ -	\$ 3,015,871
2002 Bond Series B CAB	2005	August 2030	5.416%	1,349,985	3,064,306	168,215	-	3,232,521
2002 Bond Series C CAB	2006	August 2028	4.55 - 11.524%	1,074,995	1,442,491	69,106	185,000	1,326,597
2006 Bond Series A CAB	2007	August 2032	10.454%	274,985	1,071,161	114,904	-	1,186,065
2006 Bond Series B CAB	2009	August 2024	10.852%	644,999	562,852	54,057	160,000	456,909
2012 Refunding	2012	August 2023	2.00 - 5.00%	7,465,000	2,645,000	-	810,000	1,835,000
2016 Refunding	2016	August 2033	3.00 - 5.00%	13,085,000	11,840,000	-	445,000	11,395,000
					\$ 23,324,269	\$ 723,694	\$ 1,600,000	\$ 22,447,963

The net proceeds received for the 2016 Refunding Bonds were used to purchase escrow securities. Those escrow securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the 2002 Series B Current Interest Bonds (current refunded), 2002 Series C Current Interest Bonds (current refunded), and 2006 Series A Current Interest Bonds (advance refunded), and 2006 Series B Current Interest Bonds (advance refunded). As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's financial statements. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized as an expense over the life of the bond. Deferred charges on refunding of \$805,792 remain to be amortized. This refunding reduced total debt service payments by \$2,182,977 and resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,798,835. As of June 30, 2022, the principal balance on the 2016 Refunding Bonds amounted to \$11,395,000.

The annual requirements to amortize general obligation bonds outstanding as of June 30, 2022 are as follows:

Year Ended June 30,	Principal	Interest	Total
2023	\$ 1,515,717	\$ 733,490	\$ 2,249,207
2024	1,623,326	757,671	2,380,997
2025	832,705	1,751,695	2,584,400
2026	1,029,400	1,644,702	2,674,102
2027	1,107,217	1,674,634	2,781,851
2028 - 2032	8,173,774	7,481,214	15,654,988
2033 - 2034	1,710,893	1,057,782	2,768,675
Accretion	6,454,931	(6,454,931)	-
Total	\$ 22,447,963	\$ 8,646,257	\$ 31,094,220

DINUBA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 8 – LONG-TERM LIABILITIES (continued)

E. Financed Purchases

In 2005, the District entered into a Chevron energy finance agreement. The cost of this finance agreement was \$8,844,641. It was paid twice yearly with an interest rate of 4.46%. The agreement was paid in full as of June 30, 2022.

F. Net Pension Liability

The District's beginning net pension liability was \$81,843,475 and decreased by \$39,371,115 during the year ended June 30, 2022. The ending net pension liability at June 30, 2022 was \$42,472,360. See Note 11 for additional information regarding the net pension liability.

G. Other Postemployment Benefits

The District's beginning net OPEB liability was \$9,605,486 and increased by \$33,235 during the year ended June 30, 2022. The ending net OPEB liability at June 30, 2022 was \$9,638,721. See Note 10 for additional information regarding the net OPEB liability.

H. Career Technical Education Program Loans

The District had been approved for four loans through the Career Technical Education (CTE) Facilities Program. The outstanding CTE Facility Program Loans as of June 30, 2022 are as follows:

Application Number	Loan Amount	Restated CTE Loans Outstanding July 01, 2021	Additions	Deductions	CTE Loans Outstanding June 30, 2022
55/75531-00-002	\$ 2,533,756	\$ 2,533,756		\$ 466,227	\$ 2,067,529
55/75531-00-003	1,627,923	1,627,923		299,548	1,328,375
55/75531-00-006	3,000,000	-	3,000,000	-	3,000,000
55/75531-00-007	3,000,000	-	3,000,000	-	3,000,000
		\$ 4,161,679	\$ 6,000,000	\$ 765,775	\$ 9,395,904

As of June 30, 2022, the funds have been released to the District related to the above mentioned loans.

The annual requirements to amortize the Career Technical Education Program Loans outstanding as of June 30, 2022 are as follows:

Year Ended June 30,	Principal	Interest	Total
2023	\$ 985,680	\$ 90,398	\$ 1,076,078
2024	995,827	80,250	1,076,077
2025	1,006,150	69,928	1,076,078
2026	1,016,650	59,427	1,076,077
2027	1,027,332	48,745	1,076,077
2028 - 2032	4,364,265	86,456	4,450,721
Total	\$ 9,395,904	\$ 435,204	\$ 9,831,108

DINUBA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2022:

	General Fund	Deferred Maintenance Fund	County School Facilities Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable					
Revolving cash	\$ 15,136	\$ -	\$ -	\$ -	\$ 15,136
Stores inventory	123,172	-	-	101,246	224,418
Prepaid expenditures	1,428	-	-	-	1,428
Total non-spendable	139,736	-	-	101,246	240,982
Restricted					
Educational programs	13,617,937	-	-	1,177,975	14,795,912
Food service	-	-	-	4,374,773	4,374,773
Associated student body	-	-	-	583,304	583,304
Capital projects	-	-	23,965,402	4,038,484	28,003,886
Debt service	-	-	-	5,983,767	5,983,767
Total restricted	13,617,937	-	23,965,402	16,158,303	53,741,642
Committed					
Other commitments	-	33,131,786	-	-	33,131,786
Total committed	-	33,131,786	-	-	33,131,786
Unassigned	30,355,744	-	-	-	30,355,744
Total Fund Balance	\$ 44,113,417	\$ 33,131,786	\$ 23,965,402	\$ 16,259,549	\$ 117,470,154

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than three percent prescribed for fiscal solvency review purposes pursuant to Education Code Section 33127.

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

The District participates in the Self-Insured Schools of California (SISC) GASB 45 Trust A, an agent multiple-employer defined benefit post-employment healthcare plan. Trust A was established to provide governmental agencies in the state of California a mechanism for pre-funding Other Post- Employment Benefits (OPEB) liabilities. SISC issues a separate Financial Report and Schedules of Change in Fiduciary Net Position by Employer that are prepared in accordance with accounting principles generally accepted in the United States of America. Copies of the Self-Insured Schools of California GASB 45 Trust A financial report may be obtained from the Self-Insured Schools of California – 2000 "K" Street, Bakersfield, CA 93303-1847.

B. OPEB Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately-issued SISC III Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained by contacting the District.

DINUBA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

C. Benefits Provided

The Dinuba Unified School District's defined benefit OPEB plan, Dinuba Unified School District Retiree Benefit Plan (the Plan) is described below.

	Certificated	Certificated Management	Classified	Classified Management
Benefit types provided	Medical, Dental, & Vision	Medical, Dental, & Vision	Medical, Dental, & Vision	Medical, Dental, & Vision
Duration of Benefits	To age 70	To age 65	To age 65	To age 65
Required Service	15 years*	15 years*	10 years	10 years
Minimum Age	Age 58*	Age 58*	Age 55	Age 55
Dependent Coverage	Yes	Yes	No	Yes
District Contribution %	100% of Cap to age 65 \$3,000/year after age 65	100% of Cap	100% of retiree only premium up to Cap**	100% of Cap
District Cap	Active Cap	Active Cap	Active Cap	Active Cap

*Certificated and Certificated Management employees hired prior to 7/1/2003 have a minimum retirement age of 55 and minimum required service of 10 years.

**Classified employees hired prior to 7/1/2014 have a District Contribution of 100% of retiree plus spouse premium up to the Cap.

Certificated unit members hired prior to July 1, 2003 are eligible to retire with District-paid health benefits after completing at least 10 years of District service and attainment of age 55. Unit members hired on or after July 1, 2003 are eligible to retire with District-paid health benefits after completing at least 15 years of District service and attainment of age 58. Employees from all other groups are eligible to retire with District-paid health benefits after attaining age 55 and completing at least 10 years of continuous District service.

D. Contributions

For fiscal year 2021-2022, the District contributed \$980,523 to the Trust, \$716,523 of which was used for current premiums.

E. Plan Membership

Membership of the Plan consisted of the following:

	Number of participants
Inactive employees receiving benefits	35
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	478
Total number of participants**	513

*Information not provided

**As of the July 1, 2022 valuation date

DINUBA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

F. Net OPEB Liability

The components of the net OPEB liability of the District at June 30, 2022, were as follows:

Total OPEB liability	\$ 13,115,417
Plan fiduciary net position	(3,476,696)
District's net OPEB liability	<u>\$ 9,638,721</u>
Plan fiduciary net position as a percentage of total OPEB liability	26.51%

G. Actuarial Assumptions and Other Inputs

The total OPEB liability as of June 30, 2022 was determined by an actuarial valuation on that same date using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Economic assumptions:

Salary increases	2.75%
Inflation rate	2.50%
Investment rate of return	5.75%
Healthcare cost trend rates	4.00%

Non-economic assumptions:

Mortality:

Participant Type Mortality Tables

Certificated Management 2020 CalSTRS Mortality, Certificated 2020 CalSTRS Mortality, Classified 2017 CalPERS Mortality for Miscellaneous and Schools Employees, Classified Management 2017 CalPERS Mortality for Miscellaneous and Schools Employees

Retirement Rates:

Employee Type Retirement Rate Tables

Certificated Management Hired 2012 and before. 2020 CalSTRS 2.0%@60 Rates, Hired 2013 and after. 2020 CalSTRS 2.0%@62 Rates, Certificated Hired 2012 and before. 2020 CalSTRS 2.0%@60 Rates, Hired 2013 and after. 2020 CalSTRS 2.0%@62 Rates, Classified Hired 2012 and before. 2017, CalPERS 2.0%@55 Rates for Schools Employees, Hired 2013 and after. 2017 CalPERS 2.0%@62 Rates for Schools, Employees
Classified Management Hired 2012 and before. 2017 CalPERS 2.0%@55 Rates for Schools Employees

The actuarial assumptions used in the June 30, 2022 valuation were based on a review of plan experience during the period July 1, 2021 to June 30, 2022.

The discount rate was based on the Bond Buyer 20 Bond Index. The actuary assumed contributions would be sufficient to fully fund the obligation.

DINUBA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

H. Changes in Net OPEB Liability

	<u>June 30, 2022</u>
Total OPEB Liability	
Service cost	\$ 631,028
Interest on total OPEB liability	723,074
Difference between expected and actual experience	(453,589)
Changes of assumptions	(258,127)
Benefits payments	(716,523)
Net change in total OPEB liability	(74,137)
Total OPEB liability - beginning	13,189,554
Total OPEB liability - ending (a)	<u>\$ 13,115,417</u>
 Plan fiduciary net position	
Contributions - employer	\$ 980,171
Net investment income	(367,186)
Benefit payments	(716,523)
Administrative expenses	(3,834)
Net change in plan fiduciary net position	(107,372)
Plan fiduciary net position - beginning	3,584,068
Plan fiduciary net position - ending (b)	<u>\$ 3,476,696</u>
 District's net OPEB liability - ending (a) - (b)	<u>\$ 9,638,721</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	 26.51%
 Covered-employee payroll	 \$ 49,881,980
 District's net OPEB liability as a percentage of covered-employee payroll	 19.32%

I. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Dinuba Unified School District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (4.50 percent) or one percentage point higher (6.50 percent) than the current discount rate:

DINUBA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

J. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

	1% Decrease (4.75%)	Valuation Discount Rate (5.75%)	1% Increase (6.75%)
Net OPEB liability	\$ 10,700,168	\$ 9,638,721	\$ 8,655,030

The following presents the net OPEB liability of the Dinuba Unified School District, as well as what the District's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (3.00 percent) or one percentage point higher (5.00 percent) than the current healthcare cost trend rate:

	1% Decrease (3.00%)	Valuation Trend Rate (4.00%)	1% Increase (5.00%)
Net OPEB liability	\$ 8,207,944	\$ 9,638,721	\$ 9,638,721

K. OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2022, the Dinuba Unified School District recognized OPEB expense of \$686,542. At June 30, 2022, the Dinuba Unified School District reported deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	\$ 217,296	\$ -
Differences between expected and actual experience	1,337,616	419,989
Changes in assumptions	1,595,439	8,430,782
Total	\$ 3,150,351	\$ 8,850,771

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2023	\$ 683,250	\$ 1,144,958
2024	684,737	1,144,958
2025	666,439	1,144,958
2026	491,709	1,144,958
2027	178,350	1,144,958
Thereafter	445,866	3,125,981
Total	\$ 3,150,351	\$ 8,850,771

DINUBA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 11 – PENSION PLANS

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

	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
STRS Pension	\$ 28,021,381	\$ 12,258,839	\$ 25,619,042	\$ 1,476,704
PERS Pension	14,450,979	3,003,099	5,870,189	1,387,448
Total	\$ 42,472,360	\$ 15,261,938	\$ 31,489,231	\$ 2,864,152

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

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

Benefits Provided

The CalSTRS defined benefit plan has two benefit formulas:

1. CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.
2. CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

DINUBA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 11 – PENSION PLANS (continued)

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

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 10.205% of their salary for fiscal year 2022, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2022 was 16.92% of annual payroll. Contributions to the plan from the District were \$6,403,592 for the year ended June 30, 2022.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$3,960,035 to CalSTRS.

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

At June 30, 2022, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 28,021,381
State's proportionate share of the net pension liability associated with the District	7,592,849
Total	\$ 35,614,230

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2020 and rolling forward the total pension liability to June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2021, the District's proportion was 0.062 percent, which was an increase of 0.001 percent from its proportion measured as of June 30, 2020.

DINUBA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 11 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2022, the District recognized pension expense of \$1,476,704. In addition, the District recognized pension expense and revenue of \$(2,457,541) for support provided by the State. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 22,165,634
Differences between expected and actual experience	70,195	2,982,059
Changes in assumptions	3,970,332	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,814,720	471,349
District contributions subsequent to the measurement date	6,403,592	-
Total	<u>\$ 12,258,839</u>	<u>\$ 25,619,042</u>

The \$6,403,592 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2023	\$ 2,421,176	\$ 6,393,591
2024	2,376,826	5,807,401
2025	560,251	5,936,092
2026	248,498	6,761,193
2027	248,496	401,329
2028	-	319,436
Total	<u>\$ 5,855,247</u>	<u>\$ 25,619,042</u>

DINUBA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance–PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2022, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return*
Public Equity	42%	4.80%
Real Estate	15%	3.60%
Private Equity	13%	6.30%
Fixed Income	12%	1.30%
Risk Mitigating Strategies	10%	1.80%
Inflation Sensitive	6%	3.30%
Cash/Liquidity	2%	-0.40%
	<u>100%</u>	

*20-year geometric average

NOTE 11 – PENSION PLANS (continued)

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

Discount Rate

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

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

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	\$ 48,229,904	\$ 28,021,381	\$ 3,327,331

Pension Plan Fiduciary Net Position

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

B. California Public Employees' Retirement System (CalPERS)

Plan Description

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

Benefits Provided

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

DINUBA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 11 – PENSION PLANS (continued)

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

Contributions

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

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2022 was 22.91% of annual payroll. Contributions to the plan from the District were \$2,530,911 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$14,450,979 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2020 and rolling forward the total pension liability to June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2021, the District's proportion was 0.071 percent, which was a decrease of 0.002 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$1,387,448. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	\$ -	\$ 5,545,856
Differences between expected and actual experience	431,399	34,067
Changes in proportion and differences between District contributions and proportionate share of contributions	40,789	290,266
District contributions subsequent to the measurement date	2,530,911	-
Total	\$ 3,003,099	\$ 5,870,189

DINUBA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 11 – PENSION PLANS (continued)

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

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

The \$2,530,911 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2023	\$ 342,352	\$ 1,502,344
2024	121,993	1,390,501
2025	7,843	1,434,933
2026	-	1,542,411
Total	\$ 472,188	\$ 5,870,189

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period from 1997 to 2015.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

DINUBA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Assumptions (continued)

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10*	Real Return Years 11+**
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.0%	-0.92%
	<u>100.0%</u>		

*An expected inflation of 2.00% used for this period.

**An expected inflation of 2.92% used for this period.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS' website.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	\$ 24,366,380	\$ 14,450,979	\$ 6,219,069

Pension Plan Fiduciary Net Position

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

DINUBA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2022.

B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2022.

C. Construction Commitments

As of June 30, 2022, the District had commitments with respect to unfinished capital projects of \$800,264.

NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District participates in three joint ventures under joint powers authorities (JPAs), the Organization of Self-Insured Schools, the School Employees Trust-Tulare County, and the Self-Insured Schools of California III. The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs 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 JPAs and the District are included in these statements. The audited financial statements are generally available from the respective entities.

DINUBA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2022

NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A. Refunded Debt

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognized deferred outflows or inflows of resources in the District-wide financial statements. The deferred outflow of resources pertains to the difference in the carrying value of the refunded debt and its reacquisition price (deferred amount on refunding). Previous financial reporting standards require this to be presented as part of the District's long-term debt. This deferred outflow of resources is recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter. At June 30, 2022, the deferred amount on refunding was \$680,748.

B. Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 11. At June 30, 2022, total deferred outflows related to pensions was \$15,261,938 and total deferred inflows related to pensions was \$31,489,231.

C. Other Postemployment Benefits

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the District recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 10. At June 30, 2022, total deferred outflows related to other postemployment benefits was \$3,150,351 and total deferred inflows related to other postemployment benefits was \$8,850,771.

NOTE 15 – RESTATEMENT OF NET POSITION

The amounts previously reported at June 30, 2021 as the ending net position for Governmental Activities have been restated to correctly record the Career Technical Education Loans received in the prior year as long-term debt rather than revenue. The June 30, 2021 ending balances have been restated as follows:

	Governmental Activities
Net Position - Beginning, as Previously Reported	\$ 56,340,763
Restatement	(4,161,679)
Net Position - Beginning, as Restated	<u>\$ 52,179,084</u>

REQUIRED SUPPLEMENTARY INFORMATION

**DINUBA UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual*	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
REVENUES				
LCFF sources	\$ 75,241,977	\$ 78,805,933	\$ 78,663,884	\$ (142,049)
Federal sources	17,975,212	20,929,203	15,553,695	(5,375,508)
Other state sources	7,666,206	8,280,802	12,809,454	4,528,652
Other local sources	2,636,239	3,568,506	2,866,471	(702,035)
Total Revenues	103,519,634	111,584,444	109,893,504	(1,690,940)
EXPENDITURES				
Certificated salaries	38,151,177	40,083,830	39,153,887	929,943
Classified salaries	11,260,462	12,318,553	11,134,923	1,183,630
Employee benefits	24,970,950	25,694,623	24,371,103	1,323,520
Books and supplies	6,029,369	8,559,038	4,718,931	3,840,107
Services and other operating expenditures	10,230,925	11,912,437	9,469,398	2,443,039
Capital outlay	6,251,856	2,503,867	486,190	2,017,677
Other outgo				
Excluding transfers of indirect costs	3,868,991	4,282,058	3,276,751	1,005,307
Transfers of indirect costs	(149,084)	(232,946)	(116,411)	(116,535)
Total Expenditures	100,614,646	105,121,460	92,494,772	12,626,688
Excess (Deficiency) of Revenues Over Expenditures	2,904,988	6,462,984	17,398,732	10,935,748
Other Financing Sources (Uses)				
Transfers in	-	5,803,659	8,634,533	2,830,874
Transfers out	(4,000,000)	(5,997,346)	(16,828,220)	(10,830,874)
Net Financing Sources (Uses)	(4,000,000)	(193,687)	(8,193,687)	(8,000,000)
NET CHANGE IN FUND BALANCE	(1,095,012)	6,269,297	9,205,045	2,935,748
Fund Balance - Beginning	34,818,680	34,818,680	34,818,680	-
Fund Balance - Ending	\$ 33,723,668	\$ 41,087,977	\$ 44,023,725	\$ 2,935,748

* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- Actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Foundation Permanent Fund in accordance with the fund type definitions promulgated by GASB Statement No. 84. In addition, audit adjustments are not reflected in the above schedule.
- Revenues for Medi-Cal Billing Option and Medi-Cal Administrative Activities are presented as federal revenues in this schedule, while these amounts have been reclassified as local revenues in the Statement of Revenues, Expenditures, and Changes in Fund Balance.

**DINUBA UNIFIED SCHOOL DISTRICT
DEFERRED MAINTENANCE FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
LCFF sources	\$ 1,578,683	\$ 1,848,747	\$ 1,695,583	\$ (153,164)
Other local sources	-	74,739	(769,466)	(844,205)
Total Revenues	<u>1,578,683</u>	<u>1,923,486</u>	<u>926,117</u>	<u>(997,369)</u>
EXPENDITURES				
Services and other operating expenditures	-	51,373	-	51,373
Capital outlay	929,000	1,043,323	486,697	556,626
Total Expenditures	<u>929,000</u>	<u>1,094,696</u>	<u>486,697</u>	<u>607,999</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>649,683</u>	<u>828,790</u>	<u>439,420</u>	<u>(389,370)</u>
Other Financing Sources (Uses):				
Transfers in	4,000,000	1,094,821	11,925,695	10,830,874
Net Financing Sources (Uses)	<u>4,000,000</u>	<u>1,094,821</u>	<u>11,925,695</u>	<u>10,830,874</u>
NET CHANGE IN FUND BALANCE	<u>4,649,683</u>	<u>1,923,611</u>	<u>12,365,115</u>	<u>10,441,504</u>
Fund Balance - Beginning	<u>20,766,670</u>	<u>20,766,670</u>	<u>20,766,670</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 25,416,353</u>	<u>\$ 22,690,281</u>	<u>\$ 33,131,785</u>	<u>\$ 10,441,504</u>

See accompanying notes to required supplementary information.

**DINUBA UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2022**

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB Liability					
Service cost	\$ 631,028	\$ 1,334,873	\$ 1,164,306	\$ 892,561	\$ 866,564
Interest on total OPEB liability	723,074	651,676	729,977	830,889	796,739
Difference between expected and actual experience	(453,589)	1,694,316	-	-	-
Changes of assumptions	(258,127)	(10,376,250)	1,044,614	2,261,260	-
Benefits payments	(716,523)	(535,893)	(1,118,925)	(972,823)	(1,110,136)
Net change in total OPEB liability	(74,137)	(7,231,278)	1,821,972	3,011,887	553,167
Total OPEB liability - beginning	13,189,554	20,420,832	18,598,860	15,586,973	15,033,806
Total OPEB liability - ending (a)	\$ 13,115,417	\$ 13,189,554	\$ 20,420,832	\$ 18,598,860	\$ 15,586,973
Plan fiduciary net position					
Contributions - employer	\$ 980,171	\$ 1,902,541	\$ 1,452,383	\$ 1,412,723	\$ 1,288,983
Net investment income	(367,186)	585,897	(1,071)	74,825	58,094
Benefit payments	(716,523)	(535,893)	(1,116,925)	(972,823)	(1,110,136)
Administrative expenses	(3,834)	(2,133)	(1,520)	(1,106)	(714)
Net change in plan fiduciary net position	(107,372)	1,950,212	332,867	513,619	236,227
Plan fiduciary net position - beginning	3,584,068	1,633,856	1,300,989	787,370	551,143
Plan fiduciary net position - ending (b)	\$ 3,476,696	\$ 3,584,068	\$ 1,633,856	\$ 1,300,989	\$ 787,370
District's net OPEB liability - ending (a) - (b)	\$ 9,638,721	\$ 9,605,486	\$ 18,786,976	\$ 17,297,871	\$ 14,799,603
Plan fiduciary net position as a percentage of the total OPEB liability	26.51%	27.17%	8.00%	6.99%	5.05%
Covered-employee payroll	\$ 49,881,980	\$ 45,662,441	\$ 45,753,379	\$ 45,165,993	\$ 42,131,956
District's net OPEB liability as a percentage of covered-employee payroll	19.32%	21.04%	41.06%	38.30%	35.13%

See accompanying notes to required supplementary information.

DINUBA UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2022

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.062%	0.061%	0.060%	0.061%	0.058%	0.058%	0.058%	0.057%
District's proportionate share of the net pension liability	\$ 28,021,381	\$ 59,573,468	\$ 54,195,631	\$ 55,887,401	\$ 53,794,102	\$ 46,942,863	\$ 38,809,558	\$ 33,273,414
State's proportionate share of the net pension liability associated with the District	14,099,566	30,709,881	29,567,574	31,998,308	31,824,395	26,727,669	20,525,923	20,149,413
Total	\$ 42,120,947	\$ 90,283,349	\$ 83,763,205	\$ 87,885,709	\$ 85,618,497	\$ 73,670,532	\$ 59,335,481	\$ 53,422,827
District's covered payroll	\$ 34,709,318	\$ 34,553,360	\$ 33,552,064	\$ 34,354,262	\$ 32,321,604	\$ 29,563,121	\$ 28,143,984	\$ 25,232,582
District's proportionate share of the net pension liability as a percentage of its covered payroll	80.7%	172.4%	161.5%	162.7%	165.4%	158.8%	137.9%	131.9%
Plan fiduciary net position as a percentage of the total pension liability	87.2%	71.8%	72.6%	71.0%	69.5%	70.0%	74.0%	76.5%
The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.								

See accompanying notes to required supplementary information.

DINUBA UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.071%	0.073%	0.072%	0.073%	0.073%	0.070%	0.072%	0.069%
District's proportionate share of the net pension liability	\$ 14,450,979	\$ 22,270,007	\$ 21,060,205	\$ 19,409,682	\$ 17,483,810	\$ 13,741,056	\$ 10,571,761	\$ 7,843,731
District's covered payroll	\$ 10,953,123	\$ 10,522,246	\$ 10,047,213	\$ 10,437,763	\$ 9,633,730	\$ 8,379,304	\$ 8,320,618	\$ 7,264,788
District's proportionate share of the net pension liability as a percentage of its covered payroll	131.9%	211.6%	209.6%	186.0%	181.5%	164.0%	127.1%	108.0%
Plan fiduciary net position as a percentage of the total pension liability	81.0%	70.0%	70.0%	70.8%	71.9%	73.9%	79.4%	83.4%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**DINUBA UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 6,403,592	\$ 5,600,079	\$ 5,757,790	\$ 5,317,062	\$ 4,754,293	\$ 3,922,216	\$ 3,126,578	\$ 2,419,172
Contributions in relation to the contractually required contribution*	(6,403,592)	(5,600,079)	(5,757,790)	(5,317,062)	(4,754,293)	(3,922,216)	(3,126,578)	(2,419,172)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 38,790,215	\$ 34,709,318	\$ 34,553,360	\$ 33,552,064	\$ 34,354,262	\$ 32,321,604	\$ 29,563,121	\$ 28,143,984
Contributions as a percentage of covered payroll	16.51%	16.13%	16.68%	15.85%	13.84%	12.13%	10.58%	8.60%

*Amounts do not include on-behalf contributions

See accompanying notes to required supplementary information.

**DINUBA UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 2,530,911	\$ 2,150,361	\$ 2,062,944	\$ 1,820,477	\$ 1,649,782	\$ 1,551,341	\$ 1,378,616	\$ 1,321,551
Contributions in relation to the contractually required contribution*	(2,530,911)	(2,150,361)	(2,062,944)	(1,820,477)	(1,649,782)	(1,551,341)	(1,378,616)	(1,321,551)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 11,091,765	\$ 10,953,123	\$ 10,522,246	\$ 10,047,213	\$ 10,437,763	\$ 9,633,730	\$ 8,379,304	\$ 8,320,618
Contributions as a percentage of covered payroll	22.82%	19.63%	19.61%	18.12%	15.81%	16.10%	16.45%	15.88%

*Amounts do not include on-behalf contributions.

**DINUBA UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Changes in Net OPEB Liability and Related Ratios

This 10-year schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 75 was applicable. The schedule presents the sources of change in the net OPEB liability, and the components of the net OPEB liability and related ratios, including the OPEB plan's fiduciary net position as a percentage of the total OPEB liability, and the net OPEB liability as a percentage of covered-employee payroll.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuation.

Changes in Assumptions

The inflation decreased from 2.75% to 2.50% and the discount rate increased from 5.50% to 5.75% since the previous valuation.

Schedule of the District Contributions for OPEB

This 10-year schedule is not required to be presented as there was no actuarially determined contribution, nor any contribution requirement established by statute or contract.

Schedule of the District's Proportionate Share of the Net Pension Liability

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuations for CalSTRS and CalPERS.

Changes in Assumptions

There were no changes in economic assumptions since the previous valuations for CalSTRS and CalPERS.

DINUBA UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of District Contributions

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered payroll.

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2022, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Other outgo			
Transfers of indirect costs	\$ (232,946)	\$ (116,411)	\$ 116,535

SUPPLEMENTARY INFORMATION

**DINUBA UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-Through Grantor/Program or Cluster	AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low-Income and Neglected [1]	84.010	14329	\$ 2,748,693
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	491,955
Title III, English Learner Student Program	84.365	14346	470,635
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	204,310
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,288,054
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173	13430	60,281
Subtotal Special Education Cluster			1,348,335
School Climate Transformation Grant	84.184G	*	530,838
Strengthening Career and Technical Education for the 21st Century (Perkins V)	84.048	14894	88,762
COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants [1]:			
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425	15536	205
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425	15547	1,037,838
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425	15559	5,061,403
Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	1,266,518
Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	84.425	15618	700,830
Expanded Learning Opportunities (ELO) Grant GEER II	84.425	15619	171,397
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs	84.425	15620	432,046
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss	84.425	15621	819,757
Subtotal Education Stabilization Fund Discretionary Grants			9,489,994
Total U. S. Department of Education			15,373,522
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
COVID-19 Emergency Acts Funding/Extending Summer Food Service Program and SSO:			
Child Nutrition Cluster			
School Breakfast Program - Basic	10.553	13525	12,626
School Breakfast Program - Needy	10.553	13526	684,546
National School Lunch Program	10.555	13391	2,605,537
USDA Commodities [2]	10.555	*	240,104
Meal Supplements	10.555	*	42,414
Subtotal Child Nutrition Cluster			3,585,227
Pandemic EBT Local Administrative Grant	10.649	15644	5,814
<i>Passed through California Department of Social Services:</i>			
CACFP Claims - Centers and Family Day Care	10.558	13393	422,758
Total U. S. Department of Agriculture			4,013,799
U. S. DEPARTMENT OF DEFENSE:			
<i>Passed through California Department of Education:</i>			
Naval ROTC	12.300	*	26,571
Total U. S. Department of the Defense			26,571
Total Federal Expenditures			\$ 19,413,892

[1] - Major Program

[2] - In-Kind Contribution

* - Pass-Through Entity Identifying Number not available or not applicable

**DINUBA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2022**

	Second Period Report	Annual Report
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	1,619.13	1,635.86
Total TK/K through Third	1,619.13	1,635.86
Fourth through Sixth		
Regular ADA	1,293.15	1,306.25
Total Fourth through Sixth	1,293.15	1,306.25
Seventh through Eighth		
Regular ADA	937.70	941.59
Total Seventh through Eighth	937.70	941.59
Ninth through Twelfth		
Regular ADA	2,086.50	2,045.20
Total Ninth through Twelfth	2,086.50	2,045.20
TOTAL SCHOOL DISTRICT	5,936.48	5,928.90

**DINUBA UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2022**

Grade Level	Minutes Requirement	2021-22 Actual Minutes	Number of Days	Status
Kindergarten	36,000	36,200	180	Complied
Grade 1	50,400	51,035	180	Complied
Grade 2	50,400	51,035	180	Complied
Grade 3	50,400	51,035	180	Complied
Grade 4	54,000	57,110	180	Complied
Grade 5	54,000	57,110	180	Complied
Grade 6	54,000	57,110	180	Complied
Grade 7	54,000	63,890	180	Complied
Grade 8	54,000	63,890	180	Complied
Grade 9	64,800	68,008	180	Complied
Grade 10	64,800	68,008	180	Complied
Grade 11	64,800	68,008	180	Complied
Grade 12	64,800	68,008	180	Complied

See accompanying note to supplementary information.

**DINUBA UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

	2023 (Budget)	2022	2021	2020
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 108,229,463	\$ 118,528,037	\$ 107,413,465	\$ 86,928,547
Expenditures And Other Financing Uses	103,572,864	109,322,992	102,487,550	82,605,191
Net change in Fund Balance	\$ 4,656,599	\$ 9,205,045	\$ 4,925,915	\$ 4,323,356
Ending Fund Balance	\$ 44,680,324	\$ 44,023,725	\$ 34,818,680	\$ 30,020,854
Available Reserves*	\$ 31,854,536	\$ 30,355,744	\$ 26,664,425	\$ 25,048,529
Available Reserves As A Percentage Of Outgo	30.76%	27.77%	26.02%	30.32%
Long-term Liabilities	\$ 89,996,351	\$ 94,184,761	\$ 126,883,035	\$ 132,174,572
Average Daily Attendance At P-2***	6,196	5,936	6,329	6,329

The General Fund balance has increased by \$14,002,871 over the past two years. The fiscal year 2022-23 budget projects a further increase of \$4,656,599. The District's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than 3%.

The District has incurred operating surpluses in each of the past three years and anticipates incurring an operating surplus during the 2022-23 fiscal year. Total long-term obligations have decreased by \$37,989,811 over the past two years.

Average daily attendance has decreased by 393 ADA over the past two years. An increase of 260 ADA is anticipated during the 2022-23 fiscal year.

*Available reserves consist of all unassigned fund balance within the General Fund.

**The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Foundation Permanent Fund, in accordance with the fund type definitions promulgated by GASB Statement No. 84. In addition, audit adjustments are not reflected in the above schedule.

***Due to the COVID-19 pandemic, Average Daily Attendance at P-2 was not reported in 2021. Funding was based on Average Daily Attendance at P-2 as reported in 2020.

**DINUBA UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

	General Fund	Student Activity Fund	Cafeteria Fund	Foundation Permanent Fund
June 30, 2022, annual financial and budget report fund balance	\$ 44,023,725	\$ 1,094,105	\$ 4,364,854	\$ 89,692
Adjustments and reclassifications:				
Increase (decrease) in total fund balances:				
Cash in banks adjustment	-	(510,801)	-	-
Accounts receivable adjustment (CNIPS Claims)	-	-	111,165	-
Fund balance transfer (GASB 84)	89,692	-	-	(89,692)
Net adjustments and reclassifications	89,692	(510,801)	111,165	(89,692)
June 30, 2022, audited financial statement fund balance	\$ 44,113,417	\$ 583,304	\$ 4,476,019	\$ -

**DINUBA UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2022**

There were no charter schools within the District's boundaries for 2021-22.

**DINUBA UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2022**

	Student Activity Fund	Adult Education Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
ASSETS							
Cash and investments	\$ 583,304	\$ 895,688	\$ 3,929,370	\$ 304	\$ 4,040,790	\$ 5,983,767	\$ 15,433,223
Accounts receivable	-	4,273	631,720	-	-	-	635,993
Due from other funds	-	344,419	-	-	-	-	344,419
Stores inventory	-	-	101,246	-	-	-	101,246
Total Assets	\$ 583,304	\$ 1,244,380	\$ 4,662,336	\$ 304	\$ 4,040,790	\$ 5,983,767	\$ 16,514,881
LIABILITIES							
Accrued liabilities	\$ -	\$ 3,911	\$ 56,684	\$ -	\$ 2,610	\$ -	\$ 63,205
Due to other funds	-	62,494	129,633	-	-	-	192,127
Total Liabilities	-	66,405	186,317	-	2,610	-	255,332
FUND BALANCES							
Non-spendable	-	-	101,246	-	-	-	101,246
Restricted	583,304	1,177,975	4,374,773	304	4,038,180	5,983,767	16,158,303
Total Fund Balances	583,304	1,177,975	4,476,019	304	4,038,180	5,983,767	16,259,549
Total Liabilities and Fund Balances	\$ 583,304	\$ 1,244,380	\$ 4,662,336	\$ 304	\$ 4,040,790	\$ 5,983,767	\$ 16,514,881

DINUBA UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2022

	Student Activity Fund	Adult Education Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
REVENUES							
LOFF sources	\$ -	\$ 344,419	\$ -	\$ -	\$ -	\$ -	\$ 344,419
Federal sources	-	-	4,007,985	-	-	-	4,007,985
Other state sources	-	359,072	618,803	-	-	9,649	987,524
Other local sources	1,084,089	(907)	27,782	(8)	575,118	1,464,368	3,150,442
Total Revenues	1,084,089	702,584	4,654,570	(8)	575,118	1,474,017	8,490,370
EXPENDITURES							
Current							
Instruction	-	645,095	-	-	-	-	645,095
Instruction-related services	-	-	-	-	-	-	-
School site administration	-	151,987	-	-	-	-	151,987
Pupil services	-	-	-	-	-	-	-
Food services	-	-	3,517,457	-	-	-	3,517,457
General administration	-	-	-	-	-	-	-
All other general administration	-	25,184	91,227	-	-	-	116,411
Plant services	-	93,497	-	-	-	-	93,497
Facilities acquisition and construction	-	-	-	-	2,500	-	2,500
Ancillary services	1,011,586	-	-	-	-	-	1,011,586
Debt service	-	-	-	-	-	-	-
Principal	-	-	-	-	911,800	1,800,000	2,511,800
Interest and other	-	-	-	-	126,242	557,944	684,186
Total Expenditures	1,011,586	915,763	3,608,684	-	1,040,542	2,157,944	8,734,519
Excess (Deficiency) of Revenues							
Over Expenditures	72,503	(213,179)	1,045,886	(8)	(465,424)	(683,927)	(244,149)
Other Financing Sources (Uses)							
Transfers out	-	-	-	-	(1,709,699)	-	(1,709,699)
Net Financing Sources (Uses)	-	-	-	-	(1,709,699)	-	(1,709,699)
NET CHANGE IN FUND BALANCE	72,503	(213,179)	1,045,886	(8)	(2,175,123)	(683,927)	(1,953,848)
Fund Balance - Beginning	510,801	1,391,154	3,430,133	312	6,213,303	6,667,694	18,213,397
Fund Balance - Ending	\$ 583,304	\$ 1,177,975	\$ 4,476,019	\$ 304	\$ 4,038,180	\$ 5,983,767	\$ 16,259,549

See accompanying note to supplementary information.

**DINUBA UNIFIED SCHOOL DISTRICT
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2022**

Dinuba Unified School District was unified on July 1, 1998 and consists of an area comprising approximately 60 square miles. The District operates six elementary schools, one sixth grade academy, one intermediate school, one high school, an alternative education high school, an adult school and an adult independent study program. There were no changes in the boundaries of the District during the current year.

GOVERNING BOARD

Member	Office	Term Expires
Beverly Keel-Worrell	Board President	December 2022
Mary Villarreal	Clerk	December 2022
Ron Froese	Member	December 2022
Sandra Kizirian	Member	December 2024
Miriam Cendejas	Member	December 2024

DISTRICT ADMINISTRATORS

Joe A. Hernandez, Ed.D.
Superintendent

Marti Kochevar
Assistant Superintendent of Communication & Human Resources

Rachel Nunez
Chief Business Official

Vicky Armstrong
Chief Academic Officer

DINUBA UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2022

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 10 percent de minimis indirect cost rate.

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with article 8 (commencing with section 46200) of chapter 2 of part 26 of the *Education Code*.

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

Schedule of Charter Schools

This schedule lists all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit.

Combining Statements – Non-Major Funds

These statements provide information on the District's non-major funds.

Local Education Agency Organization Structure

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

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OTHER INDEPENDENT AUDITORS' REPORTS

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

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Independent Auditors' Report

Governing Board
Dinuba Unified School District
Dinuba, 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 Dinuba Unified School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Dinuba Unified School District's basic financial statements, and have issued our report thereon dated December 14, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Dinuba Unified School District's internal control over financial reporting (internal control) as a basis for designing 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 Dinuba Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Dinuba Unified School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dinuba 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 financial statements. 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*.

348 Olive Street
San Diego, CA
92103

O: 619-270-8222
F: 619-260-9085
christywhite.com

Purpose of this Report

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

A handwritten signature in blue ink, appearing to read "Cheryl White, Inc".

San Diego, California
December 14, 2022

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**Independent Auditors' Report

Governing Board
Dinuba Unified School District
Dinuba, California

Report on Compliance for Each Major Federal Program***Opinion on Each Major Federal Program***

We have audited Dinuba Unified School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Dinuba Unified School District's major federal programs for the year ended June 30, 2022. Dinuba 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.

In our opinion, Dinuba 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, 2022.

Basis for Opinion on Each Major Federal Program

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 (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Dinuba Unified School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on compliance for each major federal program. Our audit does not provide a legal determination of Dinuba Unified School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of the laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Dinuba Unified School District's federal programs.

Auditor's Responsibilities for the Audit for Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Dinuba Unified School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user of the report on compliance about Dinuba Unified School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Dinuba Unified School District's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Dinuba Unified School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Dinuba Unified School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Report on Internal Control Over Compliance (continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

A handwritten signature in blue ink that reads "Christy White, Inc". The signature is cursive and fluid.

San Diego, California
December 14, 2022

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REPORT ON STATE COMPLIANCEIndependent Auditors' Report

Governing Board
Dinuba Unified School District
Dinuba, California

Report on State Compliance***Opinion on State Compliance***

We have audited Dinuba Unified School District's compliance with the types of compliance requirements described in the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on each of Dinuba Unified School District's state programs for the fiscal year ended June 30, 2022, as identified below.

In our opinion, Dinuba 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 the applicable state programs for the year ended June 30, 2022.

Basis for Opinion on State Compliance

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 *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810 as regulations (the K-12 Audit Guide). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

We are required to be independent of Dinuba Unified School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on state compliance. Our audit does not provide a legal determination of Dinuba Unified School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of the laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Dinuba Unified School District's state programs.

Auditor's Responsibilities for the Audit of State Compliance

Our objectives are to obtain reasonable assurance about whether noncompliance with the state compliance requirements referred to above occurred, whether due to fraud or material error, and express an opinion on Dinuba Unified School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the K-12 Audit Guide will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user of the report on compliance about Dinuba Unified School District's compliance with the requirements of the applicable state programs as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the K-12 Audit Guide, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Dinuba Unified School District's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Dinuba Unified School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the K-12 Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of Dinuba Unified School District's internal control over compliance. Accordingly, no such opinion is expressed.
- Select and test transactions and records to determine Dinuba Unified School District's compliance with the state laws and regulations related to the following items:

PROGRAM NAME	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
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable

Auditor's Responsibilities for the Audit of State Compliance (continued)

PROGRAM NAME	PROCEDURES PERFORMED
School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Not Applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
In-Person Instruction Grant	Yes
Charter Schools	
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies or material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as Finding #2022-001. Our opinion on state compliance is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Dinuba Unified School District's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Dinuba Unified School District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on 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 state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state 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 state 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 Auditor's Responsibilities for the Audit of State Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 K-12 Audit Guide. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Christy White, Inc". The signature is fluid and cursive.

San Diego, California
December 14, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**DINUBA UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2022**

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Non-compliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	No
Identification of major programs:	

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I, Part A, Basic Grants Low-Income and Neglected
84.425 & 84.425U	Education Stabilization Fund Discretionary Grants

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	No
Significant deficiency(ies) identified?	None Reported
Any audit findings disclosed that are required to be reported in accordance with 2021-22 Guide for Annual Audits of California K-12 Local Education Agencies ?	Yes
Type of auditors' report issued on compliance for state programs:	Unmodified

DINUBA UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022

FIVE DIGIT CODE

20000
30000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control

There were no financial statement findings for the year ended June 30, 2022.

**DINUBA UNIFIED SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

There were no federal award findings or questioned costs for the year ended June 30, 2022.

**DINUBA UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

FIVE DIGIT CODE

10000
40000
42000
43000
60000
61000
62000
70000
71000
72000

AB 3627 FINDING TYPE

Attendance
State Compliance
Charter School Facilities Programs
Apprenticeship: Related and Supplemental Instruction
Miscellaneous
Classroom Teacher Salaries
Local Control Accountability Plan
Instructional Materials
Teacher Misassignments
School Accountability Report Card

FINDING #2022-001: COMPREHENSIVE SCHOOL SAFETY PLAN (40000)

Criteria: Pursuant to California Education Code Sections 32280 - 32289, All California public schools kindergarten and grades one through twelve must develop a comprehensive school safety plan approved by the board of directors by March 1st of the current 2021-22 school year. Additionally, if the District does not develop and approve a comprehensive school safety plan by October 15, a letter must be submitted to the State Superintendent of Public Instruction.

Condition: In testing the comprehensive school safety plans for Dinuba Unified School District, it was noted that a comprehensive school safety plans were not approved prior to the required deadline of March 1st for the current audit year. The District approved the Comprehensive School Safety Plans on March 10, 2022.

Cause: Insufficient review procedures in place during the implementation process.

Effect: The School District was untimely adhering to comprehensive school safety requirements per California Education Code.

Questioned Costs: None. The District approved the Comprehensive School Safety Plans on March 10, 2022.

Repeat Finding: Yes, this is a repeat finding. (Finding# 2021-001)

Recommendation: We recommend that the District continue to provide oversight and training to staff responsible for implementing new requirements in California Education Code in a timely manner.

Corrective Action Plan: Plan writing and support meetings are planned. There will be direct oversight of the school sites to monitor their progress and to ensure that their plans are approved by the March 1st deadline. Addition support and guidance will be given to the sites who did not adhere to the deadline last year.

**DINUBA UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

FINDING #2021-001: COMPREHENSIVE SCHOOL SAFETY PLAN (40000)

Criteria: Pursuant to California Education Code Sections 32280 - 32289, All California public schools kindergarten and grades one through twelve must develop a comprehensive school safety plan approved by the board of directors by March 1st of the current 2020-21 school year.

Condition: In testing the comprehensive school safety plans, it was noted that the comprehensive school safety plans were not developed and approved prior to the required deadline of March 1st for the current audit year.

Effect: The School District was untimely adhering to comprehensive school safety requirements per California Education Code.

Cause: Insufficient review procedures in place during the implementation process.

Questioned Costs: None. The District approved the Comprehensive School Safety Plans on March 25, 2021.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the District continue to provide oversight and training to staff responsible for implementing requirements in California Education Code in a timely manner.

Corrective Action Plan: Plan writing and support meetings are planned. There will be direct oversight of the school sites to monitor their progress and to ensure that their plans are approved by the March 1st deadline. Addition support and guidance will be given to the sites who did not adhere to the deadline last year.

Current Status: Not implemented, see Finding #2022-001.

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Dinuba Unified School District (the “District”) in connection with the execution and delivery of its \$15,145,000 Certificates of Participation (2023 School Financing Project) (the “Certificates”). The Certificates are being executed pursuant to a Trust Agreement, dated as of October 1, 2023, by and among the District, U.S. Bank Trust Company, National Association, as trustee (the “Trustee”) and the Public Property Financing Corporation of California (the “Corporation”). The District covenants 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 Certificates and in order to assist the Participating Underwriter in complying with the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, 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 Certificates (including persons holding Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Certificates for federal income tax purposes.

“Dissemination Agent” shall mean initially Keygent LLC, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“Financial Obligation” shall mean: (a) a debt obligation; (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) a guarantee of (a) or (b). The term “Financial Obligation” does not include municipal securities as to which a final official statement has been provided to the Repository consistent with the Rule.

“Listed Events” shall mean any of the events listed in Section 5(a) and 5(b) of this Disclosure Certificate.

“Official Statement” shall mean the Official Statement relating to the Certificates, dated October 5, 2023.

“Participating Underwriter” shall mean Piper Sandler & Co., as the original underwriter of the Certificates required to comply with the Rule in connection with the offering of the Certificates.

“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, upon delivery of the Annual Report to the Dissemination Agent, shall cause the Dissemination Agent to, not later than nine (9) months after the end of the District’s fiscal year (presently ending June 30), commencing with the report for the fiscal year ending June 30, 2023, 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 30 days (nor more than 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 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 timely notice to the Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent, no later than the date required by subsection (a). 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 (if the Dissemination Agent is other than the District), file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the Repository.

SECTION 4. Content of Annual Reports. The District’s Annual Report shall contain or include by reference the following:

(a) 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.

(b) 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):

- (i) State funding received by the District for the last completed fiscal year;
- (ii) average daily attendance of the District for the last completed fiscal year;

- (iii) outstanding District indebtedness; and
- (iv) summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current 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 Certificates 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. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.
10. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the District.

For the purposes of the event identified in Section 5(a)(10), 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 Certificates, if material:

1. non-payment related defaults.
2. modifications to rights of Certificate holders.
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 Certificates, or other material events affecting the tax status of the Certificates.
5. release, substitution or sale of property securing repayment of the Certificates.
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 with respect to the Certificates or the change of name of such a Trustee.
8. incurrence of a Financial Obligation of the District, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect owners of the Certificates.

(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 prepayment or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may

discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. 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. The Dissemination Agent may resign by providing thirty days written notice to the District and the Trustee. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the District and shall have no duty to review any information provided to it by the District. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the District in a timely manner and in a form suitable for filing.

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, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule; provided, the Dissemination Agent shall have first consented to any amendment that modifies or increases its duties or obligations hereunder. 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 shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure 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 Certificates 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 Trust Agreement, 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.

No Certificate holder or Beneficial Owner may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the District satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the District shall have refused to comply therewith within a reasonable time.

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, and the District agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may

incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. In performing its duties hereunder, the Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, the Certificate holders, or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates.

The Dissemination Agent may conclusively rely upon the Annual Report provided to it by the District as constituting the Annual Report required of the District in accordance with this Disclosure Certificate and shall have no duty or obligation to review such Annual Report. The Dissemination Agent shall have no duty to prepare the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the District in a timely manner in a form suitable for filing with the Repository. No provision of this Disclosure Certificate shall require the Dissemination Agent to risk or advance or expend its own funds or incur any financial liability. Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act.

SECTION 12. Beneficiaries. This Disclosure Certificate solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Certificates, and shall create no rights in any other person or entity.

SECTION 13. Signature. This Disclosure Certificate has been executed by the undersigned on the date hereof, and such signature binds the District to the undertaking herein provided.

Dated: October 26, 2023

DINUBA UNIFIED SCHOOL DISTRICT

By: _____
Chief Business Official

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: Dinuba Unified School District

Name of Certificate Issue: \$15,145,000 Dinuba Unified School District
Certificates of Participation (2023 School Financing Project)

Date of Delivery: October 26, 2023

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Certificates as required by the Continuing Disclosure Certificate executed by the District on the date of delivery of the Certificates. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

DINUBA UNIFIED SCHOOL DISTRICT

By: [form only; no signature required]

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APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix 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 will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Certificates, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Certificates. The Certificates 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 Certificate will be issued for each of maturity of the Certificates, each in the aggregate principal amount of such Certificate, 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 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. However, the information presented on such website is not incorporated herein by any reference to such website.

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

Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

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

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

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

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

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

DTC may discontinue providing its services as depository with respect to the Certificates 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, physical Certificates are required to be printed and delivered. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

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APPENDIX F
CITY OF DINUBA AND TULARE COUNTY
GENERAL AND ECONOMIC DATA

The following information regarding the City of Dinuba (the “City”), and Tulare County (the “County”) is included only for the purpose of supplying general information regarding the local community and economy. The Bonds are not a debt of the City or of the County. This material has been prepared by or excerpted from the sources as noted herein and has not been reviewed for accuracy by the District or Bond Counsel.

General

City of Dinuba. The City was incorporated in 1906, and became a charter city in 1994. Located 180 miles north of Los Angeles and 200 miles south of San Francisco, the City is in the northern part of the County near the Sierra Nevada Mountain Range in the San Joaquin Valley. It is governed by a five-member City Council under a Council-Manager form of government. The Council selects one of its members as Mayor, who serves as the executive head of the City for a two year term. The City has an economy focused on agriculture and food production.

Tulare County. A General Law county created by the State of California (the “State”) Legislature in 1852, the County is governed by a five member Board of Supervisors elected by district to serve staggered four-year terms. One of the State’s most productive agricultural counties, the County is less than a three hour drive from the State’s central coast and located in a geographically diverse region near Sequoia and Kings Canyon National Parks, Giant Sequoia National Monument, Sequoia National Forest and Inyo National Forest. It ranks second in the United States in total agricultural value due to its Mediterranean climate and easy access to national as well as international markets. In addition to farming, tourism has been a growing economic highlight for the County.

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Population

The following table shows historical population figures for the City, the County and the State for the past 10 years.

POPULATION ESTIMATES
2014 through 2023
City of Dinuba, Tulare County and the State of California

<u>Year⁽¹⁾</u>	<u>City of Dinuba</u>	<u>Tulare County</u>	<u>State of California</u>
2014	23,757	458,492	38,556,731
2015	24,135	461,628	38,865,532
2016	24,500	465,328	39,103,587
2017	24,698	468,367	39,352,398
2018	24,999	472,348	39,519,535
2019	25,417	475,535	39,605,361
2020	24,595	473,117	39,538,223
2021	24,976	473,645	39,286,510
2022	25,222	474,507	39,078,674
2023	25,469	475,064	38,940,231

⁽¹⁾ As of January 1.

Source: 2014-19 (2010 Demographic Research Unit Benchmark): California Department of Finance for January 1. 2020-23 (2020 Demographic Research Unit Benchmark): California Department of Finance for January 1.

Income

The following table summarizes per capita personal income for the County, the State and the United States for the past 10 years.

PER CAPITA PERSONAL INCOME
2012 through 2021
Tulare County, State of California, and United States

<u>Year</u>	<u>Tulare County</u>	<u>State of California</u>	<u>United States</u>
2012	\$31,566	\$48,121	\$44,548
2013	32,081	48,502	44,798
2014	35,110	51,266	46,887
2015	35,834	54,546	48,725
2016	37,354	56,560	49,613
2017	38,212	58,804	51,550
2018	38,297	61,508	53,786
2019	40,061	64,919	56,250
2020	45,556	70,647	59,765
2021	47,986	76,614	64,143

Note: Per capita 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, 2022 – new statistics for 2021; revised statistics for 2012-2020. All dollar estimates are in current dollars (not adjusted for inflation). Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Principal Employers

The following tables list the principal employers located in the City and the County.

PRINCIPAL EMPLOYERS as of June 30, 2022 City of Dinuba

<u>Employer Name</u>	<u>Industry</u>	<u>Number of Employees</u>
Ruiz Foods Products, Inc.	Manufacturing: Food and Kindred Products	1,579
Dinuba Public Schools	Services: Educational	751
Wal-mart	Retail Trade: General Merchandise Stores	455
Best Buy Stores, Inc.	Retail Trade: General Merchandise Stores	400
City of Dinuba	Public Administration	180
Patterson Dental	Wholesale Trade: Non-durable Goods	172
United Market	Retail Trade: Food Stores	44
MV Transportation	Transportation: Motor Freight Transportation and Warehousing	25
Tractor Supply	Retail Trade: General Merchandise Stores	24
Grocery Outlet	Retail Trade: Food Stores	19

Source: City of Dinuba Annual Comprehensive Financial Report, Fiscal Year Ended June 30, 2022.

PRINCIPAL EMPLOYERS as of June 30, 2022 Tulare County

<u>Employer Name</u>	<u>Industry</u>	<u>Number of Employees</u>
Adventist Health Community Care	Services: Health	5,004
County of Tulare	Public Administration	5,003
Visalia Unified School District	Services: Educational	3,157
Ruiz Food Products Inc.	Manufacturing: Food and Kindred Products	1,884
Kaweah Delta Medical Center	Services: Health	1,800
Mountain View AG Services, Inc.	Services: Business	1,200
Foster Poultry Farms	Agriculture Production Livestock	1,109
Porterville Developmental Center	Services: Health	1,103
VBZ	Agriculture Production Crops	1,000
College of the Sequoias	Services: Educational	740

Source: Tulare County, Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2022.

Employment

The following table summarizes the labor force, employment and unemployment figures for the years 2017 through 2021 for the City, the County, the State and the United States.

LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT ANNUAL AVERAGES 2017 through 2021⁽¹⁾ City of Dinuba, Tulare County, State of California, and United States

<u>Year and Area</u>	<u>Labor Force</u>	<u>Employment</u> ⁽²⁾	<u>Unemployment</u> ⁽³⁾	<u>Unemployment Rate (%)</u>
<u>2017</u>				
City of Dinuba	11,200	9,700	1,500	13.5
Tulare County	204,500	183,000	21,500	10.5
State of California	19,176,400	18,257,100	919,300	4.8
United States	160,320,000	153,337,000	6,982,000	4.4
<u>2018</u>				
City of Dinuba	10,600	9,200	1,400	13.3
Tulare County	203,300	183,100	19,900	9.8
State of California	19,280,800	18,460,700	820,100	4.3
United States	162,075,000	155,761,000	6,314,000	3.9
<u>2019</u>				
City of Dinuba	10,700	9,400	1,300	11.8
Tulare County	202,500	182,700	19,800	9.8
State of California	19,411,600	18,627,400	784,200	4.0
United States	163,539,000	157,538,000	6,001,000	3.7
<u>2020</u>				
City of Dinuba	10,800	9,200	1,500	14.3
Tulare County	202,900	175,600	27,300	13.5
State of California	18,821,200	16,923,100	1,908,100	10.0
United States	160,742,000	147,795,000	12,947,000	8.1
<u>2021</u>				
City of Dinuba	11,700	10,000	1,600	13.8
Tulare County	201,200	179,900	21,300	10.6
State of California	19,041,000	18,127,700	913,300	4.8
United States	161,204,000	152,581,000	8,623,000	5.3

Note: Data is not seasonally adjusted.

(1) Annual averages, unless otherwise specified.

(2) Includes persons involved in labor-management trade disputes.

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

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department, March 2022 Benchmark.

Industry

The County is included in the Visalia-Porterville Metropolitan Statistical Area. The distribution of employment is presented in the following table for the last five years. These figures may be multi county-wide statistics and may not necessarily accurately reflect employment trends in the County.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES 2018 through 2022 Tulare County (Visalia-Porterville Metropolitan Statistical Area)

<u>Category</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Total Farm	40,000	38,800	36,600	35,700	37,400
Total Nonfarm	126,300	128,500	124,700	130,200	138,400
Total Private	94,000	95,700	92,800	98,400	105,300
Goods Producing	19,000	19,300	19,300	20,000	21,500
Mining, Logging, and Construction	6,100	6,400	6,600	7,000	7,600
Manufacturing	13,000	12,900	12,700	13,000	13,800
Durable Goods	3,300	3,200	3,100	3,100	3,400
Nondurable Goods	9,700	9,600	9,600	9,900	10,500
Service Providing	107,300	109,200	105,400	110,200	117,000
Private Service Providing	75,000	76,500	73,600	78,500	83,800
Trade, Transportation and Utilities	28,000	27,700	27,100	29,400	30,800
Wholesale Trade	4,300	4,400	4,300	4,400	4,400
Retail Trade	16,300	16,200	15,600	16,600	16,900
Transportation, Warehousing and Utilities	7,400	7,200	7,200	8,500	9,500
Information	700	700	600	600	600
Financial Activities	4,100	4,000	3,800	3,700	3,800
Professional and Business Services	11,000	11,400	11,000	10,800	11,500
Private Education and Health Services	16,100	17,100	17,300	18,300	19,600
Leisure and Hospitality	11,800	12,100	10,700	12,200	13,800
Other Services	3,500	3,500	3,200	3,500	3,900
Government	<u>32,300</u>	<u>32,700</u>	<u>31,900</u>	<u>31,800</u>	<u>33,100</u>
Total, All Industries	<u>166,300</u>	<u>167,300</u>	<u>161,300</u>	<u>165,900</u>	<u>175,800</u>

Note: The "Total, All Industries" data is not directly comparable to the employment data found herein.

Source: State of California, Employment Development Department, Labor Market Information Division, Annual Average Labor Force and Industry Employment. March 2022 Benchmark.

Commercial Activity

Summaries of annual taxable sales for the City and the County for the last five years are shown in the following tables.

ANNUAL TAXABLE SALES 2018 through 2022 City of Dinuba (Dollars in Thousands)

<u>Year</u>	Total Retail and Food Services <u>Permits</u>	Retail and Food Services: Taxable <u>Transactions</u>	Total All Outlets <u>Permits</u>	Total All Outlets: Taxable <u>Transactions</u>
2018	247	\$1,020,973	381	\$1,099,088
2019	263	1,148,438	408	1,219,307
2020	293	2,754,152	447	2,827,427
2021	279	2,389,712	439	2,477,390
2022	283	2,035,160	442	2,131,783

Source: "Taxable Sales in California," California Department of Tax and Fee Administration.

ANNUAL TAXABLE SALES 2018 through 2022 Tulare County (Dollars in Thousands)

<u>Year</u>	Total Retail and Food Services <u>Permits</u>	Retail and Food Services: Taxable <u>Transactions</u>	Total All Outlets <u>Permits</u>	Total All Outlets: Taxable <u>Transactions</u>
2018	5,828	\$5,069,186	9,151	\$7,444,728
2019	5,985	5,336,501	9,524	7,959,356
2020	6,527	7,243,385	10,463	10,036,623
2021	6,189	8,007,043	10,012	11,227,863
2022	6,366	8,016,622	10,416	11,723,373

Source: "Taxable Sales in California," California Department of Tax and Fee Administration.

Construction Activity

The annual building permit valuations and number of permits for new dwelling units issued for the past five years for the City and the County are shown in the following tables.

BUILDING PERMITS AND VALUATIONS 2018 through 2022 City of Dinuba (Dollars in Thousands)

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Valuation					
Residential	\$14,201	\$33,818	\$13,954	\$15,595	\$6,915
Non-Residential	<u>3,060</u>	<u>4,384</u>	<u>5,076</u>	<u>3,835</u>	<u>3,835</u>
Total	\$17,261	\$38,202	\$19,030	\$19,430	\$10,750
Units					
Single Family	79	235	88	93	40
Multi Family	<u>10</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	89	235	88	93	40

Note: Totals may not add to sum due to rounding.

Source: Construction Industry Research Board.

BUILDING PERMITS AND VALUATIONS 2018 through 2022 Tulare County (Dollars in Thousands)

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Valuation					
Residential	\$317,298	\$409,243	\$360,140	\$353,460	\$536,706
Non-Residential	<u>189,463</u>	<u>206,479</u>	<u>384,432</u>	<u>231,277</u>	<u>231,277</u>
Total	\$506,761	\$615,722	\$744,563	\$584,737	\$767,983
Units					
Single Family	1,173	1,612	1,349	1,293	1,445
Multiple Family	<u>347</u>	<u>427</u>	<u>532</u>	<u>271</u>	<u>1,182</u>
Total	1,520	2,039	1,881	1,564	2,627

Note: Totals may not add to sum due to rounding.

Source: Construction Industry Research Board.

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APPENDIX G

TULARE COUNTY TREASURY POOL

The following information concerning the Tulare County Treasury Pool (the “Treasury Pool”) has been provided by the Treasurer and Tax Collector (the “Treasurer”) of Tulare County (the “County”), and has not been confirmed or verified by the District, the Municipal Advisor or the Underwriter. The District, the Municipal Advisor and the Underwriter have not made an independent investigation of the investments in the Treasury Pool and have made no assessment of the current County investment policy. The value of the various investments in the Treasury Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of the County Board of Supervisors may change the County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Treasury Pool will not vary significantly from the values described herein. Finally, none of the District, the Municipal Advisor or the Underwriter make any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date. Additional information regarding the Treasury Pool may be obtained from the Treasurer at <https://tularecounty.ca.gov/treasurertaxcollector/treasurer/>; however, the information presented on such website is not incorporated herein by any reference.

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County of Tulare

221 S Mooney Blvd Room 103E
Visalia, California 93291-4593



Cass Cook, CGIP
Auditor-Controller/Treasurer-Tax Collector

Jorge Garcia-Perez, Assistant Treasurer-Tax Collector

Telephone: (559) 636-5290

Fax: (559) 730-2532

www.tularecountytax.com

July 21, 2023

TREASURER'S QUARTERLY INVESTMENT REPORT QUARTER ENDING JUNE 30, 2023

Honorable Board of Supervisors:

This report reflects the investment activity for the quarter ending June 30, 2023 of pooled funds on deposit with the Treasurer and is in compliance with California Government Code §27000, etc., §53600, etc., Tulare County Ordinance 1-03-2061 and the Treasurer's Statement of Investment Policy dated July 2022.

INVESTMENT GOALS – The first and primary goal is SAFETY and the preservation of capital. The second goal is the continual maintenance of LIQUIDITY. Tulare County has the ability to convert sufficient securities to cash to cover the cash flow of the County and all of its investment agencies to meet any contingency needs during the next six months. The third goal in order of importance is YIELD, or earning a reasonable rate of return representative of current market conditions and the present phase of the market cycle while remaining in compliance with all state laws and the Treasurer's written investment policy.

Attached is a statement containing summaries of the portfolio composition, credit ratings, maturity distribution, portfolio master summary and other information designed to give a better understanding of the investment activity that has occurred during the quarter ending June 30, 2023.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Cass Cook", is written over the signature line.

Cass Cook, CGIP
Auditor-Controller/Treasurer-Tax Collector

CC/fv

Tulare County Investment Report

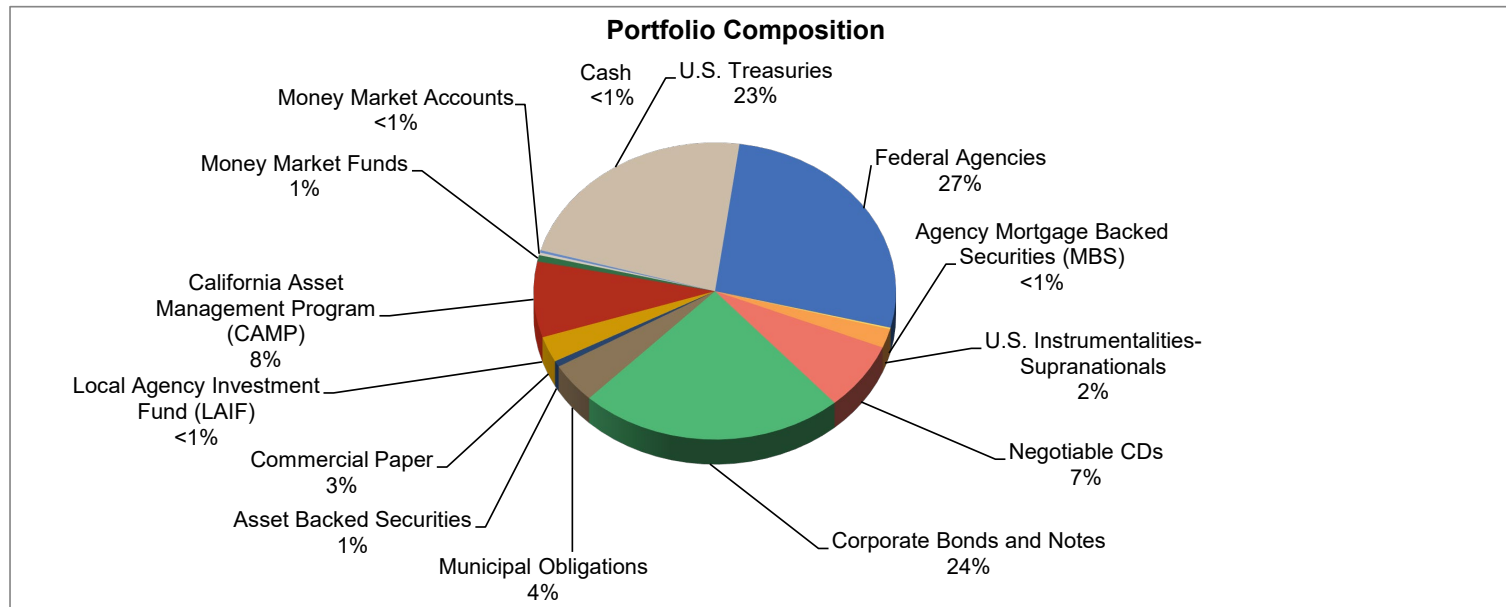
June 30, 2023

A listing of Tulare County investments is shown below.

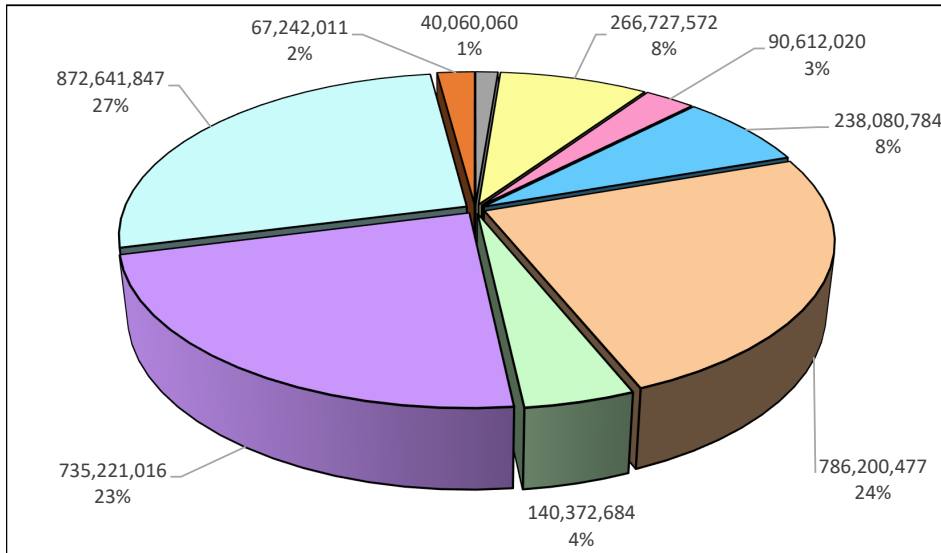
Portfolio Composition				
	Book Value	Market Value*	% of Portfolio**	Permitted by Policy
U.S. Treasuries	735,221,016	694,849,312	23%	100%
Federal Agencies	867,633,646	830,281,624	27%	75%
Agency Mortgage Backed Securities (MBS)	5,008,201	4,804,201	<1%	30%
U.S. Instrumentalities-Supranationals	67,242,011	64,159,951	2%	30%
Negotiable CDs	238,080,784	237,631,204	7%	30%
Corporate Bonds and Notes	765,261,818	744,238,894	24%	30%
Municipal Obligations	140,372,684	136,787,400	4%	30%
Asset Backed Securities	20,938,659	20,212,843	1%	20%
Commercial Paper	90,612,020	90,519,872	3%	40%
Local Agency Investment Fund (LAIF)	227,328	227,328	<1%	\$75 million
California Asset Management Program (CAMP)	266,500,244	266,500,244	8%	50%
Money Market Funds	22,636,167	22,636,167	1%	15%
Money Market Accounts	9,174,228	9,174,228	<1%	50%
Cash	8,249,665	8,249,665	<1%	100%
Total	\$3,237,158,472	\$3,130,272,932	100%	

* Market Prices were provided by U.S. Bank.

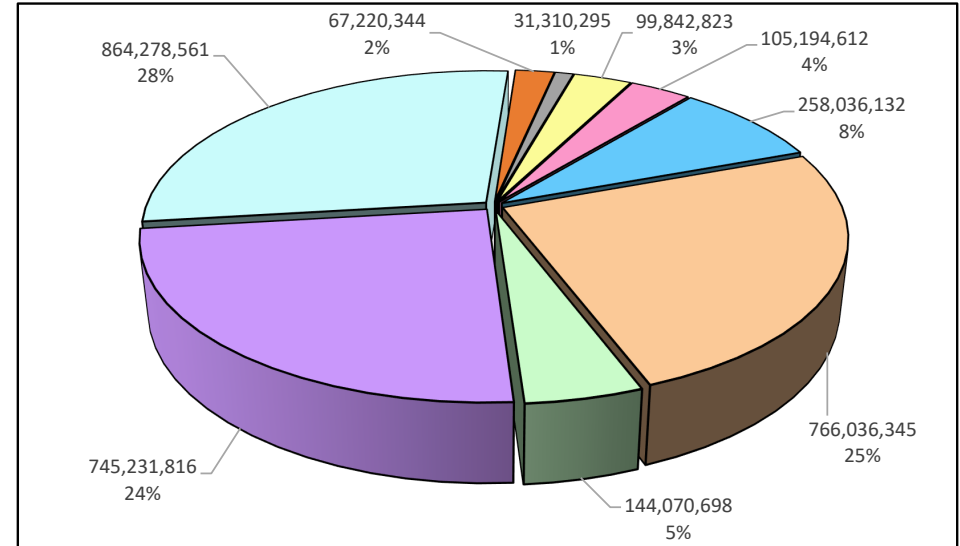
** Detail may not add to total due to rounding.



JUNE 30, 2023



MARCH 31, 2023



Security Type	Book Value	% of Total
Cash	8,249,665	0.25%
Money Market Accounts	9,174,228	0.28%
Money Market Funds	22,636,167	0.70%
LAIF Managed Pool	227,328	0.01%
California Asset Management Program	266,500,244	8.23%
Commercial Paper - Discount	90,612,020	2.80%
Negotiable Certificates of Deposit	238,080,784	7.35%
Corporate Notes	745,964,943	23.04%
Corporate Notes - Floaters	4,300,000	0.13%
Corporate Notes - Step Ups	14,996,875	0.46%
Corporate Asset Backed Securities	20,938,659	0.65%
Municipal Bonds	130,772,684	4.04%
Municipal Promissory Notes	9,600,000	0.30%
Treasury Securities	735,221,016	22.71%
Agency Issues	744,290,058	22.99%
Agency Issues - Step Ups	123,343,588	3.81%
Agency Mortgage Backed Securities	5,008,201	0.15%
Supranationals	67,242,011	2.08%
	3,237,158,472	100.00%

Security Type	Book Value	% of Total
Cash	9,329,829	0.30%
Money Market Accounts	5,138,431	0.17%
Money Market Funds	16,842,035	0.55%
LAIF Managed Pool	225,806	0.01%
California Asset Management Program	99,617,017	3.23%
Commercial Paper - Discount	105,194,612	3.41%
Negotiable Certificates of Deposit	258,036,132	8.37%
Corporate Notes / Bonds	721,763,582	23.42%
Corporate Notes / Bonds - Floaters	4,300,000	0.14%
Corporate Notes - Step Ups	14,995,625	0.49%
Corporate Asset Backed Securities	24,977,138	0.81%
Municipal Bonds	134,470,698	4.36%
Municipal Promissory Notes	9,600,000	0.31%
Treasury Securities	745,231,816	24.19%
Agency Issues	737,336,872	23.93%
Agency Issues - Step Ups	123,341,773	4.00%
Agency Mortgage Backed Securities	3,599,916	0.12%
Supranationals	67,220,344	2.18%
	3,081,221,625	100.00%

The average weighted credit rating of Tulare County's portfolio is AA*.

Credit Ratings		
	Book Value	% of Portfolio
AAA	\$416,234,320	13%
A-1+/A-1 (Short-Term Rating)	\$328,692,804	10%
AA	\$1,797,624,135	56%
A	\$546,294,507	17%
BBB**	\$11,629,139	<1%
Not Rated***	\$119,259,675	4%
Cash and Money Market Accounts****	\$17,423,893	1%
Total	\$3,237,158,472	100%

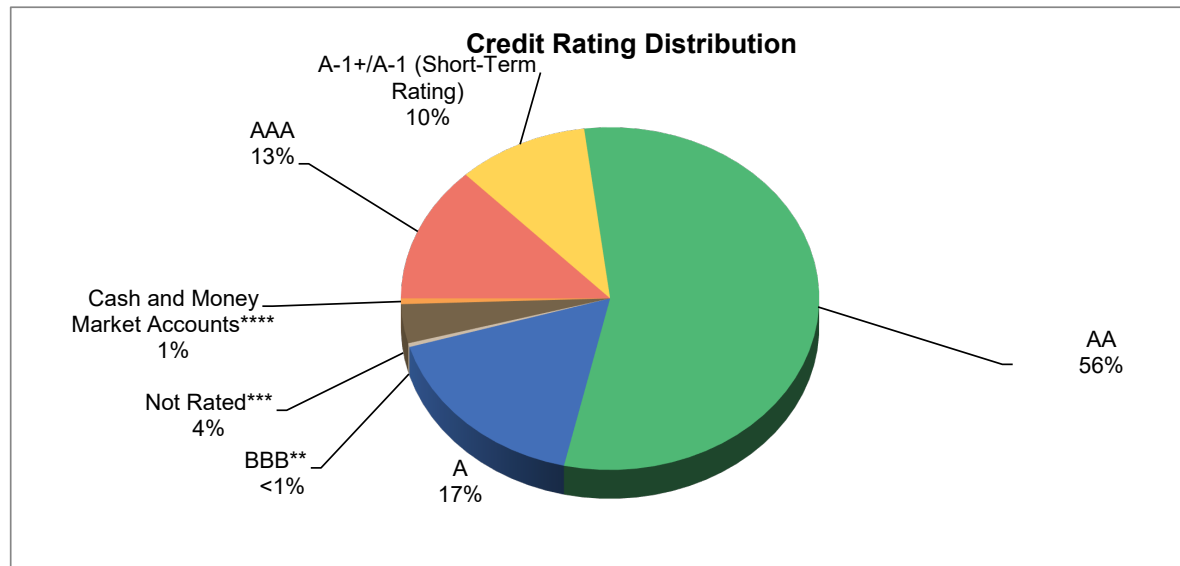
Ratings by Standard & Poor's (S&P). Includes all ratings in this category (e.g., A-, A, A+).

* Average weighted credit rating was calculated using S&P ratings. Cash/overnight securities were not included in the calculation.

** Securities rated in the BBB category by S&P are rated A- or the equivalent or better by at least one NRSRO or were rated A- or the equivalent or better by at least one NRSRO at time of purchase.

*** The portion of the portfolio that is invested in LAIF, the State of California pooled investment fund, is not rated. The remaining portion not rated comprises individual securities with ratings of A- or the equivalent or better by at least one NRSRO.

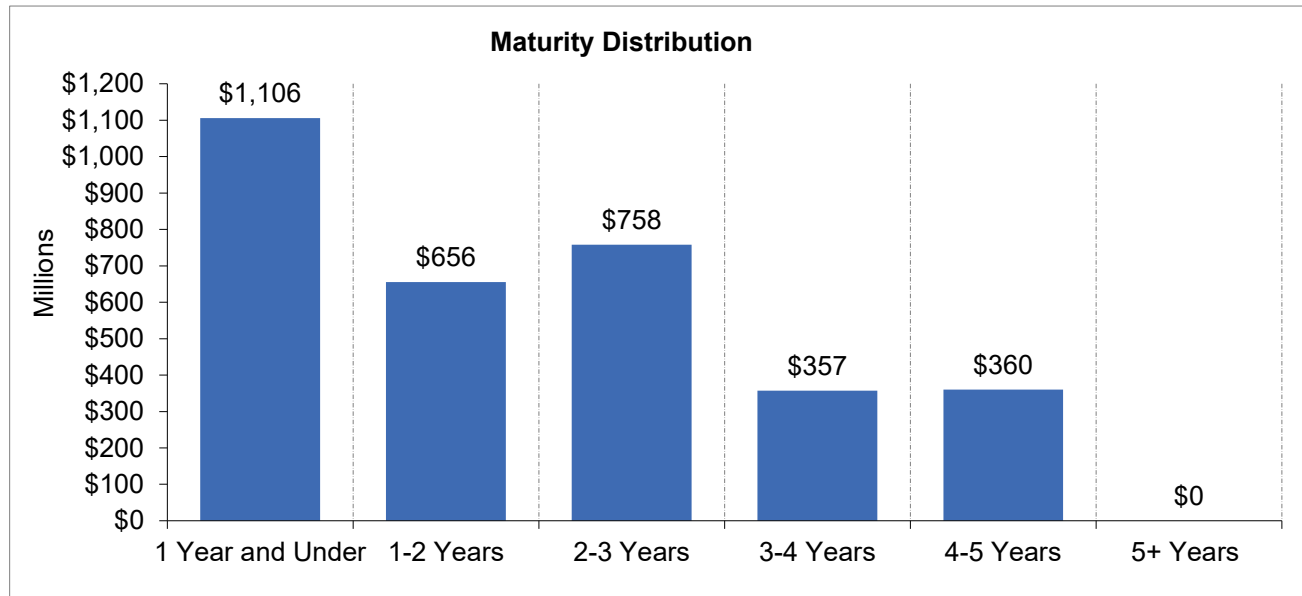
**** Fully collateralized in accordance with California government code.



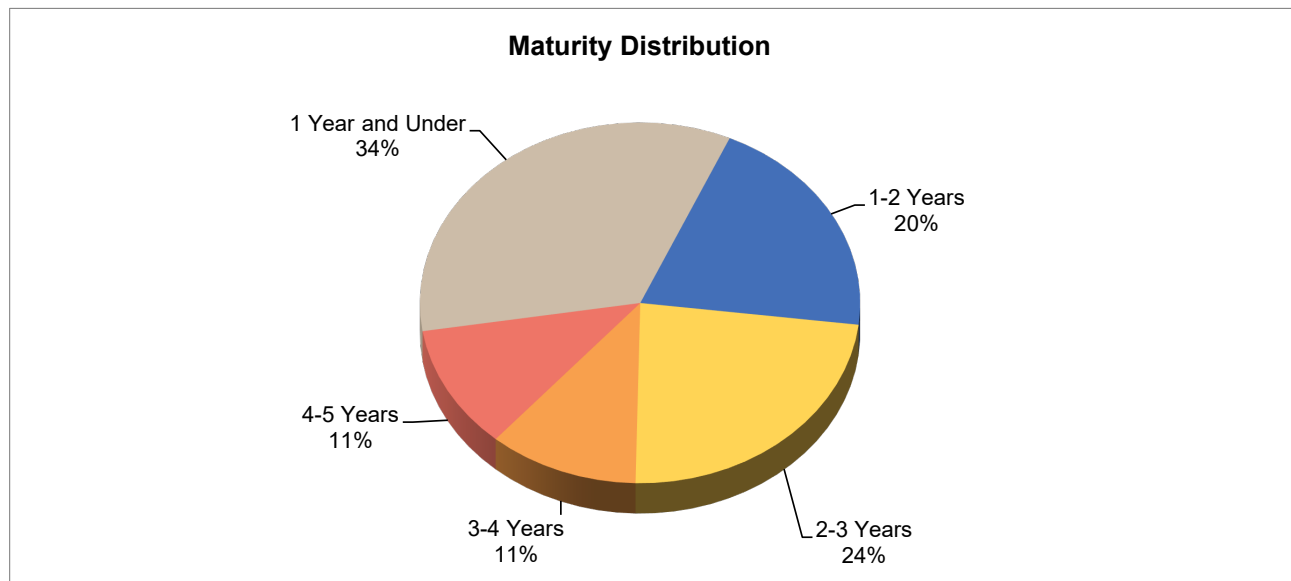
June 30, 2023

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The portfolio has a high degree of liquidity.



* Maturity Distribution values represent Book Valuation and are rounded to the nearest million.

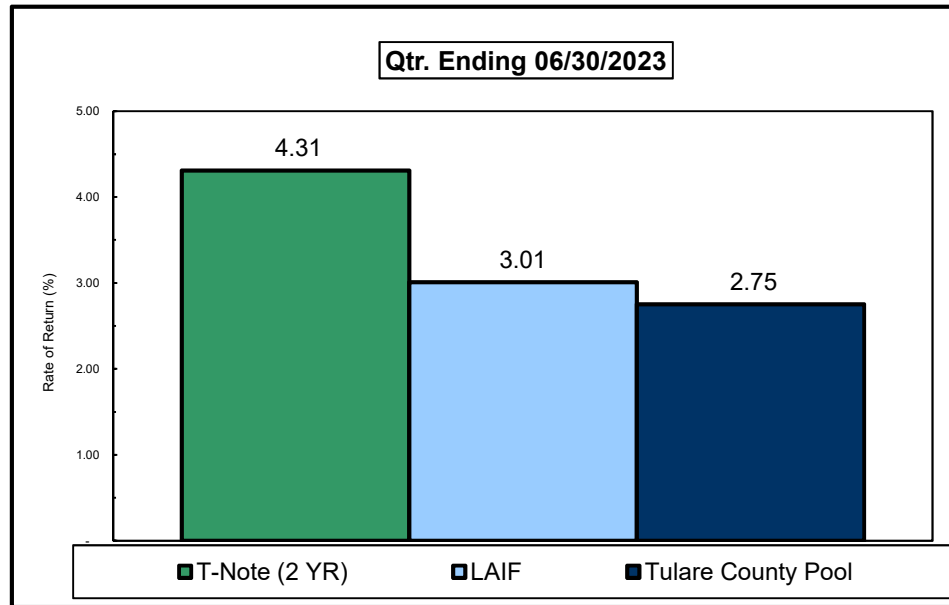


OTHER PORTFOLIO CHARACTERISTICS

	<u>LIQUID PORTFOLIO</u>		<u>PFM PORTFOLIO</u>		<u>TOTAL INVESTMENT POOL</u>	
Average Daily Balance						
<u>Month</u>						
April 2023	\$	1,951,368,350	\$	1,252,023,125	\$	3,203,391,475
May 2023	\$	1,922,193,298	\$	1,253,978,616	\$	3,176,171,914
June 2023	\$	1,879,805,753	\$	1,255,242,572	\$	3,135,048,325
<u>Quarter</u>						
Ended June 30, 2023	\$	1,917,837,531	\$	1,253,750,637	\$	3,171,588,169
<u>Fiscal Year to Date</u>						
Ended June 30, 2023	\$	1,585,501,454	\$	1,247,476,850	\$	2,832,978,304
Weighted Average Maturity as of June 30, 2023						
Average days to maturity:		565 days		842 days		672 days
Average years to maturity:		1.55 years		2.31 years		1.84 years
Effective Rate of Return and Earnings						
<u>Month</u>						
April 2023	3.46%	5,542,438	1.74%	1,790,370	2.79%	7,332,808
May 2023	3.44%	5,616,004	1.61%	1,710,019	2.72%	7,326,022
June 2023	3.59%	5,549,716	1.51%	1,557,700	2.76%	7,107,416
<u>Quarter</u>						
Ended June 30, 2023	3.49%	16,708,158	1.62%	5,058,088	2.75%	21,766,247
Treasury Fees - Quarterly					-0.03%	(235,191)
June 30, 2023 -- Net of Fees					2.72%	21,531,056

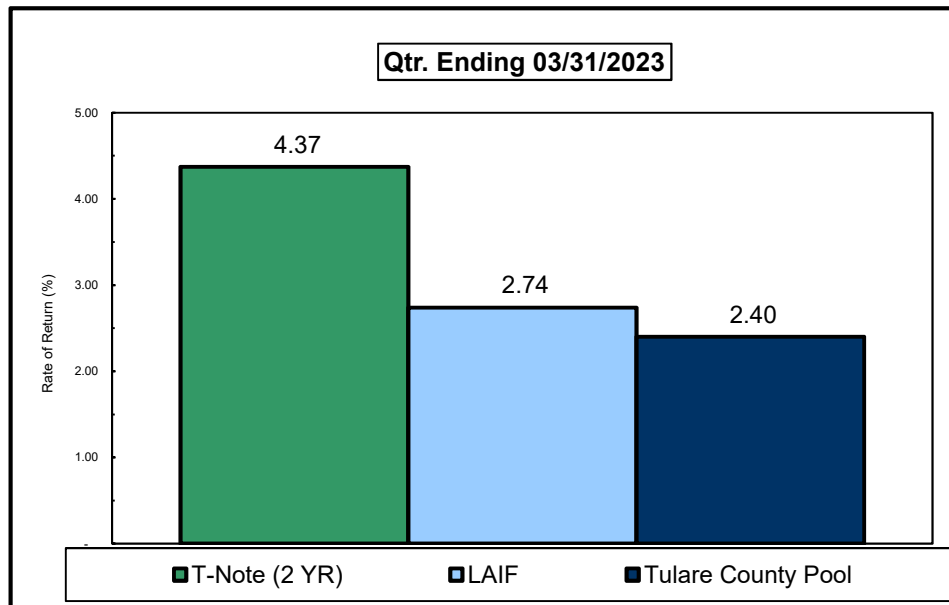
**** Detail may not add to totals due to rounding.**

**TULARE COUNTY TREASURER
INVESTMENT POOL EARNINGS COMPARISON
FOR THE QUARTER ENDING JUNE 30, 2023**



**TULARE COUNTY TREASURER
Quarter Ending 06/30/2023**

Average Daily Balance	\$ 3,171,588,169
Earning for the Quarter	\$ 21,766,247
Quarterly Rate of Return	2.75%
Weighted Avg. Yrs. to Maturity	1.84

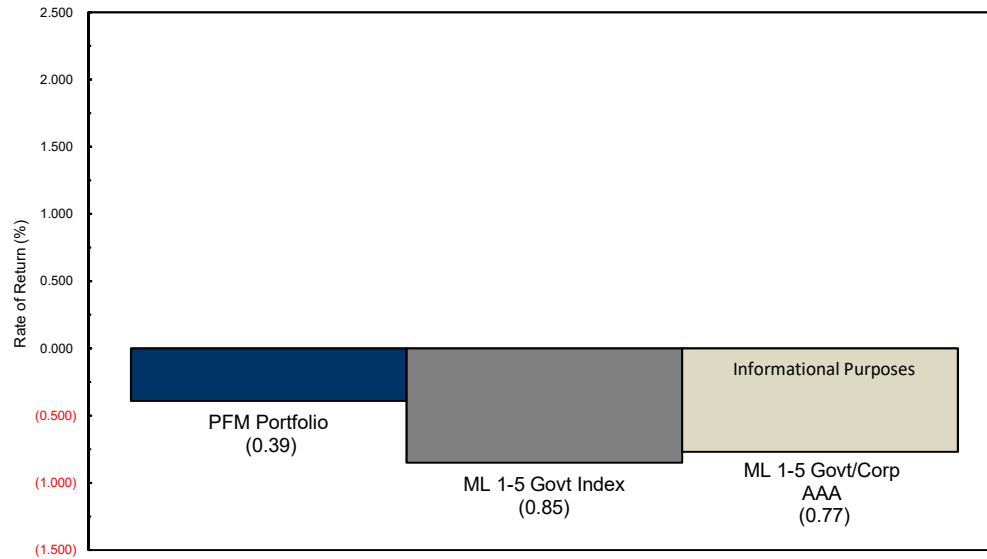


**TULARE COUNTY TREASURER
Quarter Ending 03/31/2023**

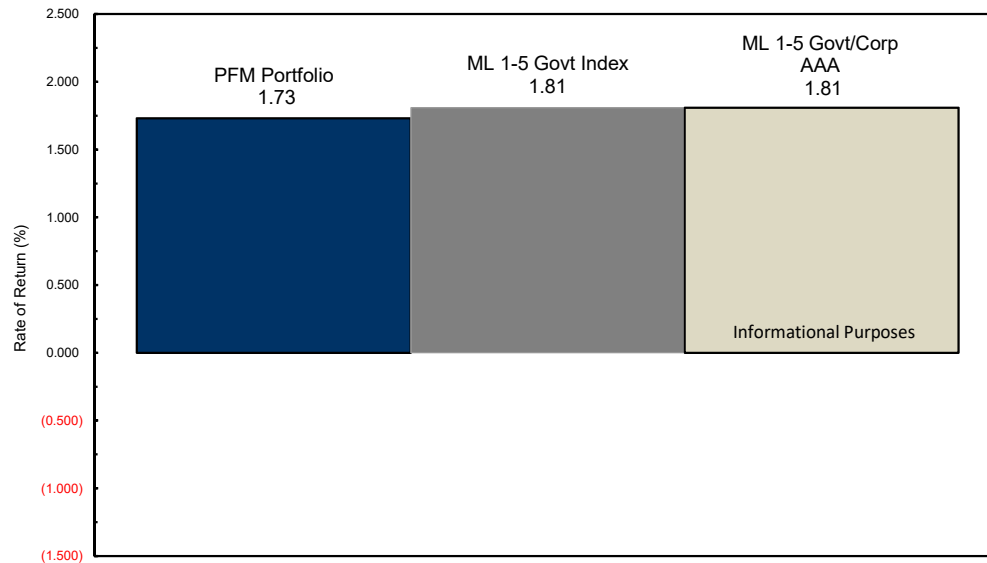
Average Daily Balance	\$ 2,933,520,862
Earning for the Quarter	\$ 17,333,988
Quarterly Rate of Return	2.40%
Weighted Avg. Yrs. to Maturity	1.93

**TULARE COUNTY TREASURER
INVESTMENT ADVISORS' BENCHMARK COMPARISON
FOR THE QUARTER ENDING JUNE 30, 2023**

Qtr. Ending 06/30/2023



Qtr. Ending 03/31/2023



TOTAL RETURN

Total return measures the portfolio's performance over time. It encompasses not only the income that the portfolio generated, but also any price appreciation or depreciation that the investments may have experienced. This equates the beginning value of the portfolio with the ending value, and includes interest earnings and both realized and unrealized gains and losses on the portfolio.

COMMENTS - CURRENT QUARTER

After plummeting at the end March due to volatility in the banking sector, yields steadily climbed throughout the three months ended June 30, 2023, particularly in short- and medium-term maturities. For example, during the quarter, the 2-year Treasury increased by 87 basis points, 0.87%, to end the quarter at a yield of 4.90%. Additionally, during the quarter, yield spreads tightened between U.S. Treasuries and other sectors as uncertainties eased throughout the quarter, reflecting a more optimistic sentiment among investors. This rate movement, of rising rates and tightening spreads, resulted in negative total returns in 1-5 year fixed income sectors for the quarter and resulted in Treasuries underperforming other sectors.

For the quarter, both the TRIP and its benchmark returned negative performance, due to the rising interest rates. However, the portfolio outperformed the benchmark by a wide margin of 46 basis points, as the portfolio returned -0.39% and the benchmark returned -0.85%. The portfolio's outperformance can be attributed to its shorter duration position relative to the benchmark, which was approximately 86% of the benchmark duration at quarter end, as shorter strategies outperformed longer strategies as rates rose. The portfolio's diversification also benefited the portfolio, as Treasuries and agencies underperformed credit instruments.

PERFORMANCE REVIEW

	CURRENT QUARTER	ANNUALIZED		
		1 YR	3YR	07/01/2006
ICE BofAML 1-5 Govt	-0.85%	-0.42%	-1.78%	2.10%
PFM Portfolio	-0.39%	0.34%	-1.30%	2.40%



**Tulare County Treasurer
Portfolio Management
Portfolio Summary
June 30, 2023**

Tulare County
County Civic Center, Room 103E
Visalia, Visalia, Ca. 93291
(559)733-6575

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM 360 Equiv.	YTM 365 Equiv.
Cash	8,249,665.18	8,249,665.18	8,249,665.18	0.25	1	1	0.000	0.000
Money Market Accounts	9,174,227.66	9,174,227.66	9,174,227.66	0.28	1	1	2.979	3.020
Money Market Fund	22,636,167.27	22,636,167.27	22,636,167.27	0.70	1	1	4.973	5.042
Managed Investment Pools	266,727,571.85	266,727,571.85	266,727,571.85	8.24	1	1	5.166	5.238
Commercial Paper - Discount	91,800,000.00	90,519,872.00	90,612,019.55	2.80	234	91	5.209	5.281
Negotiable CD's	237,905,000.00	237,631,203.75	238,080,784.46	7.35	302	92	5.019	5.088
Treasury Securities	748,601,000.00	694,849,312.46	735,221,016.22	22.71	1,590	912	1.828	1.854
Agency Issues	745,830,000.00	714,509,607.80	744,290,058.26	22.99	1,227	667	2.245	2.276
Agency - Step Ups	123,355,000.00	115,772,015.70	123,343,587.84	3.81	1,260	695	1.048	1.063
Agencies - Mortgage Backed	4,979,357.53	4,804,201.17	5,008,201.31	0.15	1,415	775	2.947	2.988
Supranationals	67,595,000.00	64,159,950.90	67,242,011.31	2.08	1,408	863	1.792	1.817
Municipal Bonds	132,365,000.00	127,187,399.55	130,772,684.17	4.04	1,351	882	3.239	3.284
Corporate Notes	761,831,000.00	725,699,624.79	745,964,942.98	23.04	1,349	911	3.248	3.293
Corporate - Step Ups	15,000,000.00	14,289,450.00	14,996,875.00	0.46	1,095	347	0.833	0.845
Corporate - Floating Rate	4,300,000.00	4,249,819.00	4,300,000.00	0.13	1,461	443	0.644	0.653
Asset Backed Securities	20,941,249.76	20,212,842.52	20,938,659.30	0.65	1,679	1,045	1.327	1.345
Promissory Notes	9,600,000.00	9,600,000.00	9,600,000.00	0.30	1,817	822	3.363	3.410
Investments	3,270,890,239.25	3,130,272,931.60	3,237,158,472.36	100.00%	1,140	672	2.900	2.940

Total Earnings	June 30 Month Ending	Fiscal Year To Date	Fiscal Year Ending
Current Year	7,107,416.11	61,255,199.99	61,255,199.99
Average Daily Balance	3,135,048,324.93	2,832,978,303.93	
Effective Rate of Return	2.76%	2.16%	


Cass Cook, Auditor-Controller/Treasurer-Tax Collector

Reporting period 06/01/2023-06/30/2023

Run Date: 07/05/2023 - 15:11

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LIP ACCOUNT
Portfolio Management
Portfolio Details - Investments
June 30, 2023

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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Cash												
SYS0002	0002	UNION BANK - CHECKING			0.00	0.00	0.00	0.170		0.172	1	
SYS0002A	0002A	BANK OF THE SIERRA			262,146.80	262,146.80	262,146.80			0.000	1	
SYS0001	0001	CASH IN VAULT			121,052.32	121,052.32	121,052.32			0.000	1	
SYS0002C	0002C	JP MORGAN CHASE			7,826,487.44	7,826,487.44	7,826,487.44			0.000	1	
SYS0002D	0002D	JP MORGAN CHASE			39,978.62	39,978.62	39,978.62			0.000	1	
Subtotal and Average			4,649,693.94		8,249,665.18	8,249,665.18	8,249,665.18			0.000	1	
Money Market Accounts												
SYS6096	6096	FIVE STAR BANK			9,174,227.66	9,174,227.66	9,174,227.66	3.020		3.020	1	
Subtotal and Average			5,757,560.99		9,174,227.66	9,174,227.66	9,174,227.66			3.020	1	
Money Market Fund												
31846V567	6384	FIRST AMERICAN GOVERNMENT FUND			0.00	0.00	0.00	4.953		4.953	1	
4812C2676	6534	JPMORGAN US GOVT MMK		09/28/2022	480,528.00	480,528.00	480,528.00	4.570		4.570	1	
61747C582	6515	MORGAN STANLEY TREASURY		09/26/2022	21,000,000.00	21,000,000.00	21,000,000.00	5.060		5.060	1	
Subtotal and Average			16,719,897.43		21,480,528.00	21,480,528.00	21,480,528.00			5.049	1	
Managed Investment Pools												
SYS4339-A	4339A	CALIFORNIA ASSET MANAGEMENT PR			266,500,244.29	266,500,244.29	266,500,244.29	5.240	AAA	5.240	1	
SYS9980	9980	LOCAL AGCY INVESTMENT FD			227,327.56	227,327.56	227,327.56	2.900		2.900	1	
Subtotal and Average			117,708,771.85		266,727,571.85	266,727,571.85	266,727,571.85			5.238	1	
Commercial Paper - Discount												
02314QUK3	6554	AMAZON.COM INC		11/09/2022	10,000,000.00	9,977,200.00	9,975,600.00	4.880		5.150	18	07/19/2023
06054PZN9	6656	BOFA SECURITIES INC		04/18/2023	15,000,000.00	14,589,300.00	14,615,750.00	5.300		5.642	174	12/22/2023
22533UX32	6617	CREDIT AGRICOLE CIB NY		02/24/2023	10,000,000.00	9,858,200.00	9,868,661.11	5.030		5.292	94	10/03/2023
43851UYM9	6659	HONEYWELL INTERNATIONAL		04/21/2023	15,000,000.00	14,668,050.00	14,704,466.66	4.960		5.257	143	11/21/2023
4497W1Y34	6613	ING (US) FUNDING LLC		02/08/2023	10,000,000.00	9,807,000.00	9,826,388.89	5.000		5.290	125	11/03/2023
63873KW11	6561	NATIXIS NY		12/08/2022	10,000,000.00	9,911,800.00	9,909,411.11	5.260		5.585	62	09/01/2023
71344UU56	6636	PEPSICO		03/28/2023	4,000,000.00	3,998,880.00	3,997,826.67	4.890		5.025	4	07/05/2023
74271UWJ5	6637	PROCTER & GAMBLE		03/28/2023	7,800,000.00	7,709,442.00	7,716,470.67	4.880		5.067	79	09/18/2023
78015DU32	6540	ROYAL BANK OF CANADA		10/06/2022	10,000,000.00	10,000,000.00	9,997,444.44	4.600		4.865	2	07/03/2023
Subtotal and Average			108,394,996.73		91,800,000.00	90,519,872.00	90,612,019.55			5.281	91	
Negotiable CD's												
06052TS50	6551	BANK OF AMERICA BN		11/07/2022	15,000,000.00	15,002,400.00	15,000,000.00	5.550		5.627	37	08/07/2023
06367CWX9	6490	BANK OF MONTREAL CHICAGO		07/06/2022	15,000,000.00	14,995,950.00	15,000,000.00	3.620		3.670	5	07/06/2023
06367CYD3	6543	BANK OF MONTREAL CHICAGO		10/07/2022	10,000,000.00	9,982,500.00	10,000,000.00	5.000		5.069	97	10/06/2023

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Portfolio Management
Portfolio Details - Investments
June 30, 2023

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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Negotiable CD's												
06417MX34	6654	BANK OF NOVA SCOTIA HOUSTON		04/13/2023	15,000,000.00	14,898,300.00	15,000,000.00	5.160		5.232	289	04/15/2024
20271EC23	6567	COMMONWEALTH BANK OF		12/14/2022	15,000,000.00	14,999,850.00	15,000,000.00	5.170		5.242	13	07/14/2023
13606KST4	6611	CANADIAN IMPERIAL BANK		02/06/2023	15,000,000.00	14,968,950.00	15,000,000.00	5.090		5.161	125	11/03/2023
23344NN51	6606	DNB NOR BANK ASA NY		02/01/2023	15,000,000.00	14,966,250.00	15,000,000.00	5.010		5.080	129	11/07/2023
63873QXS8	6550	NATIXIS NY		11/04/2022	20,000,000.00	20,006,000.00	20,000,000.00	5.590		5.668	66	09/05/2023
63873QZQ0	6592	NATIXIS NY		01/05/2023	20,000,000.00	19,988,800.00	20,000,000.00	5.390		5.465	96	10/05/2023
86959RF39	6523	SVENSKA HANDELSBANKEN NY		09/28/2022	7,160,000.00	7,176,015.53	7,182,732.37	4.025		4.765	52	08/22/2023
89115BEW6	6500	TORONTO DOMINION BANK NY		08/08/2022	15,000,000.00	14,998,500.00	15,000,000.00	4.020		4.076	2	07/03/2023
89115B7A2	6524	TORONTO DOMINION BANK NY		09/28/2022	3,700,000.00	3,727,861.00	3,729,077.84	4.070		4.715	17	07/18/2023
89115BAN0	6541	TORONTO DOMINION BANK NY		10/06/2022	15,000,000.00	15,116,475.00	15,122,303.05	3.930		4.665	19	07/20/2023
89115BCC2	6664	TORONTO DOMINION BANK NY		04/28/2023	15,000,000.00	14,962,500.00	15,000,000.00	5.280		5.353	187	01/04/2024
96130AQX9	6562	WESTPAC BANKING CORP NY		12/08/2022	15,000,000.00	15,000,000.00	15,000,000.00	5.180		5.252	6	07/07/2023
96130ARD2	6565	WESTPAC BANKING CORP NY		12/12/2022	15,000,000.00	14,999,850.00	15,000,000.00	5.170		5.242	16	07/17/2023
96130ASD1	6618	WESTPAC BANKING CORP NY		02/24/2023	4,200,000.00	4,189,787.00	4,201,671.20	5.340		5.516	230	02/16/2024
Subtotal and Average			260,062,002.77		230,060,000.00	229,979,988.53	230,235,784.46			5.073	78	
Treasury Securities												
91282XT2	6350	U.S. TREASURY NOTE		10/01/2021	15,000,000.00	14,540,700.00	15,213,033.14	2.000		0.441	335	05/31/2024
91282CEU1	6476	U.S. TREASURY NOTE		06/27/2022	10,000,000.00	9,619,100.00	9,958,181.73	2.875		3.100	715	06/15/2025
912828Y79	6485	U.S. TREASURY NOTE		06/29/2022	15,000,000.00	14,420,550.00	14,902,345.08	2.875		3.205	761	07/31/2025
912828Y95	6486	U.S. TREASURY NOTE		06/29/2022	15,000,000.00	13,887,900.00	14,412,866.04	1.875		3.240	1,126	07/31/2026
9128282A7	6582	U.S. TREASURY NOTE		12/28/2022	15,000,000.00	13,710,300.00	13,894,817.59	1.500		4.058	1,141	08/15/2026
91282CFB2	6662	U.S. TREASURY NOTE		04/27/2023	15,000,000.00	14,239,547.24	14,602,115.17	2.750		3.630	1,491	07/31/2027
Subtotal and Average			82,963,442.76		85,000,000.00	80,418,097.24	82,983,358.75			2.909	933	
Treasury - Discount												
Subtotal and Average			2,499,282.64									
Agency Issues												
31422XMJ8	6340	FARMER MAC		09/24/2021	15,000,000.00	14,112,600.00	15,000,000.00	0.500		0.500	451	09/24/2024
31422XSK9	6385	FARMER MAC		01/05/2022	15,000,000.00	14,996,100.00	15,000,000.00	0.600		0.600	4	07/05/2023
31422XA77	6492	FARMER MAC		07/07/2022	15,000,000.00	14,965,500.00	15,000,000.00	3.030		3.031	37	08/07/2023
31422XJ78	6544	FARMER MAC		10/12/2022	15,000,000.00	14,941,650.00	15,000,000.00	4.375		4.375	103	10/12/2023
31422XZ70	6640	FARMER MAC		03/30/2023	15,000,000.00	14,795,400.00	15,000,000.00	3.950		3.951	1,461	07/01/2027
31422X2J0	6655	FARMER MAC		04/17/2023	15,000,000.00	14,784,750.00	15,000,000.00	4.250		4.250	656	04/17/2025
31422X2M3	6658	FARMER MAC		04/21/2023	15,000,000.00	14,729,550.00	15,000,000.00	3.750		3.751	1,431	06/01/2027
3133ENZS2	6479	FEDERAL FARM CREDIT BANK		06/28/2022	10,000,000.00	9,771,100.00	9,999,107.50	3.100		3.109	363	06/28/2024
3133EM2E1	6560	FEDERAL FARM CREDIT BANK		12/08/2022	10,000,000.00	9,945,500.00	9,950,186.36	0.160		4.890	40	08/10/2023

Portfolio CNTY

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LIP ACCOUNT
Portfolio Management
Portfolio Details - Investments
June 30, 2023

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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Agency Issues												
3133EPER2	6633	FEDERAL FARM CREDIT BANK		03/28/2023	10,000,000.00	9,800,500.00	9,998,519.58	4.000		4.009	636	03/28/2025
3133EPET8	6634	FEDERAL FARM CREDIT BANK		03/28/2023	15,000,000.00	14,728,500.00	14,991,323.68	3.750		3.772	1,101	07/06/2026
3133EPFU4	6652	FEDERAL FARM CREDIT BANK		04/12/2023	15,000,000.00	14,559,450.00	14,867,196.17	3.500		3.705	1,747	04/12/2028
3133EPHT5	6667	FEDERAL FARM CREDIT BANK		05/03/2023	10,000,000.00	9,772,800.00	9,967,095.56	3.625		3.700	1,768	05/03/2028
3133EPHT5	6668	FEDERAL FARM CREDIT BANK		05/03/2023	15,000,000.00	14,659,200.00	14,939,465.50	3.625		3.717	1,768	05/03/2028
3130ANBD1	6311	FEDERAL HOME LOAN BANKS		07/26/2021	5,615,000.00	5,324,536.05	5,615,000.00	0.500		0.500	391	07/26/2024
3130ANBC3	6312	FEDERAL HOME LOAN BANKS		07/29/2021	4,375,000.00	4,147,631.25	4,375,000.00	0.510		0.510	394	07/29/2024
3130ANKC3	6321	FEDERAL HOME LOAN BANKS		08/24/2021	3,000,000.00	2,780,070.00	3,000,000.00	0.600		0.600	604	02/24/2025
3130ANH3	6325	FEDERAL HOME LOAN BANKS		08/26/2021	6,050,000.00	5,555,473.00	6,050,000.00	0.670		0.670	726	06/26/2025
3130ANXV7	6336	FEDERAL HOME LOAN BANKS		09/10/2021	15,000,000.00	13,881,000.00	15,000,000.00	0.550		0.550	618	03/10/2025
3130ANU65	6337	FEDERAL HOME LOAN BANKS		09/13/2021	10,000,000.00	9,418,400.00	9,998,800.00	0.480		0.490	440	09/13/2024
3130APCH6	6346	FEDERAL HOME LOAN BANKS		09/29/2021	10,000,000.00	8,958,100.00	10,000,000.00	1.125		1.125	1,186	09/29/2026
3130APC52	6356	FEDERAL HOME LOAN BANKS		10/14/2021	15,000,000.00	13,713,300.00	14,995,713.54	0.875		0.888	836	10/14/2025
3130APFE0	6357	FEDERAL HOME LOAN BANKS		10/14/2021	15,000,000.00	13,798,050.00	15,000,000.00	0.810		0.810	744	07/14/2025
3130APEY7	6358	FEDERAL HOME LOAN BANKS		10/21/2021	10,000,000.00	8,968,500.00	10,000,000.00	1.025		1.025	1,116	07/21/2026
3130APT54	6365	FEDERAL HOME LOAN BANKS		11/16/2021	15,000,000.00	14,380,200.00	15,000,000.00	0.710		0.710	320	05/16/2024
3130APU29	6379	FEDERAL HOME LOAN BANKS		12/28/2021	10,000,000.00	9,824,600.00	9,990,977.05	0.500		0.756	131	11/09/2023
3130AQG72	6395	FEDERAL HOME LOAN BANKS		01/19/2022	15,000,000.00	14,634,300.00	15,000,000.00	0.760		0.760	202	01/19/2024
3130APRR8	6418	FEDERAL HOME LOAN BANKS		03/03/2022	5,035,000.00	4,744,530.85	4,986,380.13	1.050		1.774	503	11/15/2024
3130ASHV4	6478	FEDERAL HOME LOAN BANKS		06/28/2022	5,000,000.00	4,991,600.00	5,000,121.15	3.050		3.018	27	07/28/2023
3130ASKW8	6487	FEDERAL HOME LOAN BANKS		06/30/2022	15,000,000.00	14,943,150.00	15,000,000.00	3.050		3.052	60	08/30/2023
3130ATGD3	6545	FEDERAL HOME LOAN BANKS		10/20/2022	10,000,000.00	9,886,500.00	10,000,000.00	5.000		5.000	842	10/20/2025
3130AT3C9	6586	FEDERAL HOME LOAN BANKS		12/29/2022	11,225,000.00	10,988,152.50	11,105,333.94	3.625		4.600	419	08/23/2024
3130AUEL4	6588	FEDERAL HOME LOAN BANKS		12/30/2022	15,000,000.00	14,741,100.00	15,000,000.00	3.970		3.970	1,475	07/15/2027
3130AUEY6	6589	FEDERAL HOME LOAN BANKS		12/30/2022	15,000,000.00	14,875,050.00	15,000,000.00	4.580		4.582	395	07/30/2024
3130AUHV9	6600	FEDERAL HOME LOAN BANKS		01/27/2023	20,000,000.00	19,848,800.00	20,000,000.00	5.160		5.164	454	09/27/2024
3130AUUQ5	6616	FEDERAL HOME LOAN BANKS		02/13/2023	10,000,000.00	9,907,700.00	10,000,000.00	5.020		5.020	593	02/13/2025
3130APYA7	6621	FEDERAL HOME LOAN BANKS		03/01/2023	10,000,000.00	9,581,100.00	9,616,995.68	1.040		5.248	349	06/14/2024
3130AV5W8	6624	FEDERAL HOME LOAN BANKS		03/03/2023	15,000,000.00	14,919,000.00	15,000,000.00	5.400		5.402	1,433	06/03/2027
3130ALHH0	6631	FEDERAL HOME LOAN BANKS		03/27/2023	10,000,000.00	9,050,466.67	9,277,399.75	0.960		3.864	978	03/05/2026
3130AVN99	6651	FEDERAL HOME LOAN BANKS		04/12/2023	15,000,000.00	14,869,650.00	15,000,000.00	4.510		4.515	395	07/30/2024
3134GYAS1	6575	FED. HOME LOAN MTG. CORP.		12/20/2022	15,000,000.00	14,857,350.00	15,000,000.00	4.950		4.949	733	07/03/2025
3135G05P4	6319	FED. NAT'L. MTG. ASSN.		08/20/2021	14,100,000.00	14,036,550.00	14,100,718.84	0.300		0.242	33	08/03/2023
3135G0U43	6593	FED. NAT'L. MTG. ASSN.		01/06/2023	6,000,000.00	5,969,220.00	5,978,578.78	2.875		4.730	73	09/12/2023
Subtotal and Average			518,421,748.35		515,400,000.00	500,156,680.32	513,803,913.21			2.968	681	

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Agency - Step Ups												
3130ANVZ0	6338	FEDERAL HOME LOAN BANKS		09/14/2021	21,250,000.00	19,767,175.00	21,250,000.00	0.700		0.604	622	03/14/2025
3130APFX8	6359	FEDERAL HOME LOAN BANKS		10/28/2021	15,000,000.00	14,154,300.00	15,000,000.00	0.750		0.563	485	10/28/2024
3130APHJ7	6360	FEDERAL HOME LOAN BANKS		10/28/2021	15,000,000.00	13,626,450.00	15,000,000.00	1.625		1.370	1,215	10/28/2026
3130AQEE9	6380	FEDERAL HOME LOAN BANKS		12/28/2021	15,000,000.00	14,397,750.00	15,000,000.00	1.250		0.950	363	06/28/2024
3130AQDM2	6383	FEDERAL HOME LOAN BANKS		12/30/2021	5,000,000.00	4,725,800.00	5,000,000.00	1.125		1.000	548	12/30/2024
3130AQFZ1	6396	FEDERAL HOME LOAN BANKS		01/21/2022	10,000,000.00	9,468,200.00	10,000,000.00	1.250		1.083	570	01/21/2025
3130AQK93	6399	FEDERAL HOME LOAN BANKS		01/26/2022	10,000,000.00	9,270,500.00	10,000,000.00	1.000		1.000	940	01/26/2026
3130AQMU4	6402	FEDERAL HOME LOAN BANKS		01/28/2022	10,000,000.00	9,540,600.00	10,000,000.00	1.250		1.080	485	10/28/2024
3130AQS79	6410	FEDERAL HOME LOAN BANKS		02/07/2022	10,000,000.00	9,212,300.00	10,000,000.00	1.375		1.375	1,133	08/07/2026
3130AQPY3	6412	FEDERAL HOME LOAN BANKS		02/14/2022	5,000,000.00	4,739,300.00	5,000,000.00	1.000		1.000	594	02/14/2025
3130AQNBS	6419	FEDERAL HOME LOAN BANKS		03/03/2022	2,105,000.00	1,989,940.70	2,093,587.84	1.750		1.795	576	01/27/2025
3130ARL25	6447	FEDERAL HOME LOAN BANKS		04/25/2022	5,000,000.00	4,879,700.00	5,000,000.00	3.500		3.167	664	04/25/2025
Subtotal and Average			123,343,295.47		123,355,000.00	115,772,015.70	123,343,587.84			1.063	695	
Supranationals												
459058KC6	6366	INTL BK RECON & DEVELOP		11/16/2021	15,000,000.00	13,761,450.00	15,000,000.00	0.700	AAA	0.700	1,234	11/16/2026
459058HT3	6381	INTL BK RECON & DEVELOP		12/28/2021	10,000,000.00	9,480,900.00	10,093,730.54	1.626	AAA	1.006	564	01/15/2025
459058EP4	6480	INTL BK RECON & DEVELOP		06/28/2022	10,000,000.00	9,541,800.00	9,862,454.65	2.500	AAA	3.200	759	07/29/2025
45906M3G4	6528	INTL BK RECON & DEVELOP		09/29/2022	13,785,000.00	13,309,968.90	13,481,358.27	4.000		4.593	1,531	09/09/2027
Subtotal and Average			48,434,410.74		48,785,000.00	46,094,118.90	48,437,543.46			2.356	1,080	
Municipal Bonds												
13063DDG0	6441	STATE OF CALIFORNIA		04/18/2022	3,000,000.00	2,975,520.00	3,000,361.38	2.250		2.200	92	10/01/2023
13063D3A4	6566	STATE OF CALIFORNIA		12/14/2022	10,000,000.00	10,209,900.00	10,408,943.67	5.700		4.323	1,188	10/01/2026
13063D3N6	6639	STATE OF CALIFORNIA		03/30/2023	5,000,000.00	4,998,245.83	5,137,465.07	4.846		4.087	1,339	03/01/2027
134159A44	6472	CAMPBELL UNION HIGH SCHOOL		06/22/2022	1,730,000.00	1,536,188.10	1,594,709.09	0.896	AAA	3.650	1,127	08/01/2026
20772KEY1	6577	STATE OF CONNECTICUT		12/21/2022	4,960,000.00	4,800,139.20	4,874,901.83	3.850		4.304	1,537	09/15/2027
20772KJY6	6642	STATE OF CONNECTICUT		03/31/2023	3,975,000.00	3,718,632.38	3,787,298.98	2.350		4.263	1,096	07/01/2026
542411NK5	6493	LONG BEACH CCC		07/07/2022	1,775,000.00	1,663,725.25	1,733,072.86	2.057	AA	3.257	762	08/01/2025
544351QR3	6522	CITY OF LOS ANGELES		09/28/2022	11,125,000.00	11,133,455.00	11,388,253.87	5.000	AA	4.171	1,158	09/01/2026
54438CYL0	6495	LOS ANGELES COMMUNIT COLLEGE		07/08/2022	5,270,000.00	4,679,338.40	4,945,247.69	1.174		3.327	1,127	08/01/2026
544646A77	6555	LOS ANGELES USD		11/10/2022	10,830,000.00	11,038,044.30	11,055,155.09	5.720		5.106	1,400	05/01/2027
649791PS3	6584	STATE OF NEW YORK		12/29/2022	5,000,000.00	4,599,800.00	4,633,063.53	2.360		4.607	1,325	02/15/2027
649791RB8	6585	STATE OF NEW YORK		12/29/2022	6,340,000.00	5,782,650.60	5,853,626.02	1.500		4.581	988	03/15/2026
801546QU9	6460	COUNTY OF SANTA CLARA		05/31/2022	13,470,000.00	12,965,683.20	13,374,093.60	2.000	AAA	2.680	397	08/01/2024
797508HG6	6619	SAN DIEGUITO USD		02/28/2023	6,500,000.00	5,839,567.50	5,865,499.68	1.940	AA	4.652	1,492	08/01/2027
7994082D0	6364	SAN RAMON VALLEY USD		11/03/2021	4,635,000.00	4,401,396.00	4,635,000.00			0.688	397	08/01/2024
97705MQK4	6542	STATE OF WISCONSIN		10/06/2022	6,880,000.00	6,488,751.85	6,588,456.10	1.875		4.342	670	05/01/2025

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Municipal Bonds												
987388GW9	6414	YOSEMITE COMMUNITY COLLEGE DIS		02/17/2022	2,000,000.00	1,841,340.00	2,000,000.00	1.912		1.912	1,127	08/01/2026
Subtotal and Average			100,849,275.58		102,490,000.00	98,672,377.61	100,875,148.46			3.851	1,021	
Corporate Notes												
037833BG4	6573	APPLE INC		12/16/2022	5,000,000.00	4,837,150.00	4,904,160.55	3.200		4.291	682	05/13/2025
037833EB2	6607	APPLE INC		02/02/2023	4,286,000.00	3,863,700.42	3,921,751.17	0.700		4.211	953	02/08/2026
00724PAB5	6445	ADOBE INC		04/25/2022	7,000,000.00	6,651,890.00	6,876,053.61	1.900		3.074	581	02/01/2025
039483BL5	6525	ARCHER DANIELS MIDLAND CORP		09/29/2022	6,900,000.00	6,463,575.00	6,466,299.31	2.500	A	4.734	1,137	08/11/2026
023135CP9	6557	AMAZON.COM INC		12/01/2022	10,000,000.00	9,937,200.00	9,994,876.67	4.550	AA	4.563	1,614	12/01/2027
009158AV8	6469	AIR PRODUCTS & CHEMICALS		06/17/2022	2,250,000.00	2,191,837.50	2,243,174.66	3.350	A	3.638	396	07/31/2024
06051GFB0	6320	BANK OF AMERICA CORP		08/23/2021	2,793,000.00	2,768,700.90	2,847,763.27			0.583	205	01/22/2024
06048WW63	6471	BANK OF AMERICA CORP		06/22/2022	5,000,000.00	4,845,050.00	5,000,000.00	5.000		5.000	1,452	06/22/2027
05552JAA7	6326	BBVA USA		08/30/2021	10,000,000.00	9,581,400.00	10,206,648.10	2.500	A	0.690	423	08/27/2024
09247XAN1	6628	BLACKROCK INC.		03/09/2023	5,000,000.00	4,732,550.00	4,723,236.51	3.200		4.862	1,353	03/15/2027
17330PNQ8	6489	CITIGROUP INC		07/01/2022	5,000,000.00	4,982,500.00	5,000,000.00	3.800	A	2.057	29	07/30/2023
194162AM5	6501	COLGATE-PALMOLIVE CO		08/09/2022	2,000,000.00	1,925,480.00	1,998,705.56	3.100		3.132	776	08/15/2025
194162AR4	6622	COLGATE-PALMOLIVE CO		03/03/2023	10,000,000.00	10,052,955.56	9,989,474.36	4.600		4.632	1,705	03/01/2028
231021AU0	6409	CUMMINS INC		02/04/2022	7,650,000.00	6,964,560.00	7,491,204.55	0.750		1.742	793	09/01/2025
231021AU0	6578	CUMMINS INC		12/22/2022	9,551,000.00	8,695,230.40	8,832,007.82	0.750		4.476	793	09/01/2025
20826FAD8	6477	CONOCOPHILLIPS COMPANY		06/28/2022	4,120,000.00	3,991,991.60	4,103,375.78	3.350		3.658	503	11/15/2024
17275RAW2	6580	CISCO SYSTEMS INC		12/23/2022	12,145,000.00	11,786,722.50	11,944,667.41	3.500		4.399	715	06/15/2025
166756AE6	6353	CHEVERON CORPORATION		10/06/2021	3,258,000.00	2,975,987.52	3,246,014.74	0.687		0.864	773	08/12/2025
166756AM8	6444	CHEVERON CORPORATION		04/22/2022	12,000,000.00	12,025,200.00	12,149,619.51	7.250		2.813	106	10/15/2023
166756AE6	6657	CHEVERON CORPORATION		04/18/2023	15,000,000.00	13,720,492.50	13,923,928.47	0.687		4.354	773	08/12/2025
24422EVX4	6391	JOHN DEERE CAPITAL CORPORATION		01/10/2022	1,000,000.00	975,770.00	999,958.00	0.900	A	0.908	193	01/10/2024
24422EVR7	6526	JOHN DEERE CAPITAL CORPORATION		09/29/2022	7,075,000.00	6,352,571.75	6,382,527.24	1.050	A	4.690	1,082	06/17/2026
24422EWW7	6623	JOHN DEERE CAPITAL CORPORATION		03/03/2023	10,000,000.00	10,059,600.00	9,987,852.22	4.900	A	4.930	1,707	03/03/2028
29449WAJ6	6463	EQUITABLE FINANCIAL LIFE		06/02/2022	3,000,000.00	2,833,710.00	2,917,328.01	0.800		3.388	408	08/12/2024
369550AW8	6464	GENERAL DYNAMICS CORPORATION		06/02/2022	5,864,000.00	5,841,071.76	5,859,221.04	1.875		2.555	45	08/15/2023
437076BK7	6535	HOME DEPOT INC		10/03/2022	3,843,000.00	3,708,187.56	3,749,534.69	3.350	A	4.540	807	09/15/2025
437076BT8	6537	HOME DEPOT INC		10/03/2022	5,000,000.00	4,652,250.00	4,659,723.67	2.800	A	4.630	1,536	09/14/2027
459200HU8	6436	IBM CORP.		04/04/2022	8,984,000.00	8,857,684.96	9,044,723.10	3.625		2.490	226	02/12/2024
459200HU8	6443	IBM CORP.		04/19/2022	5,250,000.00	5,176,185.00	5,277,753.61	3.625		2.735	226	02/12/2024
459200KS9	6529	IBM CORP.		09/29/2022	5,000,000.00	4,887,100.00	4,919,390.96	4.000		4.840	757	07/27/2025
459200JG7	6569	IBM CORP.		12/14/2022	5,000,000.00	4,780,050.00	4,858,627.95	3.450		4.615	964	02/19/2026
459200AR2	6641	IBM CORP.		03/30/2023	1,468,000.00	1,552,621.23	1,572,794.38	6.220		4.550	1,492	08/01/2027
458140AS9	6488	INTEL CORP		06/30/2022	10,000,000.00	9,725,100.00	10,009,645.09	3.700	A	3.650	759	07/29/2025
458140CD0	6615	INTEL CORP		02/10/2023	3,000,000.00	2,991,300.00	3,000,000.00	4.875	A	4.875	955	02/10/2026

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Corporate Notes												
46124HAB2	6332	INTUIT INC		09/08/2021	5,200,000.00	4,751,500.00	5,215,960.66	0.950		0.797	745	07/15/2025
46124HAB2	6349	INTUIT INC		10/01/2021	6,980,000.00	6,377,975.00	6,983,192.68	0.950		0.927	745	07/15/2025
46124HAB2	6466	INTUIT INC		06/02/2022	5,000,000.00	4,568,750.00	4,786,107.30	0.950		3.170	745	07/15/2025
478160BY9	6608	JOHNSON & JOHNSON		02/02/2023	13,113,000.00	12,384,048.33	12,597,655.55	2.450	AAA	4.031	974	03/01/2026
46625HJT8	6331	JP MORGAN CHASE & CO		09/08/2021	15,000,000.00	14,852,850.00	15,295,143.68	3.875		0.478	215	02/01/2024
191216CU2	6596	THE COCA-COLA COMPANY		01/10/2023	10,000,000.00	8,936,700.00	9,035,206.83	1.450		4.171	1,431	06/01/2027
191216CE8	6650	THE COCA-COLA COMPANY		04/12/2023	8,800,000.00	8,325,240.00	8,490,578.47	2.900		3.884	1,424	05/25/2027
532457BH0	6431	ELI LILLY & CO		03/28/2022	2,000,000.00	1,917,220.00	2,002,016.27	2.750		2.694	701	06/01/2025
532457AZ1	6470	ELI LILLY & CO		06/17/2022	8,309,000.00	8,627,733.24	8,690,068.25	5.500		4.123	1,353	03/15/2027
30303M8G0	6527	META PLATFORMS INC		09/27/2022	5,000,000.00	4,747,150.00	4,720,378.27	3.500		5.046	1,506	08/15/2027
88579YAR2	6512	3M COMPANY		09/22/2022	7,599,000.00	7,254,233.37	7,369,816.80	3.000	A	4.547	768	08/07/2025
61746BDZ6	6570	MORGAN STANLEY CO		12/14/2022	7,790,000.00	7,519,764.90	7,608,601.63	3.875		4.860	941	01/27/2026
61746BCY0	6625	MORGAN STANLEY CO		03/03/2023	5,286,000.00	5,420,616.80	5,456,246.83	6.250		5.250	1,135	08/09/2026
67066GAL8	6377	NVIDIA CORP		12/23/2021	11,330,000.00	10,823,549.00	11,285,751.52	0.584	A	1.000	349	06/14/2024
74740FEX0	6404	QUATER OATS		01/31/2022	8,000,000.00	8,002,560.00	8,068,471.58	6.810		1.590	62	09/01/2023
713448DY1	6576	PEPSICO INC		12/20/2022	10,394,000.00	9,783,144.62	9,991,820.38	3.000		4.000	1,567	10/15/2027
717081EX7	6432	PFIZER INC		03/28/2022	10,000,000.00	9,232,500.00	9,674,880.26	0.800		2.585	697	05/28/2025
717081DV2	6451	PFIZER INC		04/28/2022	9,254,000.00	8,744,844.92	9,140,147.57	2.750		3.202	1,068	06/03/2026
742718FP9	6638	PROCTER & GAMBLE CO		03/29/2023	7,990,000.00	7,231,269.60	7,351,772.12	1.000		4.050	1,027	04/23/2026
742718ER6	6653	PROCTER & GAMBLE CO		04/12/2023	7,318,000.00	6,844,013.14	6,976,381.94	2.450		3.962	1,221	11/03/2026
74368CAX2	6434	PROTECTIVE LIFE GLOBAL		03/31/2022	5,000,000.00	4,523,950.00	4,802,396.54	1.170		3.228	745	07/15/2025
74368CBF0	6579	PROTECTIVE LIFE GLOBAL		12/22/2022	8,000,000.00	7,611,360.00	7,659,090.63	0.781		5.221	370	07/05/2024
74460DAC3	6536	PUBLIC STORAGE		10/03/2022	5,000,000.00	4,662,750.00	4,669,800.17	3.094	A	4.888	1,537	09/15/2027
833034AK7	6558	SNAP-ON INC		12/01/2022	9,900,000.00	9,316,098.00	9,467,816.47	3.250		4.572	1,339	03/01/2027
857477AT0	6439	STATE STREET CORP		04/08/2022	13,900,000.00	13,391,955.00	14,044,500.26	3.550	A	3.032	779	08/18/2025
87612EBL9	6590	TARGET CORP		12/30/2022	5,000,000.00	4,761,750.00	4,810,820.12	2.250	A	4.498	654	04/15/2025
882508BK9	6339	TEXAS INSTRUMENTS INC		09/15/2021	2,000,000.00	1,784,400.00	2,000,000.00	1.125		1.125	1,172	09/15/2026
882508BC7	6559	TEXAS INSTRUMENTS INC		12/07/2022	10,000,000.00	9,315,900.00	9,430,657.19	2.900		4.372	1,586	11/03/2027
91324PCP5	6467	UNITEDHEALTH GROUP INC		06/02/2022	5,000,000.00	4,867,100.00	5,063,563.22	3.750		3.090	745	07/15/2025
91324PCP5	6626	UNITEDHEALTH GROUP INC		03/03/2023	5,669,000.00	5,546,662.98	5,550,829.30	3.750		5.110	745	07/15/2025
92826CAP7	6564	VISA INC		12/09/2022	6,177,000.00	5,351,196.87	5,427,627.61	0.750		4.012	1,506	08/15/2027
931142ER0	6533	WALMART INC		09/30/2022	10,000,000.00	8,928,300.00	9,025,865.45	1.050	AA	4.388	1,174	09/17/2026
931142ER0	6571	WALMART INC		12/14/2022	10,000,000.00	8,928,300.00	9,068,706.58	1.050	AA	4.216	1,174	09/17/2026
Subtotal and Average			465,404,700.36		473,446,000.00	450,722,761.93	460,863,914.14			3.543	892	
Corporate - Step Ups												
06048WL24	6229	BANK OF AMERICA CORP		02/16/2021	10,000,000.00	9,676,900.00	9,996,875.00	0.500		0.434	230	02/16/2024
06048WR93	6406	BANK OF AMERICA CORP		02/01/2022	5,000,000.00	4,612,550.00	5,000,000.00	1.750		1.667	581	02/01/2025

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Subtotal and Average			14,996,673.61		15,000,000.00	14,289,450.00	14,996,875.00			0.845	347	
Promissory Notes												
SYS6491	6491	EXETER PUBLIC CEMETERY		07/06/2022	100,000.00	100,000.00	100,000.00	3.410		3.410	736	07/06/2025
SYS6164	6164	LOWER TULE RIVER IRRIGATION			9,500,000.00	9,500,000.00	9,500,000.00	3.410		3.410	823	10/01/2025
Subtotal and Average			9,600,000.00		9,600,000.00	9,600,000.00	9,600,000.00			3.410	822	
Total and Average			1,879,805,753.24		2,000,567,992.69	1,941,857,354.92	1,981,384,137.56			3.663	565	

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CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	S&P	YTM 365	Days to Maturity	Maturity Date
Money Market Fund												
60934N10S	3521B	FEDERATED GOVT OBLIG			1,155,639.27	1,155,639.27	1,155,639.27	4.910	AAA	4.910	1	
Subtotal and Average			1,107,356.45		1,155,639.27	1,155,639.27	1,155,639.27			4.910	1	
Negotiable CD's												
89115B6F2	6547	TORONTO DOMINION BANK NY		10/31/2022	7,845,000.00	7,843,038.75	7,845,000.00	5.470		5.554	482	10/25/2024
Subtotal and Average			7,845,000.00		7,845,000.00	7,843,038.75	7,845,000.00			5.554	482	
Treasury Securities												
912828X70	5972	U.S. TREASURY NOTE		06/05/2019	24,490,000.00	23,809,912.70	24,508,835.83	2.000		1.903	304	04/30/2024
912828V80	5975	U.S. TREASURY NOTE		06/25/2019	13,200,000.00	12,957,648.00	13,235,906.03	2.250		1.764	214	01/31/2024
912828XX3	5976	U.S. TREASURY NOTE		07/03/2019	22,560,000.00	21,816,196.80	22,606,555.51	2.000		1.783	365	06/30/2024
912828N9	5985	U.S. TREASURY NOTE		08/05/2019	8,950,000.00	8,643,015.00	8,980,090.20	2.125		1.799	396	07/31/2024
9128282U3	5996	U.S. TREASURY NOTE		09/05/2019	17,775,000.00	17,077,864.50	17,883,536.29	1.875		1.333	427	08/31/2024
9128282Y5	6005	U.S. TREASURY NOTE		10/03/2019	13,745,000.00	13,217,192.00	13,847,910.00	2.125		1.501	457	09/30/2024
9128283D0	6023	U.S. TREASURY NOTE		11/05/2019	11,925,000.00	11,460,163.50	12,029,427.61	2.250		1.566	488	10/31/2024
912828YM6	6035	U.S. TREASURY NOTE		12/04/2019	9,450,000.00	8,991,486.00	9,426,791.70	1.500		1.692	488	10/31/2024
9128283J7	6061	U.S. TREASURY NOTE		01/07/2020	4,135,000.00	3,959,924.10	4,164,511.03	2.125		1.599	518	11/30/2024
9128285P1	6084	U.S. TREASURY NOTE		03/04/2020	20,250,000.00	20,043,652.50	20,420,053.30	2.875		0.822	152	11/30/2023
91282CBC4	6209	U.S. TREASURY NOTE		01/13/2021	14,275,000.00	12,867,056.75	14,232,551.58	0.375		0.495	914	12/31/2025
912828Y87	6210	U.S. TREASURY NOTE		01/14/2021	5,055,000.00	4,861,899.00	5,135,007.39	1.750		0.283	396	07/31/2024
9128286A3	6223	U.S. TREASURY NOTE		02/08/2021	19,485,000.00	18,543,484.80	20,566,675.23	2.625		0.453	945	01/31/2026
91282CBH3	6235	U.S. TREASURY NOTE		02/26/2021	5,736,000.00	5,149,838.16	5,673,654.61	0.375		0.804	945	01/31/2026
91282CBQ3	6243	U.S. TREASURY NOTE		03/05/2021	17,725,000.00	15,922,013.00	17,622,522.40	0.500		0.721	973	02/28/2026
91282CBQ3	6256	U.S. TREASURY NOTE		03/26/2021	2,900,000.00	2,605,012.00	2,876,485.83	0.500		0.811	973	02/28/2026
91282CBC4	6269	U.S. TREASURY NOTE		04/07/2021	12,375,000.00	11,154,453.75	12,219,888.09	0.375		0.888	914	12/31/2025
91282CBC4	6274	U.S. TREASURY NOTE		04/26/2021	5,085,000.00	4,583,466.45	5,035,949.54	0.375		0.768	914	12/31/2025
91282CBC4	6280	U.S. TREASURY NOTE		05/10/2021	12,600,000.00	11,357,262.00	12,488,861.39	0.375		0.734	914	12/31/2025
91282CBQ3	6281	U.S. TREASURY NOTE		05/11/2021	3,700,000.00	3,323,636.00	3,678,031.75	0.500		0.727	973	02/28/2026
91282CCF6	6289	U.S. TREASURY NOTE		06/04/2021	21,160,000.00	19,006,758.40	21,132,943.91	0.750		0.795	1,065	05/31/2026
91282CBH3	6306	U.S. TREASURY NOTE		07/07/2021	15,500,000.00	13,916,055.00	15,331,332.15	0.375		0.804	945	01/31/2026
91282CAJ0	6314	U.S. TREASURY NOTE		08/06/2021	13,780,000.00	12,502,180.60	13,699,096.98	0.250		0.524	792	08/31/2025
9128286G0	6316	U.S. TREASURY NOTE		08/12/2021	11,385,000.00	11,160,373.95	11,538,106.79	2.375		0.345	243	02/29/2024
9128286G0	6317	U.S. TREASURY NOTE		08/12/2021	11,385,000.00	11,160,373.95	11,537,874.64	2.375		0.348	243	02/29/2024
91282CAM3	6334	U.S. TREASURY NOTE		09/09/2021	11,060,000.00	10,017,484.40	10,956,959.67	0.250		0.670	822	09/30/2025
91282CBT7	6335	U.S. TREASURY NOTE		09/09/2021	10,850,000.00	9,806,555.50	10,847,442.77	0.750		0.759	1,004	03/31/2026
91282CBT7	6345	U.S. TREASURY NOTE		09/28/2021	13,000,000.00	11,749,790.00	12,943,281.82	0.750		0.912	1,004	03/31/2026
91282CAT8	6354	U.S. TREASURY NOTE		10/06/2021	16,600,000.00	14,981,500.00	16,398,257.39	0.250		0.780	853	10/31/2025
91282CAZ4	6363	U.S. TREASURY NOTE		11/02/2021	23,350,000.00	21,077,111.00	22,971,914.43	0.375		1.061	883	11/30/2025

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Treasury Securities												
91282CBQ3	6371	U.S. TREASURY NOTE		12/07/2021	24,365,000.00	21,886,592.20	23,951,151.79	0.500		1.155	973	02/28/2026
91282CBH3	6389	U.S. TREASURY NOTE		01/06/2022	21,635,000.00	19,424,119.35	21,147,004.54	0.375		1.272	945	01/31/2026
9128285U0	6394	U.S. TREASURY NOTE		01/18/2022	6,975,000.00	6,884,534.25	7,032,773.58	2.625		0.953	183	12/31/2023
91282CBH3	6400	U.S. TREASURY NOTE		01/27/2022	7,400,000.00	6,643,794.00	7,195,639.72	0.375		1.478	945	01/31/2026
91282CBH3	6415	U.S. TREASURY NOTE		02/22/2022	15,125,000.00	13,579,376.25	14,579,866.64	0.375		1.825	945	01/31/2026
91282CCZ2	6438	U.S. TREASURY NOTE		04/07/2022	14,700,000.00	13,151,943.00	13,855,185.31	0.875		2.768	1,187	09/30/2026
91282CAZ4	6452	U.S. TREASURY NOTE		04/29/2022	6,175,000.00	5,573,925.50	5,816,281.25	0.375		2.925	883	11/30/2025
91282CBH3	6453	U.S. TREASURY NOTE		05/04/2022	9,650,000.00	8,663,866.50	9,045,883.02	0.375		2.950	945	01/31/2026
91282CAZ4	6461	U.S. TREASURY NOTE		05/31/2022	2,900,000.00	2,617,714.00	2,744,523.57	0.375		2.716	883	11/30/2025
91282CCF6	6468	U.S. TREASURY NOTE		06/08/2022	10,575,000.00	9,498,888.00	9,927,660.51	0.750		2.992	1,065	05/31/2026
91282CBH3	6482	U.S. TREASURY NOTE		06/28/2022	14,350,000.00	12,883,573.50	13,337,768.89	0.375		3.291	945	01/31/2026
912828V98	6494	U.S. TREASURY NOTE		07/07/2022	5,100,000.00	4,742,388.00	4,996,232.35	2.250		2.853	1,325	02/15/2027
912828ZN3	6499	U.S. TREASURY NOTE		08/05/2022	9,450,000.00	8,190,504.00	8,637,574.65	0.500		2.918	1,399	04/30/2027
912828ZV5	6502	U.S. TREASURY NOTE		08/11/2022	10,200,000.00	8,794,338.00	9,262,532.85	0.500		2.987	1,460	06/30/2027
912828ZV5	6506	U.S. TREASURY NOTE		08/31/2022	3,280,000.00	2,827,983.20	2,942,566.40	0.500		3.305	1,460	06/30/2027
9128282R0	6507	U.S. TREASURY NOTE		09/06/2022	17,775,000.00	16,431,387.75	17,004,658.91	2.250		3.400	1,506	08/15/2027
9128282R0	6532	U.S. TREASURY NOTE		09/30/2022	3,440,000.00	3,179,970.40	3,213,642.60	2.250		4.022	1,506	08/15/2027
91282CFU0	6563	U.S. TREASURY NOTE		12/08/2022	11,810,000.00	11,748,233.70	11,955,402.99	4.125		3.810	1,583	10/31/2027
91282CBB6	6604	U.S. TREASURY NOTE		01/31/2023	12,465,000.00	10,651,716.45	10,930,027.70	0.625		3.637	1,644	12/31/2027
91282CEF4	6647	U.S. TREASURY NOTE		03/31/2023	1,165,000.00	1,091,779.75	1,112,678.07	2.500		3.744	1,369	03/31/2027
91282CBB6	6661	U.S. TREASURY NOTE		04/26/2023	5,685,000.00	4,858,003.05	5,004,578.12	0.625		3.535	1,644	12/31/2027
91282CFM8	6663	U.S. TREASURY NOTE		04/27/2023	4,860,000.00	4,847,621.74	4,980,107.93	4.125		3.568	1,552	09/30/2027
91282CHA2	6665	U.S. TREASURY NOTE		05/01/2023	13,350,000.00	12,973,731.70	13,289,773.96	3.500		3.605	1,765	04/30/2028
91282CHA2	6666	U.S. TREASURY NOTE		05/02/2023	3,550,000.00	3,450,281.27	3,529,887.79	3.500		3.634	1,765	04/30/2028
91282CHA2	6673	U.S. TREASURY NOTE		05/31/2023	1,415,000.00	1,379,155.74	1,399,236.73	3.500		3.822	1,765	04/30/2028
91282CHE4	6674	U.S. TREASURY NOTE		06/05/2023	21,690,000.00	21,226,380.99	21,630,586.58	3.625		3.698	1,796	05/31/2028
91282CBZ3	6675	U.S. TREASURY NOTE		06/30/2023	11,030,000.00	9,658,551.98	9,723,975.16	1.250		4.018	1,765	04/30/2028
Subtotal and Average			647,209,165.99		663,601,000.00	614,583,714.08	652,237,657.47			1.719	910	
Agency Issues												
3133ELVX9	6094	FEDERAL FARM CREDIT BANK		04/08/2020	3,170,000.00	3,057,369.90	3,170,000.00	0.875		0.875	282	04/08/2024
3133EMBH4	6166	FEDERAL FARM CREDIT BANK		10/09/2020	6,900,000.00	6,264,096.00	6,894,549.39	0.530		0.566	821	09/29/2025
3130A0F70	5913	FEDERAL HOME LOAN BANKS		01/31/2019	8,990,000.00	8,915,742.60	9,014,156.70	3.375		2.713	160	12/08/2023
3130A0F70	5917	FEDERAL HOME LOAN BANKS		02/06/2019	6,110,000.00	6,059,531.40	6,127,660.04	3.375		2.664	160	12/08/2023
3130AJHU6	6100	FEDERAL HOME LOAN BANKS		04/16/2020	11,935,000.00	11,042,262.00	11,913,829.78	0.500		0.601	653	04/14/2025
3137EAEU9	6134	FED. HOME LOAN MTG. CORP.		07/23/2020	11,195,000.00	10,214,206.05	11,172,054.61	0.375		0.476	751	07/21/2025
3137EAEV7	6148	FED. HOME LOAN MTG. CORP.		08/21/2020	11,080,000.00	11,002,440.00	11,079,446.92	0.250		0.284	54	08/24/2023
3137EAEX3	6159	FED. HOME LOAN MTG. CORP.		09/25/2020	17,170,000.00	15,579,542.90	17,146,947.32	0.375		0.436	815	09/23/2025

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Agency Issues												
3137EAF2	6199	FED. HOME LOAN MTG. CORP.		12/04/2020	5,815,000.00	5,689,396.00	5,814,184.45	0.250		0.283	156	12/04/2023
3134GXS54	6505	FED. HOME LOAN MTG. CORP.		08/30/2022	5,315,000.00	5,169,687.90	5,313,467.62	4.050		4.064	789	08/28/2025
3135G0X24	6085	FED. NAT'L. MTG. ASSN.		03/05/2020	9,740,000.00	9,235,175.80	9,853,534.96	1.625		0.839	556	01/07/2025
3135G03U5	6103	FED. NAT'L. MTG. ASSN.		04/24/2020	15,500,000.00	14,334,710.00	15,488,439.14	0.625		0.667	661	04/22/2025
3135G03U5	6106	FED. NAT'L. MTG. ASSN.		04/30/2020	5,345,000.00	4,943,162.90	5,349,058.23	0.625		0.582	661	04/22/2025
3135G03U5	6118	FED. NAT'L. MTG. ASSN.		05/26/2020	3,225,000.00	2,982,544.50	3,230,242.74	0.625		0.534	661	04/22/2025
3135G03U5	6121	FED. NAT'L. MTG. ASSN.		06/05/2020	12,500,000.00	11,560,250.00	12,523,713.15	0.625		0.519	661	04/22/2025
3135G04Z3	6124	FED. NAT'L. MTG. ASSN.		06/19/2020	18,485,000.00	16,970,708.80	18,469,975.33	0.500		0.542	717	06/17/2025
3135G04Z3	6129	FED. NAT'L. MTG. ASSN.		07/07/2020	7,200,000.00	6,610,176.00	7,203,284.09	0.500		0.476	717	06/17/2025
3135G04Z3	6143	FED. NAT'L. MTG. ASSN.		08/04/2020	10,000,000.00	9,180,800.00	10,020,982.66	0.500		0.392	717	06/17/2025
3135G05X7	6150	FED. NAT'L. MTG. ASSN.		08/27/2020	11,900,000.00	10,828,405.00	11,876,025.80	0.375		0.470	786	08/25/2025
3135G04Z3	6158	FED. NAT'L. MTG. ASSN.		09/18/2020	2,145,000.00	1,969,281.60	2,148,154.57	0.500		0.424	717	06/17/2025
3135G04Z3	6165	FED. NAT'L. MTG. ASSN.		10/05/2020	12,000,000.00	11,016,960.00	12,021,380.28	0.500		0.408	717	06/17/2025
3135G05X7	6174	FED. NAT'L. MTG. ASSN.		10/23/2020	4,360,000.00	3,967,382.00	4,349,151.56	0.375		0.492	786	08/25/2025
3135G05X7	6180	FED. NAT'L. MTG. ASSN.		10/29/2020	13,730,000.00	12,493,613.50	13,704,656.76	0.375		0.462	786	08/25/2025
3135G06G3	6185	FED. NAT'L. MTG. ASSN.		11/12/2020	11,205,000.00	10,155,315.60	11,186,093.95	0.500		0.573	860	11/07/2025
3135G06G3	6189	FED. NAT'L. MTG. ASSN.		11/24/2020	2,570,000.00	2,329,242.40	2,569,536.62	0.500		0.508	860	11/07/2025
3135G06H1	6213	FED. NAT'L. MTG. ASSN.		01/26/2021	2,845,000.00	2,786,791.30	2,845,618.38	0.250		0.196	149	11/27/2023
Subtotal and Average			233,386,942.30		230,430,000.00	214,358,794.15	230,486,145.05			0.734	634	
Agencies - Mortgage Backed												
3137BTUM1	6672	FREDDIE MAC MULTIFAMILY PASS		05/24/2023	2,685,000.00	2,552,656.35	2,602,352.34	3.347		4.950	1,243	11/25/2026
3136AJB54	6055	FANNIE MAE		12/18/2019	2,294,357.53	2,251,544.82	2,405,848.97	3.346		0.867	268	03/25/2024
Subtotal and Average			5,994,880.10		4,979,357.53	4,804,201.17	5,008,201.31			2.988	775	
Supranationals												
4581X0DZ8	6341	INTER-AMERICAN DEVEL BK		09/23/2021	9,760,000.00	9,195,384.00	9,757,044.17	0.500	AAA	0.525	450	09/23/2024
459058JM6	6191	INTL BK RECON & DEVELOP		11/24/2020	9,050,000.00	8,870,448.00	9,047,423.68	0.250	AAA	0.322	146	11/24/2023
Subtotal and Average			18,804,109.65		18,810,000.00	18,065,832.00	18,804,467.85			0.427	304	
Municipal Bonds												
13063DRJ9	6011	STATE OF CALIFORNIA		10/24/2019	10,580,000.00	10,497,370.20	10,593,446.38	2.400		1.870	92	10/01/2023
13017HAK2	6190	CALIFORNIA ST EARTHQUAKE AUTH		11/24/2020	2,465,000.00	2,465,000.00	2,465,000.00	1.477		1.477	0	07/01/2023
13077DMK5	6157	CALIFORNIA ST UNIV REVENUE		09/17/2020	3,050,000.00	2,864,865.00	3,050,000.00	0.685		0.685	489	11/01/2024
341271AD6	6155	FLORIDA ST BRD OF ADMIN FIN CO		09/16/2020	2,550,000.00	2,354,313.00	2,557,524.94	1.258	AA	1.158	731	07/01/2025
341271AD6	6156	FLORIDA ST BRD OF ADMIN FIN CO		09/16/2020	6,550,000.00	6,047,353.00	6,550,000.00	1.258	AA	1.258	731	07/01/2025
546417DQ6	6168	STATE OF LOUISIANA		10/14/2020	1,000,000.00	922,120.00	1,000,000.00	0.840		0.914	701	06/01/2025
91412HGE7	6132	UNIVERSITY OF CALIFORNIA BG		07/16/2020	2,565,000.00	2,374,651.35	2,565,000.00	0.883	AA	0.916	684	05/15/2025

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Municipal Bonds												
91412HGE7	6133	UNIVERSITY OF CALIFORNIA BG		07/16/2020	1,115,000.00	1,032,255.85	1,116,564.39	0.883	AA	0.806	684	05/15/2025
Subtotal and Average			29,899,887.27		29,875,000.00	28,557,928.40	29,897,535.71			1.368	413	
Corporate Notes												
037833CG3	5958	APPLE INC		04/11/2019	10,000,000.00	9,860,100.00	10,013,960.53	3.000		2.752	223	02/09/2024
037833ET3	6670	APPLE INC		05/17/2023	5,000,000.00	4,922,638.89	5,027,007.29	4.000		3.894	1,775	05/10/2028
00724PAC3	6591	ADOBE INC		12/30/2022	2,550,000.00	2,342,328.00	2,358,220.58	2.150		4.469	1,311	02/01/2027
023135BW5	6282	AMAZON.COM INC		05/12/2021	5,650,000.00	5,416,824.50	5,647,624.59	0.450	AA	0.499	316	05/12/2024
023135CF1	6448	AMAZON.COM INC		04/25/2022	5,965,000.00	5,680,648.45	5,936,555.76	3.300	AA	3.438	1,382	04/13/2027
023135BR6	6496	AMAZON.COM INC		07/19/2022	6,175,000.00	5,417,945.00	5,655,681.66	1.200	AA	3.554	1,433	06/03/2027
06051GKM0	6426	BANK OF AMERICA CORP		03/22/2022	9,000,000.00	8,626,590.00	9,000,000.00	3.384		3.384	1,006	04/02/2026
06406RBA4	6401	BANK OF NEW YORK MELLON CORP		01/28/2022	4,000,000.00	3,599,640.00	4,004,802.67	2.050	A	2.014	1,305	01/26/2027
06406RAF4	6602	BANK OF NEW YORK MELLON CORP		01/31/2023	11,900,000.00	11,130,889.78	11,370,411.23	3.400	A	4.501	1,673	01/29/2028
12189LAV3	6262	BURLINGTN NORTH SANTA FE		03/29/2021	3,000,000.00	2,887,350.00	3,103,897.57	3.000		0.977	640	04/01/2025
17327CAN3	6398	CITIGROUP INC		01/25/2022	4,550,000.00	4,274,224.50	4,550,000.00	2.014		2.014	939	01/25/2026
14913R3A3	6597	CATERPILLAR FINANCIAL SERVICES		01/20/2023	5,000,000.00	4,813,100.00	4,907,505.15	3.600	A	4.097	1,503	08/12/2027
22160KAL9	5974	COSTCO WHOLESALE CORP		06/18/2019	7,000,000.00	6,838,160.00	7,025,537.31	2.750		2.309	322	05/18/2024
24422EVY2	6425	JOHN DEERE CAPITAL CORPORATION		03/10/2022	6,500,000.00	6,125,470.00	6,416,525.09	1.250	A	2.122	559	01/10/2025
38148LAE6	6230	GOLDMAN SACHS GROUP INC		02/17/2021	3,330,000.00	3,213,982.80	3,503,115.70	3.750		0.940	691	05/22/2025
38141GVM3	6275	GOLDMAN SACHS GROUP INC		04/28/2021	3,500,000.00	3,455,095.00	3,576,023.41	4.000		0.729	246	03/03/2024
437076CN0	6553	HOME DEPOT INC		11/07/2022	4,875,000.00	4,581,135.00	4,524,923.38	2.875	A	5.012	1,384	04/15/2027
437076BT8	6598	HOME DEPOT INC		01/26/2023	6,000,000.00	5,582,700.00	5,700,719.89	2.800	A	4.115	1,536	09/14/2027
437076BT8	6601	HOME DEPOT INC		01/27/2023	2,904,000.00	2,702,026.80	2,755,318.81	2.800	A	4.151	1,536	09/14/2027
02665WCT6	5911	AMERICAN HONDA FINANCE CORP		01/31/2019	3,900,000.00	3,857,178.00	3,904,161.57	3.550		3.330	195	01/12/2024
438516CB0	6333	HONEYWELL INT		09/08/2021	5,750,000.00	5,364,347.50	5,807,843.37	1.350	A	0.816	701	06/01/2025
427866BC1	6111	HERSHEY COMPANY		05/05/2020	8,860,000.00	8,502,056.00	8,969,635.81	2.050	A	1.123	503	11/15/2024
458140BP4	6112	INTEL CORP		05/05/2020	8,300,000.00	8,043,281.00	8,613,341.60	3.400	A	1.154	633	03/25/2025
478160CJ1	6245	JOHNSON & JOHNSON		03/08/2021	5,000,000.00	4,841,850.00	5,139,438.64	2.625	AAA	0.782	564	01/15/2025
478160CJ1	6255	JOHNSON & JOHNSON		03/25/2021	1,700,000.00	1,646,229.00	1,746,746.28	2.625	AAA	0.807	564	01/15/2025
46647PCM6	6315	JP MORGAN CHASE & CO		08/10/2021	3,875,000.00	3,649,630.00	3,875,000.00	0.768		0.768	770	08/09/2025
46647PCM6	6422	JP MORGAN CHASE & CO		03/09/2022	5,000,000.00	4,709,200.00	4,872,095.20	0.768		2.032	770	08/09/2025
46647PCZ7	6450	JP MORGAN CHASE & CO		04/26/2022	4,000,000.00	3,887,080.00	4,000,000.00	4.080		4.080	1,030	04/26/2026
57636QAB0	5961	MASTERCARD INC		04/11/2019	5,091,000.00	5,008,525.80	5,115,719.22	3.375		2.679	275	04/01/2024
57636QAN4	6110	MASTERCARD INC		05/05/2020	4,380,000.00	4,163,102.40	4,443,233.69	2.000		1.111	611	03/03/2025
57636QAJ3	6660	MASTERCARD INC		04/25/2023	2,835,000.00	2,721,730.73	2,774,782.01	3.500		4.145	1,701	02/26/2028
88579YBM2	6449	3M COMPANY		04/25/2022	5,000,000.00	4,760,300.00	4,945,169.72	2.650	A	3.298	654	04/15/2025
58933YAR6	6246	MERCK & CO INC		03/08/2021	5,000,000.00	4,812,250.00	5,142,638.21	2.750		0.939	590	02/10/2025
58933YAR6	6261	MERCK & CO INC		03/29/2021	3,470,000.00	3,339,701.50	3,572,218.64	2.750		0.883	590	02/10/2025

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Corporate Notes												
61747YEC5	6572	MORGAN STANLEY CO		12/14/2022	4,550,000.00	4,031,163.50	4,043,738.01	1.512		4.588	1,480	07/20/2027
594918BY9	6603	MICROSOFT CORP		01/31/2023	6,015,000.00	5,784,324.75	5,863,470.08	3.300	AAA	4.066	1,316	02/06/2027
69371RQ90	6147	PACCAR FINANCIAL CORP		08/11/2020	605,000.00	601,781.40	604,970.65	0.350		0.394	41	08/11/2023
69371RS31	6612	PACCAR FINANCIAL CORP		02/06/2023	5,000,000.00	5,033,561.11	5,122,073.71	4.600		4.080	1,654	01/10/2028
713448DF2	6610	PEPSICO INC		02/03/2023	12,200,000.00	11,622,330.00	11,806,638.65	2.850		4.159	969	02/24/2026
717081ES8	5941	PFIZER INC		03/28/2019	7,925,000.00	7,784,252.00	7,943,169.49	2.950		2.601	258	03/15/2024
69353RFG8	6546	PNC BANK		10/31/2022	4,800,000.00	4,392,720.00	4,399,016.03	3.100	A	5.329	1,577	10/25/2027
69353RFG8	6556	PNC BANK		11/30/2022	3,275,000.00	2,997,116.25	3,084,459.35	3.100	A	4.621	1,577	10/25/2027
747525AF0	6457	QUALCOMM INC		05/19/2022	5,000,000.00	4,848,800.00	5,007,474.65	3.450	A	3.366	689	05/20/2025
857477BR3	6411	STATE STREET CORP		02/07/2022	1,820,000.00	1,705,212.60	1,820,000.00	1.746	A	1.746	951	02/06/2026
857477BR3	6423	STATE STREET CORP		03/09/2022	5,000,000.00	4,684,650.00	4,951,057.04	1.746	A	2.141	951	02/06/2026
87612EBM7	6397	TARGET CORP		01/24/2022	1,620,000.00	1,482,980.40	1,618,040.98	1.950	A	1.986	1,294	01/15/2027
87612EBM7	6405	TARGET CORP		01/31/2022	3,500,000.00	3,203,970.00	3,498,475.34	1.950	A	1.963	1,294	01/15/2027
87612EBM7	6424	TARGET CORP		03/09/2022	4,000,000.00	3,661,680.00	3,975,366.41	1.950	A	2.134	1,294	01/15/2027
89236TKQ7	6614	TOYOTA MOTOR CREDIT		02/09/2023	11,785,000.00	11,722,406.92	11,865,340.96	4.625		4.541	1,656	01/12/2028
91159HHV5	5957	US BANCORP		04/11/2019	10,000,000.00	9,854,900.00	10,027,928.60	3.375	A	2.868	219	02/05/2024
91159HHX1	5984	US BANCORP		08/05/2019	5,260,000.00	5,073,533.00	5,260,946.13	2.400	A	2.382	395	07/30/2024
931142EW9	6508	WALMART INC		09/09/2022	3,680,000.00	3,606,547.20	3,678,120.47	3.900	AA	3.925	801	09/09/2025
931142ER0	6599	WALMART INC		01/26/2023	8,375,000.00	7,477,451.25	7,607,347.88	1.050	AA	4.155	1,174	09/17/2026
931142FB4	6671	WALMART INC		05/17/2023	4,915,000.00	4,812,284.69	4,923,539.83	3.900	AA	3.932	1,750	04/15/2028
Subtotal and Average			285,087,210.87		288,385,000.00	275,158,975.72	285,101,028.84			2.890	940	
Corporate - Floating Rate												
46647PBS4	6154	JP MORGAN CHASE & CO		09/16/2020	4,300,000.00	4,249,819.00	4,300,000.00	0.653		0.653	443	09/16/2024
Subtotal and Average			4,300,000.00		4,300,000.00	4,249,819.00	4,300,000.00			0.653	443	
Asset Backed Securities												
14315XAC2	6063	CarMax Auto Owner Trust		01/22/2020	304,675.06	303,151.68	304,615.28	1.890	AAA	1.906	534	12/16/2024
14316NAC3	6214	CarMax Auto Owner Trust		01/27/2021	986,490.45	957,911.82	986,295.52	0.340	AAA	0.349	898	12/15/2025
14314QAC8	6271	CarMax Auto Owner Trust		04/21/2021	2,612,367.53	2,524,670.35	2,611,804.57	0.520	AAA	0.530	962	02/17/2026
14318MAD1	6497	CarMax Auto Owner Trust		07/20/2022	4,220,000.00	4,118,888.80	4,219,900.41	3.970	AAA	4.004	1,384	04/15/2027
254683CP8	6342	DISCOVER CARD EXECUTION NOTE		09/27/2021	3,450,000.00	3,247,209.00	3,449,261.36	0.580	AAA	0.590	1,172	09/15/2026
43813RAC1	6082	HONDA AUTO RECEIVABLES TRUST		02/26/2020	64,652.18	64,511.24	64,639.51	1.610		1.625	296	04/22/2024
43813GAC5	6234	HONDA AUTO RECEIVABLES TRUST		02/24/2021	1,334,260.70	1,302,945.60	1,334,236.28	0.270		0.271	660	04/21/2025
43815PAC3	6504	HONDA AUTO RECEIVABLES TRUST		08/24/2022	765,000.00	744,895.80	764,954.41	3.730	AAA	3.762	1,115	07/20/2026
44933LAC7	6276	HYUNDAI AUTO RECEIVABLES TRUST		04/28/2021	1,553,713.95	1,512,975.57	1,553,550.50	0.380	AAA	0.385	807	09/15/2025
44935FAD6	6367	HYUNDAI AUTO RECEIVABLES TRUST		11/17/2021	1,665,000.00	1,599,515.55	1,664,628.37	0.740	AAA	0.751	1,049	05/15/2026
65479CAD0	6127	NISSAN AUTO RECEIVABLES OWNERS		06/30/2020	15,672.47	15,642.54	15,672.04	0.550	AAA	0.552	380	07/15/2024

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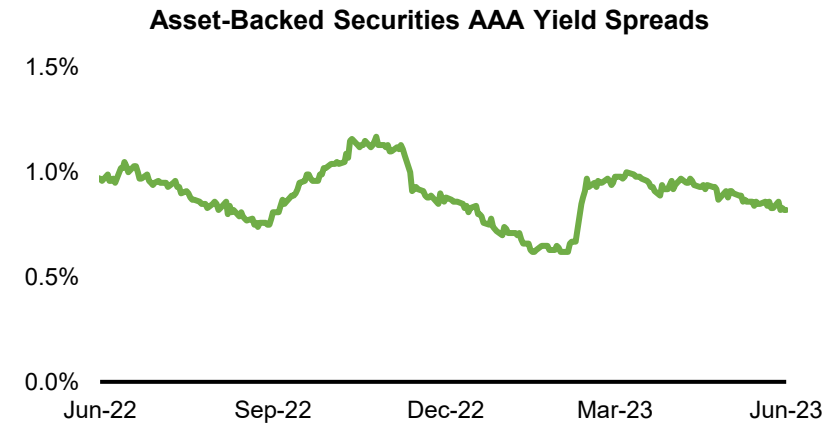
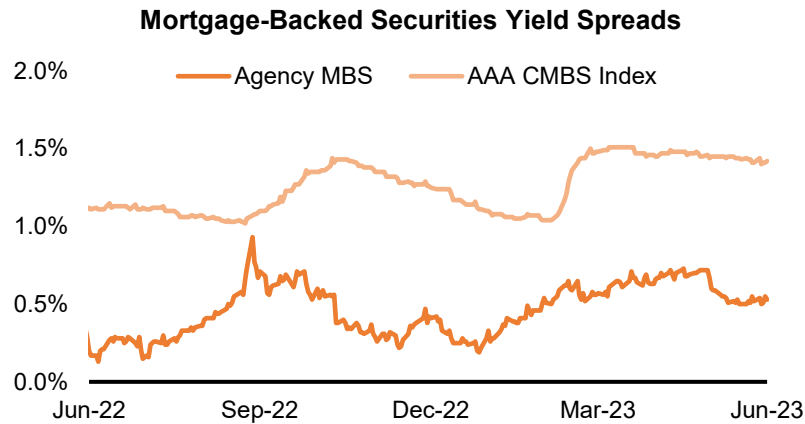
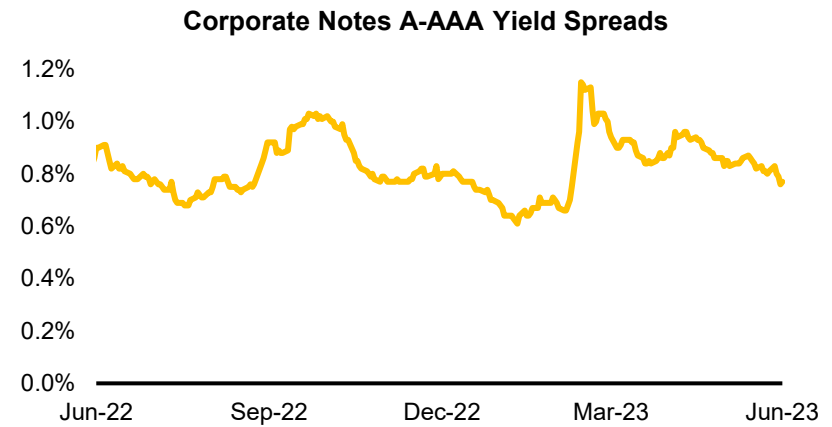
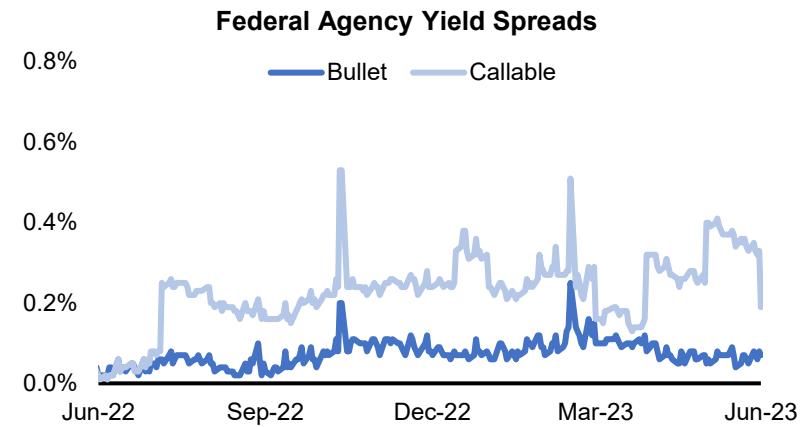
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Asset Backed Securities												
89239BAC5	6343	TOYOTA AUTO RECEIVABLES TRUST		09/27/2021	3,969,417.42	3,820,524.57	3,969,101.05	0.430	AAA	0.434	929	01/15/2026
Subtotal and Average			21,608,019.07		20,941,249.76	20,212,842.52	20,938,659.30			1.345	1,045	
Total and Average			1,255,242,571.69		1,270,322,246.56	1,188,990,785.06	1,255,774,334.80			1.799	842	

Economic Overview

- The U.S. economy is characterized by:
 - Headline inflation numbers trending lower, but the Fed's current focus, "supercore inflation" (which removes food, energy, and housing costs), is showing little sign of slowing
 - A labor market that has proven to be exceptionally strong
 - A more optimistic sentiment around economic growth due to resilient consumer spending
- Fed temporarily pauses rate hikes
 - The most aggressive series of interest rate hikes in recent history has come to a temporary pause in June
 - The Fed's most recent dot plot shows the potential for two additional rate hikes by the end of the year
 - Rates have moved up due to the Fed's rate trajectory shifting higher, the economy remaining stronger than expected, persistent inflation, and the market's "higher-for-longer" mindset
- Bond markets see continued volatility
 - The debt ceiling saga incited a separate spate of market volatility due to concern about a potential U.S. default
 - After plummeting at the end of Q1 due to volatility in the banking sector, short and medium-term yields steadily climbed throughout the quarter, with the 2-year rising over 100 basis points
 - The curve inversion fell dramatically at the start of Q2, but moved toward historic levels in June

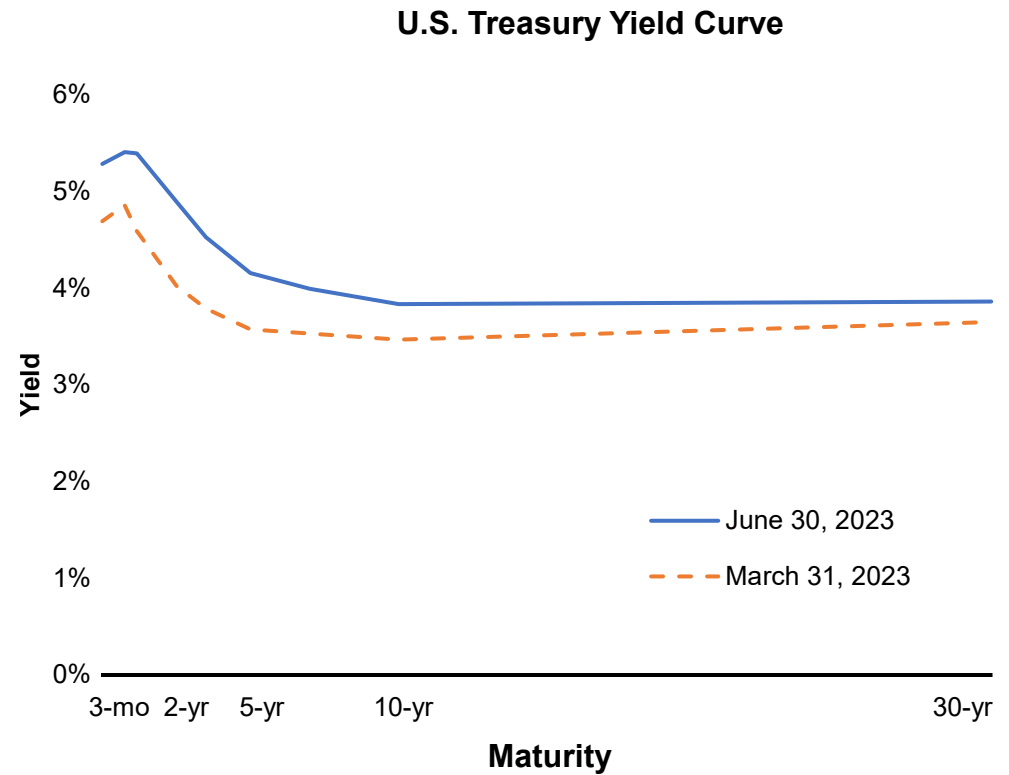
Sector Yield Spreads



Source: ICE BofA 1-5 year Indices via Bloomberg, MarketAxess and PFMAM as of 6/30/2023. Spreads on ABS and MBS are option-adjusted spreads of 0-5 year indices based on weighted average life; spreads on agencies are relative to comparable maturity Treasuries. CMBS is Commercial Mortgage-Backed Securities.

Interest Rates Rise as “Higher-for-Longer” Mantra Sets In

	2Q2023 6/30/23	1Q2023 3/31/23	QoQ Change
3-month	5.28%	4.75%	+0.53%
1-year	5.39%	4.62%	+0.77%
2-year	4.90%	4.03%	+0.87%
3-year	4.53%	3.79%	+0.74%
5-year	4.16%	3.58%	+0.58%
10-year	3.84%	3.47%	+0.37%
30-year	3.86%	3.65%	+0.21%



Source: Bloomberg, as of 6/30/2023.

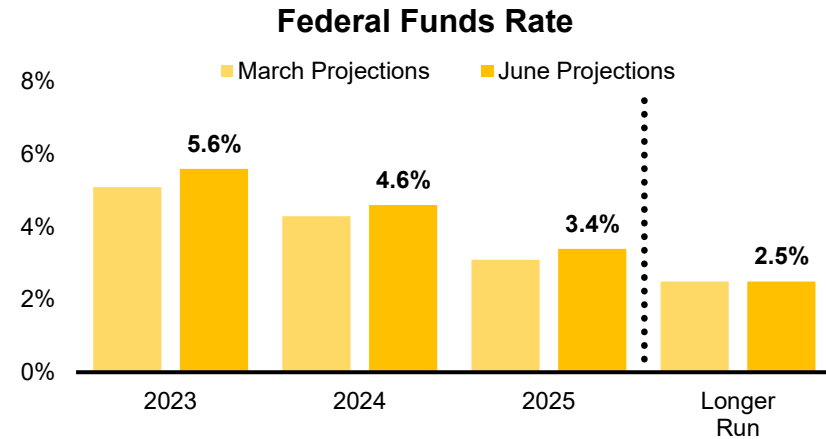
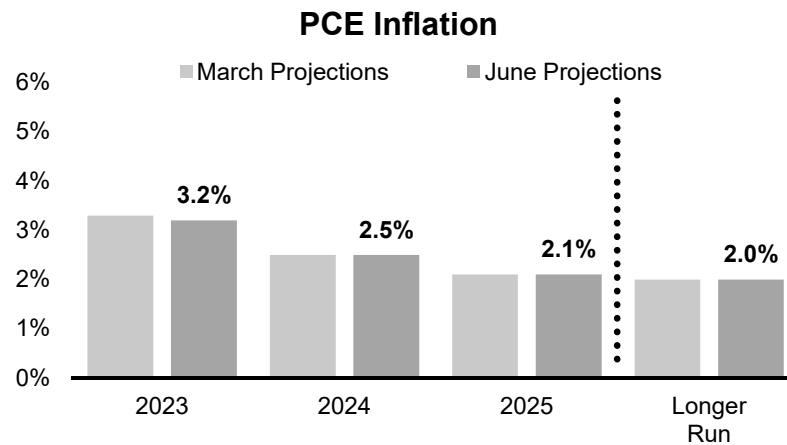
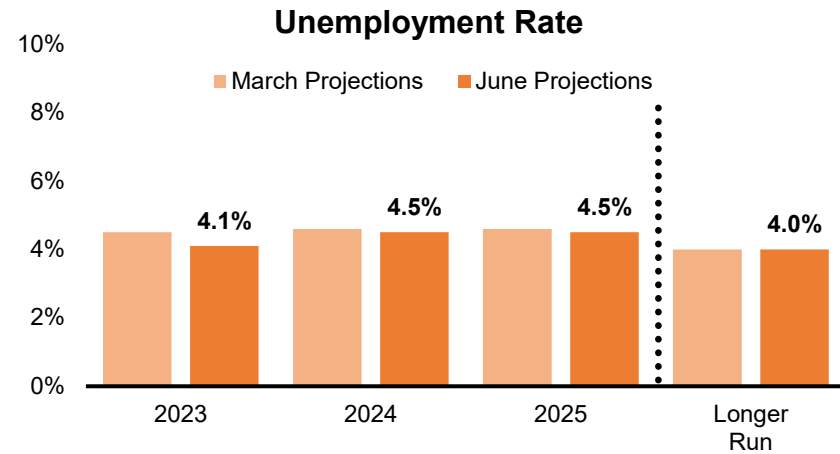
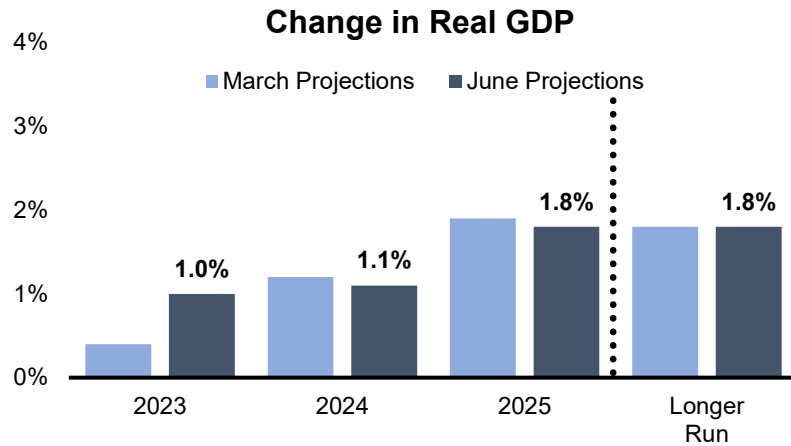
Second Quarter Total Returns Negative For Fixed Income Indices, As Rates Moved Higher

ICE BAML Fixed-Income Index Returns

June 30, 2023	Effective Duration	Yield	YTD	3 Month	1 Year	3 Years	5 Years
1-3 Year Indices							
U.S. Treasury	1.75	5.01%	0.97%	(0.57%)	0.13%	(1.04%)	0.95%
Agency	1.61	5.11%	1.29%	(0.28%)	0.35%	(0.87%)	0.93%
Corp A-AAA	1.81	5.63%	1.46%	0.12%	1.27%	(0.48%)	1.61%
Municipals	1.45	2.72%	0.99%	(0.11%)	1.08%	(0.03%)	1.02%
1-5 Year Indices							
U.S. Treasury	2.50	4.73%	0.94%	(0.86%)	(0.43%)	(1.79%)	0.90%
Agency	1.93	4.99%	1.29%	(0.38%)	(0.05%)	(1.49%)	0.75%
Corp A-AAA	2.56	5.47%	1.69%	(0.05%)	1.20%	(1.14%)	1.66%
CMBS Fixed Rate	2.58	6.88%	0.84%	(0.52%)	(0.81%)	(0.91%)	1.33%
Municipals	2.03	2.66%	0.97%	(0.38%)	1.07%	(0.37%)	1.05%
Master Indices							
U.S. Treasury	6.39	4.38%	1.63%	(1.41%)	(2.47%)	(4.97%)	0.40%
Agency	3.24	4.82%	1.60%	(0.42%)	(0.61%)	(2.53%)	1.02%
Corp A-AAA	6.99	5.29%	2.90%	(0.42%)	0.44%	(3.89%)	1.49%
MBS	5.63	4.76%	1.92%	(0.53%)	(1.56%)	(3.76%)	0.05%
Municipals	6.52	3.00%	2.84%	0.02%	3.11%	(0.56%)	1.82%

Source: ICEBofA Merrill Lynch Indices. Returns greater than one year are annualized. As of 6/30/2023.

Federal Reserve Projections



Source: Federal Reserve, latest economic projections as of June 2023.

APPENDIX H

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: \$ in aggregate principal amount of

Policy No: -N

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

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

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

