SUPPLEMENT TO OFFICIAL STATEMENT DATED MAY 21, 2015

$2,490,000
CERTIFICATES OF PARTICIPATION
(2015 CAPITAL IMPROVEMENT PROJECTS)
Evidencing the Direct, Undivided Fractional Interests of the
Owners Thereof in Lease Payments to be Made by the
LIBERTY ELEMENTARY SCHOOL DISTRICT

This Supplement to Official Statement (this "**Supplement**") supplements the Official Statement dated May 21, 2015 (the "**Official Statement**") relating to the captioned Certificates. Capitalized terms used in this Supplement but not defined in this Supplement have the meaning given them in the Official Statement.

Purpose of Supplement. This Supplement amends the section of the Official Statement entitled “THE CERTIFICATES – Prepayment of the Certificates” to include the mandatory sinking fund schedules for the Term Certificates.

Amendments. The section of the Official Statement entitled “THE CERTIFICATES – Prepayment of the Certificates” is hereby amended to include the following after the first paragraph:

> ***Mandatory Sinking Fund Prepayment***. The Certificates maturing on June 1, 2035 and June 1, 2040 (the “**Term Certificates**”) are subject to mandatory sinking fund prepayment in part, by lot, on June 1 of each year in accordance with the schedules set forth below. The Certificates so called for mandatory sinking fund prepayment shall be prepaid at the principal amount of such Certificates to be prepaid, plus accrued but unpaid interest, without premium.

Term Certificates Maturing June 1, 2035

Mandatory Sinking Fund Prepayment Date (June 1)	Principal Amount to be Prepaid
2031	$115,000
2032	120,000
2033	125,000
2034	125,000
2035 (final maturity)	135,000

Term Certificates Maturing June 1, 2040

Mandatory Sinking Fund Prepayment Date (June 1)	Principal Amount to be Prepaid
2036	$140,000
2037	145,000
2038	150,000
2039	155,000
2040 (final maturity)	160,000

Date of Supplement: June 3, 2015

[End of Supplement]

NEW ISSUE - BOOK-ENTRY ONLY
BANK QUALIFIED

INSURED RATING: Standard & Poor's: "AA"
UNDERLYING RATING: Standard & Poor's: "A"
See "RATINGS" herein.

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, subject, however to certain qualifications described herein, under existing law, the portion of lease payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings, and the Lease Agreement is a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. In the further opinion of Special Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.

$2,490,000
CERTIFICATES OF PARTICIPATION
(2015 CAPITAL IMPROVEMENT PROJECTS)
Evidencing the Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be Made by the
LIBERTY ELEMENTARY SCHOOL DISTRICT

Dated: Date of Delivery **Due: June 1, as shown below**

The captioned Certificates of Participation (the "Certificates") are being executed and delivered to (i) finance acquisition, construction and installation of certain capital improvements (the "Project") in the Liberty Elementary School District (the "District"), (ii) fund a reserve fund or a reserve fund surety for the Certificates, and (iii) pay costs of delivery of the Certificates, as further described herein.

The Certificates evidence direct, undivided fractional interests of the owners thereof in Lease Payments to be paid by the District for the use and occupancy of certain real property and improvements (the "Site") pursuant to a Lease Agreement dated as of June 1, 2015 (the "Lease Agreement"), between the District and the Local Facilities Finance Corporation (the "Corporation"). Interest represented by the Certificates will be payable on June 1 and December 1 of each year commencing December 1, 2015.

Ownership interests in the Certificates will be in denominations of $5,000 and integral multiples thereof. When executed and delivered, the Certificates will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Certificates. Ownership interests in the Certificates may be purchased in book-entry form only. Beneficial owners of Certificates will not receive physical certificates representing the Certificates purchased, but will receive a credit balance on the books of the nominees of such purchasers who are participants of DTC. Principal, premium, if any, and interest due with respect to the Certificates will be paid by Wilmington Trust, National Association, Costa Mesa, California, as Trustee, to DTC, which will in turn remit such principal, premium, if any, and interest to its participants for subsequent disbursement to the beneficial owners of the Certificates as described herein. See "APPENDIX F - Book-Entry Only System."

The Certificates are subject to optional and mandatory prepayment prior to their maturity, as described herein. See "THE CERTIFICATES – Prepayment of the Certificates."

The District is required under the Lease Agreement to make semiannual Lease Payments (described herein), which comprise the interest and principal due on the Certificates. The District has agreed in the Lease Agreement to include the Lease Payments due in each fiscal year in its budget for that fiscal year and to make the necessary appropriations for the Lease Payments. Neither the Certificates nor the obligation of the District to make Lease Payments constitutes an indebtedness of the District, the Corporation, the State of California or any political subdivision thereof, within the meaning of the Constitution of the State of California or otherwise, or 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. The Lease Payments are subject to abatement as described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Abatement."

Bond Insurance. The scheduled payment of principal of and interest represented by the Certificates when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Certificates by BUILD AMERICA MUTUAL ASSURANCE COMPANY.

BAM
BUILD AMERICA MUTUAL

MATURITY SCHEDULE
(See inside front cover)

The Certificates are offered when, as and if issued, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel. Jones Hall is also acting as Disclosure Counsel to the District. It is anticipated that the Certificates in book-entry form will be available through the facilities of DTC on or about June 18, 2015.

O'CONNOR & COMPANY SECURITIES
PUBLIC FINANCE

Dated: May 21, 2015.

MATURITY SCHEDULE

Base CUSIP†: 530316

$1,120,000 Serial Certificates

Maturity (June 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
2019	$80,000	2.000%	1.800%	100.089 C	AA6
2020	85,000	2.000	2.050	99.765	AB4
2021	85,000	2.000	2.300	98.339	AC2
2022	85,000	2.375	2.500	99.206	AD0
2023	90,000	2.500	2.700	98.576	AE8
2024	90,000	2.625	2.850	98.232	AF5
2025	95,000	3.000	3.100	99.148	AG3
2026	95,000	3.125	3.300	98.401	AH1
2027	100,000	3.250	3.450	98.053	AJ7
2028	100,000	3.500	3.600	98.970	AK4
2029	105,000	3.625	3.700	99.186	AL2
2030	110,000	3.750	3.850	98.869	AM0

$620,000 4.000% Term Certificate due June 1, 2035; Yield 4.080%; Price 98.913; CUSIP†: AS7
$750,000 4.125% Term Certificate due June 1, 2040; Yield 4.220%; Price 98.541; CUSIP†: AT5

C - priced to the par call date of December 1, 2015.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. 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 is not a contract between any certificate owner and the District or the Underwriter.

No Offering Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the District 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 other information or representation must not be relied upon as having been authorized by the District or the Underwriter.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may 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.

Information in Official Statement. The information set forth in this Official Statement has been furnished by the District and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness.

Insurer's Disclaimer. Build America Mutual Assurance Company ("BAM") makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "Bond Insurance" and "APPENDIX H - Specimen Municipal Bond Insurance Policy".

Involvement of Underwriter. The Underwriter has provided the following statement for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Stabilization of and Changes to Offering Prices. The Underwriter may overallot or take other steps that stabilize or maintain the market price of the Certificates at a level above that which might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the Certificates to certain dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

Document Summaries. All summaries of the documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

Estimates and Projections. 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, 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.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Certificates will, under any circumstances, give rise to any implication that there has been no change in the affairs of the District, the County, the other parties described in this Official Statement, or the condition of the property within the District since the date of this Official Statement.

THE CERTIFICATES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE CERTIFICATES HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

LIBERTY ELEMENTARY SCHOOL DISTRICT
COUNTY OF TULARE
STATE OF CALIFORNIA

DISTRICT ADMINISTRATION

Keri Montoya, *Superintendent/Principal*
Terri Shirk, *Business Manager*

PROFESSIONAL SERVICES

SPECIAL COUNSEL AND DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

FINANCIAL ADVISOR

Isom Advisors, A Division of Urban Futures, Inc.
Walnut Creek, California

TRUSTEE

Wilmington Trust, National Association
Costa Mesa, California

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As the Rental for Certain Property Pursuant to a Lease Agreement with the
LOCAL FACILITIES FINANCE CORPORATION

INTRODUCTION

Purpose of Official Statement. The purpose of this Official Statement, which includes the cover page and Appendices hereto (the "**Official Statement**"), is to provide certain information concerning the sale and delivery of Certificates of Participation (2015 Capital Improvement Projects) (the "**Certificates**"), representing direct, undivided fractional interests of the owners thereof (the "**Owners**") in Lease Payments (described herein) to be paid by the Liberty Elementary School District (the "**District**") as rent for certain real property and facilities (the "**Site**").

The Financing Structure. The Leased Property (hereinafter defined) will be leased by the District from the Local Facilities Finance Corporation, a California nonprofit public benefit corporation (the "**Corporation**"), pursuant to a Lease Agreement, dated as of June 1, 2015 (the "**Lease Agreement**"), between the Corporation, as lessor, and the District, as lessee. The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of June 1, 2015 (the "**Trust Agreement**"), among Wilmington Trust, National Association, Costa Mesa, California, as trustee (the "**Trustee**"), the Corporation and the District. Pursuant to an Assignment Agreement, dated as of June 1, 2015 (the "**Assignment Agreement**") between the Corporation and the Trustee, the Corporation has assigned to the Trustee, for the benefit of the Owners, substantially all of its rights under the Lease Agreement, including its rights to receive and collect Lease Payments from the District under the Lease Agreement and such other rights as may be necessary to enforce payment of Lease Payments.

The District. The District is a small rural school district serving grades pre-K through grade 8 in the City of Tulare (the "**City**"), County of Tulare (the "**County**"). The District currently operates one elementary school: Liberty Elementary School. The District's current enrollment is 417 students.

Sources of Payment for the Certificates. The District is required to pay to the Trustee, from any source of legally available funds, specified Lease Payments (the "**Lease Payments**") for use and possession of the Leased Property, in amounts designed to be sufficient in both time and amount to pay, when due, the principal and interest represented by the Certificates. The District covenants in the Lease Agreement to take such action as may be necessary to include all Lease Payments in its annual budget, and to make the necessary appropriations therefor. The District's financial ability to pay Lease Payments will depend upon the sufficiency of monies in its general fund. See "THE DISTRICT" and "DISTRICT FINANCIAL INFORMATION" herein for a discussion of the current financial condition of the District.

Payment of Lease Payments by the District is dependent upon beneficial use and occupancy by the District of the Leased Property; otherwise, the obligation of the District to pay Lease Payments is subject to full or partial abatement. The obligation of the District to pay the Lease Payments is subject to abatement during any period in which there is substantial interference with the District's use and possession of any portion of the Leased Property. In such event and to the extent of such abatement, Certificate Owners may not receive payment of principal or interest represented by the Certificates. Abatement of Lease Payments under the Lease Agreement, to the extent payment is not made from alternative sources as set forth below, would result in all Certificate Owners receiving less than the full amount of principal and interest represented by the Certificates. To the extent proceeds of rental interruption insurance or condemnation proceeds are available or there are monies in the Reserve Fund, Lease Payments (or a portion thereof) may be made during such abatement. See "RISK FACTORS – Abatement".

Neither the Certificates nor the obligation of the District to pay 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 pay Lease Payments constitutes a debt of the District, the State of California or any of its political subdivisions within the meaning of any constitutional debt limitation or violates any statutory debt limitation or constitutes a pledge of the faith and credit of the District, the State of California or any of its political subdivisions.

Bank Qualified. The District has designated the Lease Agreement as a "qualified tax-exempt obligation" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, which provides an exception to the prohibition against the ability of a "financial institution" (as defined in the Internal Revenue Code of 1986) to deduct its interest expense allocable to tax-exempt interest. See "TAX MATTERS" herein.

Municipal Bond Insurance Policy. The scheduled payment of principal of and interest on the Certificates when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Certificates by Build America Mutual Assurance Company. See "BOND INSURANCE" and "APPENDIX H - Specimen Municipal Bond Insurance Policy.

Summary of Information. A summary of the principal legal documents relating to the Certificates is contained in Appendix A. Such summary is not and does not purport to be comprehensive or complete. The descriptions in this Official Statement of the Trust Agreement, the Assignment Agreement, the Site Lease, the Lease Agreement and other agreements relating to the Certificates are qualified in their entirety by reference to such documents, and the descriptions herein of the Certificates are qualified in their entirety by the form thereof and the provisions with respect thereto included in the aforesaid documents. Copies of such documents may be obtained at the principal corporate trust office of the Trustee in Costa Mesa, California. All terms used herein and not otherwise defined shall have the meanings given such terms in the Trust Agreement and in Appendix A.

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

Copies of documents referred to herein and information concerning the Certificates are available from the Superintendent, Liberty Elementary School District, 1771 East Pacific Avenue, Tulare, California 93274, Phone: (559) 686-1675 (the "**Superintendent's Office**"). The District may impose a charge for copying, mailing and handling.

THE CERTIFICATES

General

The Certificates evidence direct, undivided fractional interests of the Owners thereof in the Lease Payments and any prepayments to be paid by the District pursuant to the Lease Agreement. The Certificates will be issued in registered form, without coupons. The Certificates will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Certificates. Ownership interests in the Certificates may be purchased in book-entry form only, in denominations of $5,000 or any integral multiple thereof. While DTC acts as securities depository for the Certificates, all payments of principal, premium, if any, and interest represented by the Certificates shall be made to Cede & Co., as nominee of DTC. For information with respect to the payment and transfer of the Certificates, see "APPENDIX F - Book-Entry Only System".

The Certificates will be dated their date of delivery. Interest represented by each Certificate will accrue on the principal components represented by such Certificate at the applicable interest rate from the date of delivery thereof until its date of maturity or prior prepayment, with interest becoming payable on each June 1 and December 1 (each, an "**Interest Payment Date**"), commencing December 1, 2015.

Interest will accrue with respect to the Certificates on the basis of a 360-day year comprised of twelve 30-day months. The Certificates will mature on the dates and in the principal amounts set forth on the cover of this Official Statement.

Prepayment of the Certificates

***Optional Prepayment*.** The Certificates are subject to optional prepayment prior to their respective maturity dates on December 1, 2015 and on any Interest Payment Date thereafter, at a prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest represented thereby to the date fixed for prepayment, without premium.

Mandatory Prepayment From Net Proceeds of Insurance or Condemnation. The Certificates are subject to mandatory prepayment, in whole or in part, on any Interest Payment Date, in order of maturity determined by the District and by lot within a maturity, from the Net Proceeds of insurance or eminent domain proceedings credited towards the prepayment of the Lease Payments pursuant to the Lease, at a prepayment price equal to 100% of the principal amount to be prepaid, together with accrued interest represented thereby to the date fixed for prepayment, without premium.

Selection of Certificates for Prepayment. Whenever provision is made in the Trust Agreement for the prepayment of Certificates and less than all Outstanding Certificates of any maturity are called for prepayment, the Trustee shall select Certificates of such maturity for prepayment by lot. For the purposes of such selection, Certificates shall be deemed to be composed of $5,000 portions, and any such portion may be separately prepaid. The Trustee shall promptly notify the District and the Corporation in writing of the Certificates or portions thereof so selected for prepayment.

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 on behalf and at the expense of the District. Such notice shall state the prepayment date and prepayment price and, if less than all of the then Outstanding Certificates are to be called for prepayment, shall designate the numbers of the Certificates to be prepaid by giving the individual number of each Certificate or by stating that all Certificates between two stated numbers, both inclusive, have been called for prepayment or by stating that all of the Certificates of one or more maturities have been called for prepayment, and shall require that such Certificates be surrendered on the prepayment date at the Office of the Trustee for prepayment at said prepayment price, giving notice also that further interest represented by the Certificates will not accrue after the prepayment date. Such notice shall further state that on the prepayment date there shall become due and payable, the principal and premium, if any, represented by each Certificate together with accrued interest represented thereby to said date, and that from and after such date interest represented thereby shall cease to accrue and be payable.

Notice of such prepayment will be mailed by first class mail with postage prepaid, to one or more of the Information Services, and to the Owners of Certificates designated for prepayment at their respective addresses appearing on the Registration Books, at least thirty (30) days but not more than sixty (60) days prior to the prepayment date. Such notice shall, in addition to setting forth the above information, set forth, in the case of each Certificate called only in part, the portion of the principal represented thereby which is to be prepaid. Neither failure to receive such notice so mailed nor any defect in any notice so mailed will affect the sufficiency of the proceedings for the prepayment of such Certificates or the cessation of accrual of interest represented thereby from and after the date fixed for prepayment.

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

Effect of Notice of Prepayment. Moneys for the prepayment (including the interest to the applicable date of prepayment) of Certificates having been set aside in the Lease Payment Fund will become due and payable on the date of such prepayment, and, upon presentation and surrender thereof at the Office of the Trustee, said Certificates will be paid at the unpaid principal amount (or applicable portion thereof) represented thereby plus interest accrued and unpaid to said date of prepayment.

If, on said date of prepayment, moneys for the prepayment of all the Certificates to be prepaid, together with interest represented thereby to said date of prepayment, will be held by the Trustee so as to be available therefore on such date of prepayment, then, from and after said date of prepayment, interest represented by the Certificates will cease to accrue and become payable. All moneys held by the Trustee for the prepayment of Certificates will be held in trust for the account of the Owners of the Certificates so to be prepaid.

All Certificates paid at maturity or prepaid prior to maturity pursuant to the provisions of the Trust Agreement will be canceled upon surrender thereof and destroyed.

THE FINANCING PLAN

The Project

The Certificates are being issued to finance the acquisition, construction and installation of capital improvements at Liberty Elementary School.

Sources and Uses of Funds

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

Sources of Funds:	
Principal Amount of Certificates	$2,490,000.00
Net Original Issue Discount	(30,174.25)
Total Sources	$2,459,825.75
Uses of Funds:	
Deposit to Project Fund	$2,000,000.00
Deposit to Lease Payment Fund[(1)]	259,456.90
Delivery Costs[(2)]	200,368.85
Total Uses	$2,459,825.75

(1) To be used to pay capitalized interest on the Certificates through June 1, 2018.

(2) Delivery Costs include legal fees, printing costs, Underwriter's discount, rating agency fee, financial advisor fee, bond insurance and reserve fund surety premium, title insurance premium and other miscellaneous expenses.

Lease Payment Schedule

The aggregate annual amounts of Lease Payments, comprising interest and principal payable to Certificate Owners, assuming no optional prepayment, are set forth below:

LIBERTY ELEMENTARY SCHOOL DISTRICT
Certificates of Participation (2015 Capital Improvement Projects)
Lease Payment Schedule

Year Ending June 1	Principal Component	Interest Component	Total Payments
2016	-	$83,719.39	$83,719.39
2017	-	87,868.75	87,868.75
2018	-	87,868.75	87,868.75
2019	$80,000.00	87,868.75	167,868.75
2020	85,000.00	86,268.75	171,268.75
2021	85,000.00	84,568.75	169,568.75
2022	85,000.00	82,868.75	167,868.75
2023	90,000.00	80,850.00	170,850.00
2024	90,000.00	78,600.00	168,600.00
2025	95,000.00	76,237.50	171,237.50
2026	95,000.00	73,387.50	168,387.50
2027	100,000.00	70,418.75	170,418.75
2028	100,000.00	67,168.75	167,168.75
2029	105,000.00	63,668.75	168,668.75
2030	110,000.00	59,862.50	169,862.50
2031	115,000.00	55,737.50	170,737.50
2032	120,000.00	51,137.50	171,137.50
2033	125,000.00	46,337.50	171,337.50
2034	125,000.00	41,337.50	166,337.50
2035	135,000.00	36,337.50	171,337.50
2036	140,000.00	30,937.50	170,937.50
2037	145,000.00	25,162.50	170,162.50
2038	150,000.00	19,181.25	169,181.25
2039	155,000.00	12,993.75	167,993.75
2040	160,000.00	6,600.00	166,600.00
Total	$2,490,000.00	$1,496,988.14	$3,986,988.14

THE LEASED PROPERTY

The District will lease certain real property and improvements (collectively, the "**Leased Property**") to the Corporation under the terms of a Site Lease dated as of June 1, 2015 (the "**Site Lease**"), and will concurrently lease the Leased Property back from the Corporation under the Lease Agreement.

The Leased Property consists of certain real property and improvements generally constituting Liberty Elementary School, located at 1771 East Pacific Avenue, Tulare, California. Liberty Elementary School consists of seven buildings, totaling 52,714 square feet. The improvements were constructed in 2013. The insurance replacement value of the Leased Property is in excess of $10,891,000.

SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES

Neither the Certificates nor the obligation of the District to pay 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 pay Lease Payments constitutes a debt of the District, the State of California or any of its political subdivisions within the meaning of any constitutional debt limitation or violates any statutory debt limitation or constitutes a pledge of the faith and credit of the District, the State of California or any of its political subdivisions.

General

Each Certificate represents a direct, undivided fractional interest of the Owner of such Certificate in the Lease Payments and any prepayments thereof to be made by the District to the Trustee under the Lease Agreement. The District is obligated to pay Lease Payments from any source of legally available funds, and has covenanted in the Lease Agreement to include all Lease Payments coming due in its annual budgets and to make the necessary appropriations therefor. The Corporation, pursuant to the Assignment Agreement, has assigned all of its rights under the Lease Agreement (excepting only its right to receive reasonable attorneys' fees and expenses incurred in the event of a default), including the right to receive Lease Payments and any prepayments, to the Trustee for the benefit of the Owners of the Certificates. On the 15th day of April and October in each year during the term of the Lease Agreement, the District must pay to the Trustee a Lease Payment (to the extent required under the Lease Agreement) 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 Interest Payment Date.

Lease Payments

The Trust Agreement requires that Lease Payments be deposited in the Lease Payment Fund maintained by the Trustee. All moneys at any time deposited by the Trustee in the Lease Payment Fund shall be held by the Trustee in trust for the benefit of the Owners of the Certificates. Pursuant to the Trust Agreement, on June 1 and December 1 of each year, commencing December 1, 2015, the Trustee will apply such amounts in the Lease Payment Fund as are necessary to make principal and interest payments with respect to Certificates as the same shall become due and payable, in the amounts specified by the Lease Agreement, as shown in the annual payment schedule in the table below. All amounts in the Lease Payment Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal, interest and prepayment premiums (if any) with respect to the Certificates as the same shall become due and payable in accordance with the provisions of the Trust Agreement.

Additional Rental Payments

The Lease Agreement requires the District to pay, as Additional Payments thereunder in addition to the Lease Payments, all costs and expenses incurred by the District and the Corporation to comply with the provisions of the Trust Agreement, including without limitation all Delivery Costs (as defined in the Lease Agreement), to the extent not paid from amounts on deposit in the Delivery Costs Fund, annual compensation due to the Trustee, all of the Trustee's reasonable costs payable as a result of the performance of and compliance with its duties under the Trust Agreement, and all other amounts due to the Trustee pursuant to the Trust Agreement, and all costs and expenses of attorneys, auditors, engineers and accountants.

Abatement

Lease Payments are paid by the District in each Fiscal Year for the District's right of use and possession of the Leased Property for such Fiscal Year. The obligation of the District to pay all or a portion of the Lease Payments will be subject to abatement during any period in which by reason of damage, destruction or taking by eminent domain or condemnation with respect to any portion of the Leased Property there is substantial interference with the District's right of use and possession of such portion of the Leased Property.

Termination or Abatement Due to Eminent Domain. If the Leased Property is taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the term of the Lease Agreement will cease with respect thereto as of the day possession is taken. If less than all of the Leased Property is taken permanently, or if the Leased Property is taken temporarily, under the power of eminent domain, (a) the Lease Agreement will continue in full force and effect with respect thereto and shall not be terminated by virtue of such taking, and (b) there shall be a partial abatement of Lease Payments as a result of the application of the Net Proceeds (as defined in the Lease Agreement) of any eminent domain award to the prepayment of the Lease Payments, in an amount to be agreed upon by the District and the Corporation such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Leased Property. In the Site Lease, the District covenants not to exercise the power of eminent domain relating to the Leased Property as long as the Certificates are outstanding.

Abatement Due to Damage or Destruction. Lease Payments shall be abated during any period in which by reason of damage or destruction (other than by eminent domain) there is substantial interference with the use and occupancy by the District of the Leased Property or any portion thereof. The amount of such abatement shall be agreed upon by the District and the Corporation such that the resulting Lease Payments represent fair consideration for the use and occupancy of the portions of the Leased Property not damaged or destroyed, calculated in accordance with the Lease Agreement. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Lease Agreement shall continue in full force and effect and the District waives any right to terminate the Lease Agreement by virtue of any such damage and destruction. Notwithstanding the foregoing, there shall be no abatement of Lease Payments to the extent that the proceeds of hazard insurance, rental interruption insurance or amounts in the Reserve Fund are available to pay Lease Payments which would otherwise be abated, it being declared in the Lease Agreement that such proceeds and amounts constitute a special fund for the payment of the Lease Payments.

The Trustee cannot terminate the Lease Agreement in the event of such substantial interference. Abatement of Lease Payments is not an event of default under the Lease Agreement and does not permit the Trustee to take any action or avail itself of any remedy against the District. For a description of abatement resulting from condemnation of all or part of the Leased Property, see "APPENDIX A – Summary of Principal Legal Documents".

Substitution of Property

The District has the option at any time and from time to time during the term of the Lease Agreement, to substitute other real property for the Leased Property or any portion thereof, provided that the District comply with certain conditions precedent specified in the Lease Agreement. See "APPENDIX A – Summary of Principal Legal Documents - Lease Agreement". The District is not entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such substitution.

Reserve Fund

General. The Reserve Fund is established by the Trust Agreement to be held by the Trustee in trust for the benefit of the District and the Owners of the Certificates, as a reserve for the payment when due of the Lease Payments on behalf of the District. The Trustee will retain in the Reserve Fund amounts necessary to maintain an amount on deposit in the Reserve Fund equal to the Reserve Requirement. As defined in the Trust Agreement, the Reserve Requirement means as of the date of calculation thereof by the District, an amount equal to the lesser of (a) 10% of the original principal amount of the Certificates, or (b) the maximum amount of Lease Payments (excluding Lease Payments with respect to which the District shall have posted a security deposit pursuant to Section 9.1 of the Lease) coming due in the current or any future Fiscal Year, or (c) 125% of average annual Lease Payments. The Reserve Requirement may be satisfied by provision of a reserve fund surety.

If the Certificates are partially refunded, the Reserve Requirement shall be reduced to an amount equal to the maximum annual lease payments relating to the Certificate not so refunded, as specified in a certificate of a District Representative delivered to the Trustee.

If three Business Days prior to any Interest Payment Date the moneys available in the Lease Payment Fund do not equal the amount of the Lease Payment then coming due and payable, the Trustee shall apply the moneys available in the Reserve Fund to make such payments on behalf of the District by transferring the amount necessary for this purpose to the Lease Payment Fund.

The Reserve Requirement will initially be met with a Reserve Account Municipal Bond Insurance Policy (the "**Reserve Policy**"), to be provided by Build America Mutual Assurance Company. For a description of the payment procedure with respect to draws on the Reserve Policy, see "APPENDIX A – Summary of Principal Legal Documents – Trust Agreement – Reserve Policy.

Earnings on Reserve Fund. In the event the Reserve Fund is at any time maintained in cash rather than in the form of the Reserve Policy, all interest or income received by the Trustee on investment of the Reserve Fund shall be retained in the Reserve Fund in the event that amounts on deposit in the Reserve Fund are less than the Reserve Requirement. In the event that amounts then on deposit in the Reserve Fund equal or exceed the Reserve Requirement, such excess shall, semi-annually on or before each June 1 and December 1, be transferred to the Lease Payment Fund and shall be applied as a credit against the Lease Payment due by the District pursuant to the Lease Agreement on the Lease Payment Date following the date of deposit.

Covenant to Appropriate Funds

The District covenants in the Lease Agreement to take such action as may be necessary to include all Lease Payments coming due in each of its annual budgets during the term of the Lease Agreement and to make the necessary annual appropriations for all such Lease Payments.

Action on Default

Should the District default under the Lease Agreement, the Trustee, as assignee of the Corporation under the Lease Agreement, may terminate the Lease Agreement and recover certain damages from the District, or may retain the Lease Agreement and hold the District liable for all Lease Payments thereunder on an annual basis. Lease Payments may not be accelerated upon a default under the Lease Agreement. See “RISK FACTORS – Limited Recourse on Default”.

For a description of the events of default and permitted remedies of the Trustee (as assignee of the Corporation) contained in the Lease Agreement and the Trust Agreement, see “APPENDIX A – Summary of Principal Legal Documents – Lease Agreement” and “– Trust Agreement”.

Rental Interruption Insurance

The Lease Agreement requires the District to maintain, or cause to be maintained, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any part of the Leased Property during the term of the Lease Agreement as a result of any of fire and other hazards, in an amount at least equal to the maximum Lease Payments in any 24-month period during the term of the Lease. Such insurance may not be maintained in the form of self-insurance. The Net Proceeds of such insurance shall be paid to the Trustee and deposited in the Lease Payment Fund and shall be credited towards the payment of the Lease Payments in the order in which such Lease Payments come due and payable. See “APPENDIX A – Summary of Principal Legal Documents - Lease Agreement”.

Public Liability and Property Damage Insurance

The Lease Agreement requires the District to obtain and maintain certain public liability, property damage, fire and extended coverage and rental interruption insurance coverage, which may have certain deductibles and may in some cases be maintained as part of or in conjunction with other insurance carried by the District and/or in the form of self-insurance or budgeted reserve. The Net Proceeds of any insurance award resulting from any damage to or destruction of the Project by fire or other casualty shall be applied as set forth in the Lease Agreement. See “APPENDIX A – Summary of Principal Legal Documents - Lease Agreement”.

THE CORPORATION

The Local Facilities Finance Corporation, a nonprofit public benefit corporation was incorporated pursuant to the Nonprofit Public Benefit Corporation Law of the State (Title 1, Division 2, Part 2 of the California Corporation Code). The Corporation was established in order to facilitate and assist public entities in financing its public facilities and equipment needs.

THE DISTRICT

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 of Trustees are held every two years, alternating between two and three available positions. Current members of the Board of Trustees, together with their office and the date their term expires, are listed below:

Name	Office	Term Expires
Jim Guadagni	President	December 2018
Lucy Painter	Clerk	December 2016
Victoria Lopez-Estrada	Member	December 2016
Robert Gilson	Member	December 2018
Brandy Wilson	Member	December 2018

The Superintendent of the District is appointed by the Board and reports to the Board. The Superintendent is responsible for management of the District's day-to-day operations and supervises the work of other key District administrators.

Keri Montoya was appointed as Superintendent of the District in 2013. Prior to that, she served as the Principal of Liberty Elementary School beginning in 2011. Prior to joining the District, Ms. Montoya was an educator at another school district.

Terri Shirk was appointed Business Manager of the District in 1994.

Employee Relations

The District employs 20.0 full-time equivalent ("**FTE**") certificated employees, 10.0 FTE classified employees and 1.0 FTE management employee. Certificated employees are represented by the California Teachers Association. The contract expires on June 30, 2015. Classified employees are represented by California School Employees Association. The contract expires on June 30, 2015.

District Retirement Systems

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

STRS. All full-time certificated employees participate in STRS, a cost-sharing, multiple-employer contributory public employee retirement system. Participants are required to contribute 8% of gross salary to STRS. The District's employer contributions to STRS for the years ended June 30, 2012, 2013 and 2014 were $57,931, $67,270 and $76,424, respectively. For fiscal year 2014-15, $118,365 is budgeted.

New Legislation Regarding STRS Contributions Implemented in FY 2014-15. In connection with the State's adoption of its fiscal year 2014-15 Budget, the Governor signed into law Assembly Bill 1469 (**"AB 1469"**), which represents a legislative effort to address the unfunded liabilities of the STRS pension plan (see below section entitled "State Pension Trusts"). AB 1469 addresses the funding gap by increasing contributions of plan members, employers (including the District) and the State commencing in fiscal year 2014-15. Pursuant to AB 1469, employer contribution rates to the STRS plan will increase over the next seven years, from the contribution rate of 8.25% in Fiscal Year 2013-14 to 19.1% in Fiscal Year 2020-21. Thereafter, employer contribution rates will be determined by the STRS board to reflect the contribution required to eliminate unfunded liabilities by June 30, 2046. STRS employer contribution rates under AB 1469 for Fiscal Years 2014-15 through 2020-21 are summarized in the following table.

AB 1469 STRS Employer Contribution Rates

Fiscal Year	% Increase From FY 2013-14 Rate* Under AB 1469	Total Contribution Rate
2014-15	0.63%	8.88%
2015-16	2.48	10.73
2016-17	4.33	12.58
2017-18	6.18	14.43
2018-19	8.03	16.28
2019-20	9.88	18.13
2020-21	10.85	19.10

**Fiscal year 2013-14 rate of 8.25%.*

PERS. All full-time and some part-time classified employees participate in PERS, an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. The District is part of a "cost-sharing" pool within PERS. One actuarial valuation is performed for those employers participating in the pool, and the same contribution rate applies to each. The District's employer contributions to PERS for the years ended June 30, 2012, 2013 and 2014 were $26,737, $28,690 and $29,678, respectively. For fiscal year 2014-15, $45 is budgeted.

At its April 17, 2013 meeting, the PERS Board of Administration approved a recommendation to change the PERS amortization and smoothing policies. Prior to this change, PERS employed an amortization and smoothing policy which spread investment returns over a 15-year period with experience gains and losses paid for over a rolling 30-year period. After this change, PERS will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period.

The new amortization and smoothing policy will be used for the first time in the June 30, 2013 actuarial valuations. These valuations will be performed in the fall of 2014 and will set employer contribution rates for the Fiscal Year 2015-16. The District cannot predict how this change in amortization and smoothing policies will affect its contribution levels.

Pension Reform Act of 2013 (Assembly Bill 340). On September 12, 2012, Governor Brown signed AB 340, a bill that enacted the California Public Employees' Pension Reform Act of 2013 ("**PEPRA**") and amends various sections of the California Education and Government Codes. AB 340 (i) increases the retirement age for new State, school, and city and local agency employees depending on job function, (ii) caps the annual PERS and STRS pension benefit payouts, (iii) addresses numerous abuses of the system, and (iv) requires State, school, and certain city and local agency employees to pay at least half of the costs of their PERS pension benefits. PEPRA applies to all public employers except the University of California, charter cities and charter counties (except to the extent they contract with PERS.)

The provisions of AB 340 went into effect on January 1, 2013 with respect to new State, school, and city and local agency employees hired on that date and after; existing employees who are members of employee associations, including employee associations of the District, will have a five-year window to negotiate compliance with AB 340 through collective bargaining. If no agreement is reached by January 1, 2018, a city, public agency or school district could require employees to pay a portion of the costs of PERS pension benefits.

PERS has predicted that the impact of AB 340 on employers, including the District and other employers in the STRS system, and employees will vary, based on each employer's current level of benefits. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in a lower retirement benefit for employees than they currently earn. Additionally, PERS has noted that changes arising from AB 340 could ultimately have an adverse impact on public sector recruitment in areas that have historically experienced recruitment challenges due to higher pay for similar jobs in the private sector.

With respect to STRS, for employees hired after January 1, 2013, future members will pay the greater of either (1) at least 50% of the normal cost of their retirement plan, rounded to the nearest one-quarter percent, or (2) the contribution rate paid by current members. The member contribution rate could be increased from this level through collective bargaining or may be adjusted based on other factors. Public employers will pay at least the normal cost rate, after subtracting the member's contribution. The District is unable to predict the amount of future contributions it will have to make to STRS as a result of the implementation of AB 340 (being its future contributions for the normal costs of new employees), and as a result of negotiations with its employee associations, or, notwithstanding the adoption of AB 340, resulting from any legislative changes regarding STRS employer contributions that may be adopted in the future.

More information about AB 340 can be accessed through the PERS's web site at www.calpers.ca.gov/index.jsp?bc=/member/retirement/pension-reform-impacts.xml&pst=ACT&pca=ST and through the STRS web site at http://www.calstrs.com/Newsroom/whats_new/AB340_detailed_impact_analysis.pdf. The references to these internet websites are shown for reference and convenience only; the information contained within the websites may not be current and has not been reviewed by the District and is not incorporated herein by reference.

Other Post Employment Benefits

The District does not offer postemployment benefits other than pension benefits.

Long-Term Debt Obligations

General Obligation Bonds. The District issued its 2010 General Obligation Refunding Bonds in the amount of $1,030,276 to refund a prior issuance of general obligation bonds. The final maturity date is August 1, 2026. As of August 1, 2014, the 2010 Refunding Bonds were outstanding in the principal amount of $831,182. General obligation bonds are payable from *ad valorem* property taxes, not from the District's general fund.

Non-Capitalized Leases. The District entered into operating leases for modular buildings and a copier with lease terms in excess of one year. Future minimum payments under these leases are as follows:

Year Ending June 30	Principal
2015	$54,809
2016	54,809
2017	5,707
Total	$115,325

Participation in Joint Powers Authorities

The District participates in three public entity risk pools under joint powers agreements ("**JPAs**"): the Self-Insured Schools of California III (medical self-insurance fund), the Tulare County Schools Insurance Group (workers' compensation insurance), the Central Tulare County School District's Liability/Property Self Insurance Authority (provides a $200,000 stop loss fund for liability and $150,000 for property claims). 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.

Overlapping Debt Obligations

Set forth below is a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc. and dated May 1, 2015. 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.

Table No. 1
LIBERTY ELEMENTARY SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
Dated as of May 1, 2015

2014-15 Assessed Valuation: $182,876,548

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 5/1/15	
College of Sequoias Tulare School Facilities Improvement District No. 3	2.363%	$ 855,234	
Tulare Union High School District	3.057	982,164	
Kaweah Delta Hospital District	0.877	414,821	
Tulare Local Health Care District	1.393	1,181,403	
Liberty School District	**100.000**	**831,182**	(1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$4,264,804	
OVERLAPPING GENERAL FUND DEBT:			
Tulare County General Fund Obligations	0.628%	$269,538	
Tulare County Office of Education Certificates of Participation	0.628	231,512	
College of the Sequoias Certificates of Participation	0.682	55,481	
City of Tulare General Fund Obligations	0.463	131,330	
City of Visalia General Fund Obligations	0.501	34,369	
TOTAL OVERLAPPING GENERAL FUND DEBT		$722,230	
COMBINED TOTAL DEBT		$4,987,034	(2)

(1) Excludes Certificates to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2014-15 Assessed Valuation:
Direct Debt ($831,182).. 0.45%
Total Direct and Overlapping Tax and Assessment Debt 2.33%
Combined Total Debt 2.73%

Source: California Municipal Statistics, Inc.

DISTRICT FINANCIAL INFORMATION

The following selected financial information provides a brief overview of the District's finances. This financial information has been extracted from the District's audited financial statements and, in some cases, from unaudited information provided by the District's Finance Department. The most recent audited financial statements of the District with an unqualified auditor's opinion is included as Appendix B 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 Section 41010 of the California Education Code, is to be followed by all California school districts.

District 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 fund placement. The District's fiscal year begins on July 1 and ends on June 30. Governmental funds are generally accounted for using the modified accrual basis of accounting. Revenues are recognized when measurable and available except for certain revenue sources which are not susceptible to accrual. Expenditures are recognized in the accounting period in which the liability is incurred.

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 June 30, 2014 Audited Financial Statements were prepared by M. Green and Company LLP, Certified Public Accountants, Visalia, California. Audited financial statements for the District for the fiscal year ended June 30, 2014, and prior fiscal years are on file with the District and available for public inspection at the Office of the Director of Business Services of the District, Liberty Elementary School District, 1771 East Pacific Avenue, Tulare, California 93274; (559) 685-1675. See "APPENDIX B – Audited Financial Statements of the District for Fiscal Year Ended June 30, 2014" Copies of such financial statements will be mailed to prospective investors and their representatives upon written request to the District.

The following table shows the audited income and expense statements for the District for fiscal years 2011-12, 2012-13 and 2013-14.

Table No. 2
LIBERTY ELEMENTARY SCHOOL DISTRICT
Summary of General Fund Revenues, Expenditures and Changes in Fund Balance
For Fiscal Years 2011-12 through 2013-14 (audited)

	Audited 2011-12	Audited 2012-13	Audited 2013-14
Revenues			
Total Revenue Limit/LCFF Sources	$1,369,284	$1,583,490	$2,155,872
Federal Revenue	87,553	98,885	92,085
Other State Revenue	343,895	382,704	226,430
Other Local Revenue	67,835	94,522	27,991
Total Revenues	1,868,567	2,159,601	2,502,378
Expenditures			
Instruction	1,140,343	1,304,183	1,420,015
Instruction-related services	183,670	225,393	160,936
Pupil Services	30,181	61,027	39,815
Ancillary services			4,797
Community Services			
General Administration	210,407	243,438	283,929
Plant Services	252,572	258,100	395,323
Debt Service	107,911	103,623	20,043
Total Expenditures	1,925,084	2,195,764	2,324,858
Excess of Revs. Over (Under) Expend.	(56,517)	(36,163)	177,520
Other Financing Sources (Uses)			
Operating transfers in	-	39,606	-
Operating transfers out	-	-	(2,539)
Other sources	3,782	-	-
Total other financing sources (uses)	3,782	39,606	(2,539)
Net change in fund balance	(52,735)	3,443	174,981
Fund Balance, July 1	572,309	519,574	523,018
Fund Balance, June 30	$519,574	$523,018	$697,999

Source: Liberty Elementary School District Audit Reports for fiscal years 2011-12 through 2013-14.

The following table shows the General Fund 2014-15 budgeted and 2nd Interim figures. School districts' budgets and interim reports are not prepared in compliance with GASB Statement No. 34 requirements. Totals may not foot due to rounding.

Table No. 3
LIBERTY ELEMENTARY SCHOOL DISTRICT
Summary of General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Year 2014-15 (Budgeted and 2nd Interim Report)

	Adopted Budget 2014-15	2nd Interim Report 2014-15
REVENUES		
LCFF Sources	$2,727,566	$2,827,807
Federal	81,321	82,821
Other State	92,301	92,301
Other Local	17,500	10,000
Total Revenues	2,918,688	3,012,929
EXPENDITURES		
Certificated Salaries	1,171,375	1,184,437
Classified Salaries	388,857	391,749
Employee Benefits	605,924	594,068
Books and Supplies	206,040	215,012
Services, other operating expenses	429,922	441,935
Capital Outlay	90,326	139,140
Other Outgo (Excl. Indirect Costs)	15,046	15,046
Indirect/Direct support costs	0	0
Total Expenditures	2,907,491	2,981,387
Revenues Over (Under) Expends	11,197	31,543
OTHER FINANCING SOURCES		
Transfers In	-	-
Transfers out	-	-
Net Financing Sources (Uses)	-	-
Net Change in Fund Balance	11,197	31,543
Fund Balance, July 1*	697,999	697,999
Fund Balance, June 30	$709,196	$729,542

* Reflects audited June 30, 2014 general fund balance.
Source: The District.

Local Control Funding Formula. As described in more detail herein under the heading "STATE FUNDING OF EDUCATION - Recent State Budgets,- 2013-14 State Budget" the adoption of the 2013-14 State Budget and its related implementing legislation includes significant reforms to education finance in the State with the adoption of the Local Control Funding Formula (the "**LCFF**"). Under the LCFF, the emphasis shifts from a State-controlled system with funding based largely on ADA and the revenue limit with numerous State-mandated categorical programs, to a locally-controlled system with a funding formula which attempts to better meet the needs of students, particularly those students which come from low-income families or are English language learners which may require more support for success in school, and which provides local school officials with the ability to decide how best to meet the needs of their students.

Funding under the LCFF consists of the following:

1. Base grant of $7,643 per ADA (actual grants vary based on grade), plus

2. 20% supplemental funding for English language learners, students from low-income families and foster youth, plus

3. A concentration grant for districts with enrollment of more than 55 percent of English learners, students from low-income families and foster youth of up to 22.5% of a local education agency's base grant, based on the number of such students, plus

4. An economic recovery target, to bring local agencies back to pre-recession funding levels.

The new legislation includes a "hold harmless" provision which provides that a district or charter school will maintain total revenue limit and categorical funding at its 2012-13 level, unadjusted for changes in ADA, or cost of living adjustments.

The District has a high proportion of English language learners, students from low-income families and foster youth, and as a result expects to receive the base grant funding plus a supplemental add-on, resulting in an increase in funding of approximately $450,000 for fiscal year 2014-15. There are many variables which still remain to be finalized with respect to the LCFF model of education finance and the District is unable to predict at this time all of the impacts that this change in education funding will have on its finances.

District Reserves. The District's ending fund balance is the accumulation of surpluses from prior years. This fund balance is used to meet the State's minimum required reserve of 4% of expenditures, plus any other allocation or reserve which might be approved as an expenditure by the District in the future. The District's 2013-14 ending general fund balance at 30.0% of expenditures. An ending general fund balance of 24.5% is projected for fiscal year 2014-15.

In connection with the State's fiscal year 2014-15 Budget, a constitutional amendment was approved to State voters at the November 4, 2014 general election. See "STATE FUNDING OF EDUCATION – 2014-15 Adopted State Budget," below. The amendment established a rainy day fund at the State level, as well as a Proposition 98 reserve in order to minimize large fluctuations from year to year in the State's education spending. Related legislation will become effective that could limit the amount of reserves that may be maintained at the District level. The District cannot predict how this legislation will impact is reserves and future spending.

District Budget and Interim Financial Reporting

District Budget Process. State law requires school districts to maintain a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

Under current law, a school district board of trustees must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the Tulare County Superintendent of Schools (the **"County Superintendent"**).

The County Superintendent must review and approve or disapprove the budget no later than August 15. The County Superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance with the established standards. If the budget is disapproved, it is returned to the District with recommendations for revision. The District is then required to revise the budget, hold a public hearing thereon, adopt the revised budget and file it with the County Superintendent no later than October 13. Pursuant to State law, the County Superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved. After approval of an adopted budget, the school district's administration may submit budget revisions for board of trustees approval.

Subsequent to approval, the County Superintendent will monitor each district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the district can meet its current or subsequent year financial obligations. If the County Superintendent determines that a district cannot meet its current or subsequent year obligations, the County Superintendent will notify the district's board of trustees of the determination and may then do either or both of the following: (a) assign a fiscal advisor to enable the district to meet those obligations or (b) if a study and recommendations are made and a district fails to take appropriate action to meet its financial obligations, the County Superintendent will so notify the State Superintendent of Public Instruction, and then may do any or all of the following for the remainder of the fiscal year: (i) request additional information regarding the district's budget and operations; (ii) after also consulting with the district's board, develop and impose revisions to the budget that will enable the district to meet its financial obligations; and (iii) stay or rescind any action inconsistent with such revisions. However, the County Superintendent may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the County Superintendent assumed authority.

Interim Certifications Regarding Ability to Meet Financial Obligations. A State law adopted in 1991 (**"A.B. 1200"**) imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the County Superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent two fiscal years. The county office of education reviews the certification and issues the following types of certifications:

- ***Positive certification*** - the school district will meet its financial obligations for the current fiscal year and subsequent two fiscal years.

- ***Negative certification*** - the school district will be unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year.

- ***Qualified certification*** - the school district may not meet its financial obligations for the current fiscal year or subsequent two fiscal years.

Under California law, any school district and office of education that has a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the district, unless the applicable county superintendent of schools determines that the district's repayment of indebtedness is probable. In addition, under the California Education Code, a school district which has received a qualified or negative certification on its most recent interim report may not issue and sell general obligation bonds on its own behalf pursuant to the provisions of the Education Code, notwithstanding that the Board of Supervisors of the County with jurisdiction over the school district has adopted a resolution allowing a school district to do so.

District's Budget Approval/Disapproval and Certification History. During the past ten years, the District has not had an adopted budget disapproved by the county superintendent of schools. The District's most recent interim report, being the 2nd Interim Report for Fiscal Year 2014-15, for the period ending June 30, 2015, was certified by the District as positive, indicating that based on the projections included in such report, the District would be able to meet its financing obligations in the 2014-15 fiscal year and the two subsequent fiscal years.

State Funding of Education and Revenue Limitations

Annual State apportionments of basic and equalization aid to school districts for general purposes are computed up to a revenue limit per unit of average daily attendance ("**ADA**"). Such apportionments will, generally speaking, amount to the difference between the District's revenue limit and the District's local property tax allocation. Revenue limit calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among California school districts.

A schedule of the District's ADA and enrollment during the past eleven fiscal years, as well as projected figures for fiscal year 2014-15, is as follows.

Table No. 4
LIBERTY ELEMENTARY SCHOOL DISTRICT
Average Daily Attendance
Fiscal Years 2004-05 through 2013-14 (actual) and 2014-15 (projected)

Fiscal Year	Average Daily Attendance	Enrollment
2004-05	218	235
2005-06	220	239
2006-07	233	239
2007-08	249	262
2008-09	250	266
2009-10	256	263
2010-11	264	279
2011-12	271	283
2012-13	312	323
2013-14	343	354
2014-15*	403	417

*Budgeted.
Source: Liberty Elementary School District for ADA and California Basic Educational Data System (CBEDS) for enrollment.

Revenue Sources

The District categorizes its general fund revenues into four sources:

Table No. 5
LIBERTY ELEMENTARY SCHOOL DISTRICT
District Revenue Sources

	Percentage of Total District General Fund Revenues			
Revenue Source	2011-12	2012-13	2013-14	2014-15[1]
Revenue limit/LCFF sources [2]	73.3%	73.3%	86.2%	93.9%
Federal revenues	4.7	4.6	3.7	2.7
Other State revenues	18.4	17.7	9.0	3.1
Other local revenues	3.6	4.4	1.1	0.3

(1) Budgeted (2nd Interim).
(2) Consists of a mix of State apportionments of basic and equalization aid and local property tax revenues, and LCFF for fiscal years 2013-14 and 2014-15.
Source: Liberty Elementary School District.

Each of these revenue sources is described below.

Revenue Limit Sources. Since fiscal year 1973-74, California school districts have operated under general purpose revenue limits established by the State Legislature. In general, revenue limits are calculated for each school district by multiplying (1) the average daily attendance for such district by (2) a base revenue limit per unit of ADA. The revenue limit calculations are adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type.

Funding of the District's revenue limit is provided by a mix of (1) local property taxes and (2) State apportionments of basic and equalization aid. Generally, the State apportionments will amount to the difference between the District's revenue limit and its local property tax revenues.

Beginning in 1978-79, Proposition 13 and its implementing legislation provided for each county to levy (except for levies to support prior voter-approved indebtedness) and collect all property taxes, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county. As described in this Official Statement, with the implementation of the LCFF in fiscal year 2013-14, the amount of State funding provided to school districts will now be determined with a funding model which attempts to better meet the needs of students, particularly those students which come from low-income families or are English language learners which may require more support for success in school, and which provides local school officials with the ability to decide how best to meet the needs of their students. The LCFF affects how much funding a district will receive, but generally not the source of such funding, being its share of local property taxes together with the State funding provided in the LCFF.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under No Child Left Behind, the Individuals With Disabilities Education Act, and specialized programs such as Drug Free Schools.

Other State Revenues. As discussed above, the District receives State apportionment of basic and equalization aid in an amount equal to the difference between the District's revenue limit and its property tax revenues. In addition to such apportionment revenue, the District receives substantial other State revenues.

These other State revenues are primarily restricted revenues funding items such as the Special Education Master Plan, Class Size Reduction Program, home-to-school transportation, Economic Impact Aid, School Improvement Program, Educational Technology Assistance Grants, mandated cost reimbursements, instructional materials and mentor teachers.

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 non-instructional purposes such as real property acquisition, facility construction, or the financing of research. Lottery revenues generally comprise approximately 2% of general fund revenues.

Other Local Revenues. In addition to property taxes, the District receives additional local revenues from items such as interest earnings and other local sources.

Ad Valorem Property Taxation

Taxes are levied by the County for each fiscal year on taxable real and personal property which is situated 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 County Assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.”

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10 percent penalty attaches to any delinquent payment. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1.5 percent per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is subject to sale by the Treasurer.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10 percent penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1.5 percent attaches to them on the first day of each month until paid. The taxing authority has four ways of collecting delinquent unsecured personal property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Clerk and County Recorder’s office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the assessee.

Assessed Valuations

The assessed valuation of property in the District is established by the Tulare County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIIIA of the California Constitution. The full value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area, or to reflect declines in property value caused by substantial damage, destruction or other factors, including assessment appeals filed by property owners. For a discussion of how properties currently are assessed, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS."

Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions.

Property within the District had a net taxable assessed valuation for fiscal year 2014-15 of $182,876,548 (after deduction of the homeowners' exemption). Shown in the following table are the assessed valuations for the District for the past twelve fiscal years.

Table No. 6
LIBERTY ELEMENTARY SCHOOL DISTRICT
Assessed Valuation
Fiscal Year 2003-04 through Fiscal Year 2014-15

Fiscal Year	Local Secured	Utility	Unsecured	Total
2003-04	$104,424,998	$175,918	$7,045,508	$111,646,424
2004-05	109,413,177	164,727	6,729,147	116,307,051
2005-06	129,493,947	163,760	5,772,884	135,430,591
2006-07	141,827,647	183,648	6,559,581	148,570,876
2007-08	166,494,698	0	8,243,551	174,738,249
2008-09	176,829,416	0	8,386,271	185,215,687
2009-10	180,338,716	0	6,971,813	187,310,529
2010-11	174,259,213	0	9,036,300	183,295,513
2011-12	170,078,844	0	8,692,880	178,771,724
2012-13	166,335,140	0	8,619,437	174,954,577
2013-14	168,291,405	0	8,723,459	177,014,864
2014-15	175,019,182	0	7,857,366	182,876,548

Source: California Municipal Statistics, Inc.

The following table sets forth the District's assessed valuation by jurisdiction. Nearly 65% of the District is located within unincorporated Tulare County.

Table No. 7
LIBERTY ELEMENTARY SCHOOL DISTRICT
2014-15 Assessed Valuation by Jurisdiction (1)

Jurisdiction:	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
City of Tulare	$ 17,268,639	9.44%	$3,731,254,075	0.46%
City of Visalia	47,047,070	25.73	$9,385,740,979	0.50%
Unincorporated Tulare County	118,560,839	64.83	$11,366,695,212	1.04%
Total District	$182,876,548	100.00%		
Tulare County	$182,876,548	100.00%	$29,112,350,884	0.63%

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

Parcels By Land Use. The following table shows a breakdown of local secured property assessed value and parcels within the District by land use for fiscal year 2014-15.

Table No. 8
LIBERTY ELEMENTARY SCHOOL DISTRICT
Local Secured Property Assessed Valuation and Parcels by Land Use
Fiscal Year 2014-15

	2014-15 Assessed Valuation (1)	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural	$52,173,742	29.81%	165	18.07%
Commercial/Office	27,630,256	15.79	32	3.50
Vacant Commercial	12,361,306	7.06	19	2.08
Industrial	2,434,815	1.39	3	0.33
Government/Social/Institutional	1,306,198	0.75	10	1.10
Miscellaneous	1,622,199	0.93	7	0.77
Subtotal Non-Residential	$97,528,516	55.72%	236	25.85%
Residential:				
Single Family Residence	$49,035,633	28.02%	279	30.56%
Mobile Home	10,746,484	6.14	371	40.64
Mobile Home Park	13,840,528	7.91	5	0.55
2+ Residential Units/Apartments	1,603,923	0.92	2	0.22
Vacant Residential	2,264,098	1.29	20	2.19
Subtotal Residential	$77,490,666	44.28%	677	74.15%
Total	$175,019,182	100.00%	913	100.00%

(1) Local Secured Assessed Valuation, excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

(1) Local Secured Assessed Valuation, excluding tax-exempt property.

Per Parcel Assessed Valuation of Single-Family Homes. The following table sets forth the per parcel assessed valuation of single-family homes in fiscal year 2014-15.

Table No. 9
LIBERTY ELEMENTARY SCHOOL DISTRICT
Per Parcel Assessed Valuation of Single-Family Homes

	No. of Parcels	2014-15 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	279	$49,035,633	$175,755	$143,000

2014-15 Assessed Valuation	No. of Parcels (1)	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	6	2.151%	2.151%	$ 94,182	0.192%	0.192%
$25,000 - $49,999	15	5.376	7.527	582,651	1.188	1.380
$50,000 - $74,999	31	11.111	18.638	1,922,236	3.920	5.300
$75,000 - $99,999	22	7.885	26.523	1,879,204	3.832	9.133
$100,000 - $124,999	27	9.677	36.201	2,973,848	6.065	15.197
$125,000 - $149,999	47	16.846	53.047	6,408,040	13.068	28.265
$150,000 - $174,999	38	13.620	66.667	6,060,375	12.359	40.625
$175,000 - $199,999	17	6.093	72.760	3,157,111	6.438	47.063
$200,000 - $224,999	6	2.151	74.910	1,287,846	2.626	49.689
$225,000 - $249,999	11	3.943	78.853	2,625,693	5.355	55.044
$250,000 - $274,999	16	5.735	84.588	4,193,232	8.551	63.595
$275,000 - $299,999	8	2.867	87.455	2,283,292	4.656	68.252
$300,000 - $324,999	7	2.509	89.964	2,147,766	4.380	72.632
$325,000 - $349,999	4	1.434	91.398	1,361,001	2.776	75.407
$350,000 - $374,999	7	2.509	93.907	2,549,446	5.199	80.607
$375,000 - $399,999	4	1.434	95.341	1,558,384	3.178	83.785
$400,000 - $424,999	3	1.075	96.416	1,225,644	2.499	86.284
$425,000 - $449,999	0	0.000	96.416	0	0.000	86.284
$450,000 - $474,999	1	0.358	96.774	457,203	0.932	87.216
$475,000 - $499,999	0	0.000	96.774	0	0.000	87.216
$500,000 and greater	9	3.226	100.000	6,268,479	12.784	100.000
Total	279	100.000%		$49,035,633	100.000%	

Source: California Municipal Statistics, Inc.

Tax Rates

The table below summarizes the total *ad valorem* tax rates levied by all taxing entities in a representative tax rate area in the District during fiscal years 2010-11 through 2014-15.

Table No. 10
LIBERTY ELEMENTARY SCHOOL DISTRICT
Typical Tax Rates TRA 105-002 (Assessed Valuation is $68,480,179)
Dollars per $100 of Assessed Valuation
Fiscal Years 2010-11 through 2014-15

	2010-11	2011-12	2012-13	2013-14	2014-15
General Tax Rate	$1.0000	$1.0000	$1.0000	$1.0000	$1.0000
College of the Sequoias Tulare SFID	.0250	.0277	.0277	.0277	.0250
Tulare Jt. Union High School District	.0388	.0526	.0578	.0691	.0632
Liberty School District	.0498	.0398	.0298	.0340	.0331
Tulare Healthcare District	.1129	.1129	.0815	.0815	.0815
Total Tax Rate	$1.2265	$1.2330	$1.1968	$1.2078	$1.2028

Source: California Municipal Statistics, Inc.

Termination of the Teeter Plan

From June 1993 through June 2009, the County and its political subdivisions operated under the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "**Teeter Plan**"), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code. The Teeter Plan is an alternate procedure for distribution of certain property tax and assessment levies on the secured roll. In June 2009, in order to address cash flow issues and other financial matters, the County discontinued the Teeter Plan.

Property Tax Collections

The following table shows tax charges, collections and delinquencies for secured property in the District and typical tax rates for property within the District for the past five fiscal years.

Table No. 11
LIBERTY ELEMENTARY SCHOOL DISTRICT
Secured Tax Charges and Delinquencies
Fiscal Years 2009-10 through 2013-14

	Secured Tax Charge (1)	Amt. Del. June 30	% Del. June 30
2009-10	$293,142.71	$16,644.65	5.68%
2010-11	282,381.85	15,340.55	5.43
2011-12	268,589.41	9,136.28	3.40
2012-13	257,322.63	7,936.30	3.08
2013-14	266,798.90	6,032.93	2.26

(1) 1% General Fund apportionment.
Source: California Municipal Statistics, Inc.

Largest Secured Property Taxpayers in District

The following table shows the 20 largest secured property taxpayers in the District as determined by secured assessed valuation in fiscal year 2014-15.

Table No. 12
LIBERTY ELEMENTARY SCHOOL DISTRICT
Largest Secured Taxpayers
Fiscal Year 2014-15

	Property Owner	Primary Land Use	2014-15 Assessed Valuation	% of Total (1)
1.	John F. and Donna N. George Trust	Professional Building	$ 7,743,401	4.42%
2.	MHC Properties LLC	Mobile Home Park	7,331,658	4.19
3.	Farm Credit West Federal Land Credit Association	Professional Building	6,816,549	3.89
4.	Westlake Village Mobile Home Park LLC	Mobile Home Park	5,089,334	2.91
5.	Vivien and Pete Vanderpoel, Co-Trustees	Dairy	4,389,152	2.51
6.	Charles C. and Susan F. Nichols Trust	Commercial Land	3,700,577	2.11
7.	Encinas Norte LLC	Apartments	3,480,090	1.99
8.	George W. and Sally Serpa	Agricultural	2,954,102	1.69
9.	Lance D. and Jaime Lee Mouw, Co-Trustees	Commercial Land	2,500,000	1.43
10.	Tevelde Loma Linda Ranches LP	Agricultural	2,458,802	1.40
11.	John E. and Edie Simoes, Co-Trustees	Dairy	2,456,274	1.40
12.	Mervin and Julia Souza Trust	Agricultural	2,178,732	1.24
13.	Richard and Patricia M. Dyt Trust	Agricultural	2,088,551	1.19
14.	Joe A. and Virginia Pedro Trust	Dairy	2,085,382	1.19
15.	G.L. and Nancy S. Bennetts	Agricultural	2,075,465	1.19
16.	Tulare Community Health Clinic	Medical Facilities	1,995,421	1.14
17.	JGSS Food Service	Commercial	1,994,233	1.14
18.	Gen Investments LLC	Dairy	1,884,422	1.08
19.	Royal Farms Inc.	Agricultural	1,747,345	1.00
20.	Crop Production Services	Light Industrial	1,681,439	0.96
			$66,650,929	38.08%

(1) 2014-15 Local Secured Assessed Valuation: $175,019,182.
Source: California Municipal Statistics, Inc.

STATE FUNDING OF EDUCATION AND RECENT STATE BUDGETS

State Funding of Education

General. The State requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education. Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55 percent of their operating revenues from various State sources. The primary source of funding for school districts is the revenue limit, which is a combination of State funds and local property taxes (see "– State Funding of Education and Revenue Limits" above). State funds typically make up the majority of a district's revenue limit. School districts also receive substantial funding from the State for various categorical programs.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process. Decreases in State revenues may significantly affect appropriations made by the legislature to school districts.

The following information concerning the State's budgets for the current and most recent preceding years has been compiled from publicly-available information provided by the State. Neither the District, the County, nor the Underwriter is responsible for the information relating to the State's budgets provided in this section. Further information is available from the Public Finance Division of the State Treasurer's Office.

The Budget Process. The State's fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the "**Governor's Budget**"). Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor's Budget, the Legislature takes up the proposal.

Under the State Constitution, money may be drawn from the State Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. The Budget Act must be approved by a majority vote of each House of the Legislature. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each House of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (including for K-14 education) must be approved by a majority vote in each House of the Legislature, unless such appropriations require tax increases, in which case they must be approved by a two-thirds vote of each House of the Legislature, and be signed by the Governor. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution.

Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

Recent State Budgets

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

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

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

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

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

Prior Years' Budgeting Techniques. Declining revenues and fiscal difficulties which arose in the State commencing in fiscal year 2008-09 led the State to undertake a number of budgeting strategies, which had subsequent impacts on local agencies within the State. These techniques included the issuance of IOUs in lieu of warrants (checks), the enactment of statutes deferring amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year (known as statutory deferrals), trigger reductions, which were budget cutting measures which were implemented or could have been implemented if certain State budgeting goals were not met, among others, and the dissolution of local redevelopment agencies in part to make available additional funding for local agencies. Although the fiscal year 2014-15 Budget is balanced and projects a balanced budget for the foreseeable future, largely attributable to the additional revenues generated due to the passage of Proposition 30 at the November 6, 2012 statewide election, as well as other spending cuts, there can be no certainty that budget-cutting strategies such as those used in recent years will not be used in the future should the State Budget again be stressed and if projections included in such budget do not materialize.

2013-14 State Budget: Change in Education Funding. The 2013-14 State Budget and its related implementing legislation enacted significant reforms to the State's system of K-12 education finance with the enactment of a funding formula known as the "Local Control Funding Formula," described in greater detail below (the **"LCFF"**). The LCFF attempts to move from an existing school funding system characterized as overly complex and inequitable to a locally-controlled system, which responds to research and practical experience indicating that students from low income families and English language learners often require supplemental services and support to be successful in school.

State Funding under the LCFF. The LCFF changes the State funding system for school districts, charter schools and county offices of education by, among other changes, consolidating most categorical programs with the existing revenue limit structure to provide a new student formula which will be phased in over seven years, and implementing supplemental and concentration grants to English language learners and economically disadvantaged students. The LCFF includes the following components:

- A base grant for each local education agency per unit of A.D.A of $7,643 for students in grades K-3, $7,056 for students in grades 4-6, $7,266 for students in grades 7-8, and $8,638 for students in grades 9-12. These figures include a cost-of-living adjustment for 2013-14. This base grant is $2,375 more than the average revenue limit provided prior to LCFF implementation. The base grants will be adjusted upward each year to reflect cost-of-living increases.

- A 20% supplemental grant for English learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.

- An additional concentration grant of up to 22.5% of a local education agency's base grant, based on the number of English learners, students from low-income families and foster youth served by the local agency that comprise more than 55% of enrollment.

- An economic recovery target to ensure that almost every local education agency receives at least their pre-recession funding level, adjusted for inflation, at full implementation of the Local Control Funding Formula.

The LCFF was implemented for fiscal year 2013-14 and will be phased in gradually. Based on revenue projections, districts will reach what is called "full funding" in eight years—in 2020-21. Until full funding is reached, each year districts will get additional funds based on A.D.A. and the percentage of a district's students who are low-income, English learners, and foster youth. This projection assumes that the State's economy will improve each year; if the economy falters it could take longer to reach full funding.

The target LCFF amounts for State school districts and charter schools based on grade levels and Targeted Students is shown below.

Grade Span Funding at Full LCFF Implementation (Target Amount)

Grade Span	Base Grant	K-3 Class Size Reduction and 9-12 Adjustments	Average Assuming 0% Targeted Students	Average Assuming 25% Targeted Students	Average Assuming 50% Targeted Students	Average Assuming 100% Targeted Students
K-3	$6,845	$712	$7,557	$7,935	$8,313	$10,769
4-6	6,947	N/A	6,947	7,294	7,642	9,899
7-8	7,154	N/A	7,154	7,512	7,869	10,194
9-12	8,289	$216	8,505	8,930	9,355	12,119

Source: California Department of Education

Accountability under the LCFF. The LCFF moves from a State controlled system that emphasized inputs (largely in the form of categorical funding which required funds to be spent on specific projects and programs) to a locally-controlled system in which local agencies decide the best way to spend funds, focused instead on improved outcomes. However, districts will be required to increase or improve services for English language learners, low income, and foster youth students in proportion to supplemental and concentration grant funding received. All school districts, county offices of education, and charter schools will be required to develop and adopt local control and accountability plans, which will identify local goals in areas that are priorities for the State, including pupil achievement, parent engagement, and school climate.

County superintendents will review and provide support to the districts under their jurisdiction, and the Superintendent of Public Instruction will perform a corresponding role for county offices of education. In addition, the 2013-14 Budget creates the California Collaborative for Education Excellence to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans.

The State will continue to measure student achievement through statewide assessments, produce an Academic Performance Index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

2014-15 Adopted State Budget

On June 20, 2014, Governor Brown approved the 2014-15 Budget Act (the **"2014-15 Budget"**), projecting $108 billion in general fund revenues, which is $7.3 million more in general fund revenues than in fiscal year 2013-14. The 2014-15 Budget is balanced and projects paying down more than $10 billion in unprecedented amounts of budgetary debt from past years, including paying down deferral of payments to schools by $5 billion, paying off Economic Recovery Bonds, repaying various special fund loans, and funding $100 million in mandate claims that have been owed to local governments since 2004. The budgetary deficit is projected to be reduced to below $5 billion by the end of 2016-17. The fiscal year begins with a 2014-15 State Budget reserve of $2 billion dollars, including $1.6 billion in the State's Budget Stabilization Account, also known as the State's rainy day fund. Temporary revenues provided by the passage of Proposition 30 (Sales and Income Tax Revenue Increase approved by State voters at an election held on November 8, 2011) and spending cuts have allowed for continued economic growth in the State. The 2014-15 State Budget also contains triggers allowing for additional spending, if various revenue benchmarks are exceeded. If revenues surpass certain estimates, then the Budget calls for more funds to be applied to higher education and to pay down debt. Certain highlights of the 2014-15 Budget are described below.

Plan for Reducing STRS Unfunded Liability. The California State Teachers' Retirement System ("**STRS**") has funded significant unfunded liability. Without changes to how the system is funded, STRS is expected to run out of money in about 33 years. To prevent this, the 2014-15 Budget sets forth a plan that shares responsibility among the school districts, the state, and teachers to better fund STRS. Contributions for the first year from all three of these sources will total $275 million. Contributions will increase in subsequent years, reaching more than $5 billion annually. This plan is projected to eliminate unfunded liability by 2046.

Constitutional Amendment on November, 2014 Ballot: Rainy Day Fund. The 2014-15 State Budget includes a proposed constitutional amendment which will be placed before State voters in November, 2014. The measure, upon approval, would alter the State's existing requirements for the Budget Stabilization Account, the State's existing rainy day account. If approved, this amendment would:

- Require deposits into the Rainy Day Fund whenever capital gains revenues rise to more than 8% of General Fund tax revenues, and would set the maximum size of the Rainy Day Fund at 10% of the General Fund revenues.

- Require half of each year's deposit for the next 15 years be used for supplemental payments of debt or other long-term liabilities.

- Allow for withdrawal of funds only for a disaster or if spending remains at or below the highest level of spending from the past three years. The maximum amount that could be withdrawn in the first year of a recession would be limited to half of the Rainy Day Fund's balance.

- Require that the state provide a multiyear budget forecast to better manage the state's long-term finances.

- Create a Proposition 98 reserve, known as the Public School System Stabilization Account, where spikes in funding would be saved for future years. This is intended to smooth school spending and minimize future cuts to education funding.

In addition, if approved in November, additional legislation will become effective which could limit the amount school districts may maintain in reserves. Specifically, the legislation provides that in any fiscal year immediately after a fiscal year in which a transfer is made to the Public School System Stabilization Account, a school district may not adopt a budget that contains a reserve in excess of twice the applicable minimum reserve amount.

K - 12 Budget Adjustments. The 2014-15 State Budget includes total funding of $76.6 billion ($45.3 billion General Fund and $31.3 billion other funds) for all K-12 education programs. Prop. 98 funding has contributed $10 billion to the total funding amount and the 2014-15 State Budget provides $1,954 more per K-12 student in 2014-15 than was provided in 2011-12. The 2014-15 State Budget also provides $4.7 billion for the second year of implementing the LCFF and continues to commit most new funding to districts serving English language learners, students from low-income families, and youth in foster care. The Education Budget Trailer Bill ("**SB 858**") is included in the 2014-15 State Budget and contains two separate provisions that have the potential to affect district reserve funds. In addition, the 2014-15 State Budget includes the following:

- Local Control Funding Formula. The 2014-15 State Budget contains an increase of $4.75 billion in the Proposition 98 General Fund to continue the State's transition to the LCFF. This increase will close the remaining funding implementation gap by more than 29%. Additionally, the 2014-15 State Budget addresses an administrative problem related to the collection of income eligibility forms that are used to determine student eligibility for free or reduced-price meals.

- K-12 Deferrals. The 2014-15 State Budget repays nearly $4.7 billion Proposition 98 General Fund for K-12 expenses that had been deferred from one year to the next during the past few years. This repayment will leave an outstanding balance of less than $900 million in K-12 deferrals. The 2014-15 State Budget also contains a trigger mechanism that will appropriate any additional funding resources attributable to the 2013-14 and 2014-15 fiscal years subsequent to the enactment of the 2014-15 State Budget for the purpose of retiring the remaining $900 million in K-12 deferrals.

- Independent Study. The 2014-15 State Budget reduces administrative burdens and frees up time for teachers to spend on student instruction and support, making it easier for schools to offer and expand instructional opportunities available to students through non-classroom based instruction.

- K-12 Mandates. The 2014-15 State Budget provides $400.5 million in one-time Proposition 98 General Fund to reimburse K-12 local educational agencies for the costs of state-mandated programs. These funds will make a significant down payment on outstanding mandate debt, while providing school districts, county offices of education, and charter schools with discretionary resources to support critical investments such as Common Core implementation.

- K-12 High-Speed Internet Access. The 2014-15 State Budget increases the one-time Proposition 98 General Fund for the K-12 High Speed Network by $26.7 million. This Fund provides technical assistance and grants to local educational agencies to address the technology requirements necessary for Common Core implementation.

- Career Technical Education Pathways Program. The 2014-15 State Budget increases by $250 million the one-time Proposition 98 General Fund to support a second cohort of competitive grants for participating K-12 local educational agencies. Established in the 2013 Budget Act, the Career Pathways Trust Program provides grant awards to improve career technical programs and linkages between employers, schools and community colleges.

Higher Education and Healthcare. The 2014-15 State Budget includes total funding of $26.2 billion ($14.7 billion General Fund and local property tax and $11.5 billion other funds). It also provides for up to a 20% increase in General Fund appropriations over a four-year period. The 2014-15 Budget includes a 5% increase in 2014-15 for each university system, which equals $284 million total. Regarding healthcare, the state's adoption of the optional expansion of Medi-Cal under federal law known as the Affordable Care Act created major new spending commitments. The 2014-15 Budget assumes an additional Medi-Cal caseload of 2.5 million individuals and a rise in costs of $2.4 billion over fiscal year 2012-13.

Emergency Drought Response. On January 17, 2014, Governor Brown proclaimed a state of emergency due to the severe drought conditions faced by the state. Legislation was enacted in February which provided $687.4 million to support drought relief. The 2014-15 Budget includes additional one-time resources to continue immediate drought-related efforts started in 2014, such as an increase of $53.8 million General Fund and $12.2 million other funds for firefighting efforts, and an increase of $18.1 million General Fund to aid in assessing water conditions and provide public outreach regarding water conservation.

Numerous Factors Affecting Budget and Projections. The execution of the 2014-15 State Budget may be affected by numerous factors, including but not limited to: (i) shifts of costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risk associated with spending reductions, including the elimination of redevelopment agencies, (iv) rising health care costs (v) large unfunded liabilities for retired State employee's pensions and healthcare, (vi) deferred maintenance of State's critical infrastructure and (vii) other factors, all or any of which could cause the revenue and spending projections made in 2014-15 State Budget to be unattainable. The District cannot predict the impact that the 2014-15 State Budget, or subsequent budgets, will have on its own finances and operations. Additionally, the District cannot predict the accuracy of any projections made in the State's 2014-15 State Budget.

The complete 2014-15 State Budget is available from the California Department of Finance website at www.dof.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated in this Official Statement by such reference. The information referred to above should not be relied upon in making an investment decision with respect to the Certificates

Governor's Proposed 2015-16 State Budget. On January 9, 2015, Governor Brown presented his proposed budget for the 2015-16 Fiscal Year (the "**2015-16 Proposed State Budget**"). The 2015-16 Proposed State Budget proposes a multiyear plan that is balanced, maintains a $3.4 billion reserve, and pays down budgetary debt from past years. Under the 2015-16 Proposed State Budget, funding levels for the K-12 LCFF will increase by $4 billion to $13,462 per pupil, and funding levels for workforce education and training will increased by $876 million. Funding is also increased for the University of California and California State University higher education systems. The 2015-16 Proposed State Budget includes a $115 million allocation from the State's General Fund to address the drought, and addresses deferred maintenance issues with $500 million from the State's General Fund.

The complete 2015-16 Proposed State Budget is available from the California Department of Finance website at www.dof.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated in this Official Statement by such reference. The information referred to above should not be relied upon in making an investment decision with respect to the Bonds.

The execution of 2015-16 Proposed State Budget may be affected by numerous factors, including but not limited to: (i) shifts of costs from the federal government to the State, (ii) national, State and international economic conditions, (ii) litigation risk associated with proposed spending reductions, (iii) rising health care costs and (iv) other factors, all or any of which could cause the revenue and spending projections made in the 2015-16 Proposed State Budget to be unattainable. The District cannot predict the impact that the 2015-16 Proposed State Budget, or subsequent budgets, will have on its own finances and operations. Additionally, the District cannot predict the accuracy of any projections made in the 2015-16 Proposed State Budget.

May Revision. The Governor's May Revision dated May 14, 2015 (the "**May Revision**") raises funding for K-12 schools by more than $3,000 per student in 2015-16, raising spending by $6 billion. Funding for the LCFF stands at 53.1 billion and fully repays past-year school deferrals and ads $150 million on top of the $250 million proposed in January to expand career-technical education. The May Revision maintains flat tuition at University of California and California State universities. For community colleges, the May Revision provides more than $600 million above the Governor's January proposal, including an increase of $75 million to increase the number of full-time faculty and an increase of $148 million for community colleges to address deferred maintenance and invest in new instructional equipment. The May Revision sets aside $3.8 billion for the voter-approved Proposition 2 Rainy Day Fund and repays $765 million owned to local governments.

Uncertainty Regarding Future State Budgets. The District cannot predict what actions will be taken in future years by the State Legislature and the Governor to address the State's current or future budget deficits. Future State budgets will be affected by national and state economic conditions and other factors over which the District has no control. The District cannot predict what impact any future budget proposals will have on the financial condition of the District. To the extent that the State budget process results in reduced revenues to the District, the District will be required to make adjustments to its budgets.

The State has not entered into any contractual commitment with the District, the County, or the Owners of the Certificates to provide State budget information to the District or the owners of the Certificates. Although they believe the State sources of information listed above are reliable, neither the District nor the Underwriter assumes any responsibility for the accuracy of the State Budget information set forth or referred to in this Official Statement or incorporated herein.

Legal Challenges to State Funding of Education

The application of Proposition 98 and other statutory regulations has been the subject of various legal challenges in recent years, and is likely to be further challenged in the future. For a discussion of how the provisions of Proposition 98 have been applied to school funding see "-State Funding of Education" and "-Recent State Budgets" above.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the delivery of the Certificates, Build America Mutual Assurance Company ("**BAM**") will issue its Municipal Bond Insurance Policy for the Certificates (the "**Policy**"). The Policy guarantees the scheduled payment of principal of and interest on the Certificates when due as set forth in the form of the Policy included as an exhibit 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.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

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

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2015 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $466.5 million, $22.2 million and $444.3 million, respectively.

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

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

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

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditinsights/.

Obligor Disclosure Briefs. Subsequent to closing, BAM posts an Obligor Disclosure Brief on every issue insured by BAM, including the Certificates. BAM Obligor Disclosure Briefs provide information about the gross par insured by CUSIP, maturity and coupon; sector designation (e.g. general obligation, sales tax); a summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. The Obligor Disclosure Briefs are also easily accessible on BAM's website at buildamerica.com/obligor/.

Disclaimers. The Obligor Disclosure Briefs and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Obligor Disclosure Briefs and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Obligor Disclosure Briefs and Credit Insight videos are prepared by BAM and have not been reviewed or approved by the issuer of or the underwriter for the Certificates, and they assume no responsibility for their content.

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

COUNTY INVESTMENT POOL

The Education Code provides that the funds of school districts, except as otherwise set forth below, shall be deposited into the County Treasury to the credit of the proper fund of the school district. The Education Code provides that certain moneys not required for the immediate necessities of a school district may be invested in investments specified in Section 16430 or 53601 of the Government Code. Accordingly, all funds of school and community college districts not subject to the exception, including cash receipts and other moneys received by each district for deposit to the general fund of such district, are deposited with the County Treasury, to remain on deposit therein and generally available for the payment of current expenses and other obligations of such school district until deposited into their respective Lease Payment Accounts, or otherwise. For a discussion of the County Treasury, see APPENDIX G – "TULARE COUNTY TREASURER'S ANNUAL INVESTMENT POLICY."

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIIIA of the California Constitution

Basic Property Tax Levy. On June 6, 1978, California voters approved Proposition 13 ("**Proposition 13**"), which added Article XIIIA to the State Constitution ("**Article XIIIA**"). Article XIIIA limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) (as a result of an amendment to Article XIIIA approved by State voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-third of the voters on such indebtedness, and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition.. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment". This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIIIA has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

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

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

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

Article XIIIB of the California Constitution

An initiative to amend the State Constitution entitled "Limitation of Government Appropriations" was approved on September 6, 1979 thereby adding Article XIIIB to the State Constitution ("**Article XIIIB**"). Under Article XIIIB, state and local governmental entities have an annual "appropriations limit" and are not permitted to spend certain monies which are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the "appropriations limit". Article XIIIB does not affect the appropriation of monies which are excluded from the definition of "appropriations subject to limitation," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the "appropriations limit" is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIIIB, if these entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Unitary Property

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

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

Articles XIIIC and XIIID

On November 5, 1996, California voters approved Proposition 218—Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment. Proposition 218 added Articles XIIIC and XIIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. The District does not impose any such taxes, assessments, fees or charges; and, with the exception of the basic one percent ad valorem property tax levied and collected by the County pursuant to Article XIIIA of the California Constitution, a portion of which is allocated to the District, no such taxes, assessments, fees or charges are imposed on behalf of the District. Accordingly, while 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), the District does not believe that Proposition 218 will directly impact the revenues available to pay debt service on the Certificates.

Proposition 1A

On November 2, 2004, California voters approved Proposition 1A, which amends the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State can not (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. Beginning, in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments with in 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.

Propositions 98 and 111

Proposition 98. On November 8, 1988, the voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "**Accountability Act**"). The Accountability Act changes State funding of public education below the university level, and the operation of the State's Appropriations Limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (collectively, "**K-14 districts**") at a level equal to the greater of (a) the same percentage of General Fund revenues as the percentage appropriated to such districts in 1986-87, which percentage is equal to 40.9%, or (b) the amount actually appropriated to such districts from the General Fund in the previous fiscal year, adjusted for growth in enrollment and inflation.

Since the Accountability Act is unclear in some details, there can be no assurance that the Legislature or a court might not interpret the Accountability Act to require a different percentage of General Fund revenues to be allocated to K-14 districts than the 40.9% percentage, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget. In any event, the Governor and other fiscal observers expect the Accountability Act to place increasing pressure on the State's budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIIIB spending limit would restrain the State's ability to fund such other programs by raising taxes.

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

Proposition 111. On June 5, 1990, California voters approved Proposition 111 which further modified the Constitution to alter the spending limit and education funding provisions of Proposition 98. Most significantly, Proposition 111 (1) liberalized the annual adjustments to the spending limit by measuring the "change in the cost of living" by the change in State per capita personal income rather than the Consumer Price Index, and specified that a portion of the State's spending limit would be adjusted to reflect changes in school attendance; (2) provided that 50% of the "excess" tax revenues, determined based on a two-year cycle, would be transferred to K-14 districts with the balance returned to taxpayers (rather than the previous 100% but only up to a cap of four percent of the districts' minimum funding level), and that any such transfer to K-14 districts would not be built into the school districts' base expenditures for calculating their entitlement for State aid in the following year and would not increase the State's appropriations limit; (3) excluded from the calculation of appropriations that are subject to the limit appropriations for certain "qualified capital outlay projects" and certain increases in gasoline taxes, sales and use taxes, and receipts from vehicle weight fees; (4) provided that the Appropriations Limit for each unit of government, including the State, would be recalculated beginning in the 1990-91 fiscal year, based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if SCA 1 had been in effect; and (5) adjusted the Proposition 98 formula that guarantees K-14 districts a certain amount of General Fund revenues, as described below.

Under prior law, K-14 districts were guaranteed the greater of (a) 40.9% of General Fund revenues (the "**first test**") or (b) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to per capita personal income) and enrollment (the "**second test**"). Under Proposition 111, school districts would receive the greater of (a) the first test, (b) the second test or (c) a third test, which would replace the second test in any year when growth in per capita General Fund revenues from the prior year was less than the annual growth in State per capita personal income. Under the third test, school districts would receive the amount appropriated in the prior year adjusted for change in enrollment and per capita General Fund revenues, plus an additional small adjustment factor. If the third test were used in any year, the difference between the third test and the second test would become a "credit" to be paid in future years when General Fund revenue growth exceeds personal income growth.

Applications of Constitutional and Statutory Provisions

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding, see “DISTRICT FINANCIAL INFORMATION.”

Future Initiatives

Article XIIIA, Article XIIIB and Proposition 218 were each adopted as measures that qualified for the ballot pursuant to California’s initiative process. From time to time, other initiative measures could be adopted, further affecting the District or its revenues or the ability of the District to expend revenues.

RISK FACTORS

The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating purchase of the Certificates. However, they do not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the Certificates. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

General Considerations - 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 Agreement does not create a pledge, lien or encumbrance upon the funds of the District, the District is obligated under the Lease Agreement to pay the Lease Payments from any source of legally available funds and the District has covenanted in the Lease Agreement that it will take such action as may be necessary to include all Lease Payments in its annual budgets and to make necessary annual appropriations therefor. The District is currently liable for, 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 pay 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 Agreement.

Abatement

In the event of substantial interference with the District’s right to use and possession of any portion of the Leased Property by reason of damage to, or destruction or condemnation of, the Leased Property, Lease Payments will be subject to abatement. See “SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Abatement”. In the event that such portion of the Leased Property, if damaged or destroyed by an insured casualty, could not be replaced during the period of time in which proceeds of the District’s rental interruption insurance will be available in lieu of Lease Payments, plus the period for which funds are available from the Reserve Fund or other funds and accounts established under the Trust Agreement, or in the event that casualty insurance proceeds or condemnation proceeds are insufficient to provide for complete repair or replacement of such portion of the Leased Property or prepayment of the Certificates, there could be insufficient funds to make payments to Owners in full.

Limited Recourse on Default

If the District defaults on its obligations to pay Lease Payments, the Trustee, as assignee of the Corporation, may (subject to the restrictions described below) retain the Lease Agreement and hold the District liable for all Lease Payments on an annual basis and will have the right to re-enter and re-let the Leased Property. In the event such re-letting occurs, the District would be liable for any resulting deficiency in Lease Payments. Alternatively, the Trustee may terminate the Lease Agreement with respect to the Leased Property and proceed against the District to recover damages pursuant to the Lease Agreement.

Due to the specialized nature of the Leased Property, no assurance can be given that the Trustee will be able to re-let any portion of the Leased Property so as to provide rental income sufficient to make principal and interest payments with respect to the Certificates in a timely manner, and the Trustee is not empowered to sell the Leased Property for the benefit of the Owners of the Certificates. In addition, due to the governmental function of the Leased Property, it is not certain whether a court would permit the exercise of the remedies of repossession and re-letting with respect thereto. Any suit for money damages would be subject to limitations on legal remedies against school districts in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Moreover, there can be no assurance that such reletting will not adversely affect the exclusion of any interest component of Lease Payments from federal or state income taxation.

No Acceleration Upon Default

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

Loss of Tax Exemption

As discussed under the heading "TAX MATTERS," certain acts or omissions of the District in violation of its covenants in the Trust Agreement and the Lease Agreement could result in the interest represented by the Certificates being includable in gross income for purposes of federal income taxation retroactive to the date of delivery of the Certificates. Should such an event of taxability occur, the Certificates would not be subject to a special prepayment and would remain outstanding.

No Liability of Corporation to the Owners

Except as expressly provided in the Trust Agreement, the Corporation will not have any obligation or liability to the Owners of the Certificates with respect to the payment when due of the 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 Agreement or the Trust Agreement, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

Natural Disasters

The value of the Leased Property in the future can be adversely affected by a variety of natural occurrences, particularly those that may affect infrastructure and other public improvements on the Leased Property and the continued habitability and enjoyment of such improvements. The areas in and surrounding the District, like those in much of California, may be subject to unpredictable seismic activity. Other natural disasters could include, without limitation, landslides, floods, droughts or tornadoes. One or more natural disasters could occur and could result in damage to property of varying seriousness. In the event that such portion of the Leased Property, if damaged or destroyed by an insured casualty, could not be replaced during the period of time in which proceeds of the District's rental interruption insurance will be available in lieu of Lease Payments, plus the period for which funds are available from the Reserve Fund or the other funds and accounts established under the Trust Agreement, or in the event that casualty insurance proceeds or condemnation proceeds are insufficient to provide for complete repair or replacement of such portion of the Leased Property or prepayment of the Certificates, there could be insufficient funds to make payments to Owners in full. The Leased Property is not located in a 100-year floodplain.

Economic Conditions in California

The State of California, upon which the District relies for a substantial portion of its revenues, experienced budget shortfalls in recent fiscal years, although the economic outlook in the State has been much improved in the past two years due to increases in tax revenues from an improving economy and temporary revenues provided by the passage of Proposition 30 approved by State voters in November 2012. See "DISTRICT FINANCIAL INFORMATION – State Funding of Education and Recent State Budgets". Any future decreases in State revenues may significantly affect appropriations made by the State to school districts, and the timing of payment to school districts by the State may depend upon the ability of the State to access the credit markets with respect to its own cash flow borrowings. In the event that State monies are not available to meet obligations in a timely manner, school funding along with certain other services, are given priority under the State Constitution. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS".

TAX MATTERS

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, subject, however to the qualifications set forth below, under existing law, the portion of lease payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings and the Lease Agreement is a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "**Code**"), such that, in the case of certain financial institutions (within the meaning of section 265(b)(5) of the Code), a deduction for federal income tax purposes is allowed for 80% of that portion of such financial institution's interest expense allocable to interest payable with respect to the Certificates.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the delivery of the Lease Agreement in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of delivery of the Lease Agreement, or may cause the Lease Agreement not to be a “qualified tax-exempt obligation” within the meaning of Section 265(b)(3) of the Code.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public (excluding bond houses and brokers) at which a Certificate is sold is less than the amount payable at maturity thereof, then such difference constitutes “original issue discount” for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding Certificate houses and brokers) at which each Certificate is sold is greater than the amount payable at maturity thereof, then such difference constitutes “original issue premium” for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount and original issue premium is disregarded.

Under the Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Certificate on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Certificate to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Certificate. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Certificates who purchase the Certificates after the initial offering of a substantial amount of such maturity. Owners of such Certificates should consult their own tax advisors with respect to the tax consequences of ownership of Certificates with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Certificates under federal individual and corporate alternative minimum taxes.

Under the Code, original issue premium is amortized on an annual basis over the term of the Certificate (said term being the shorter of the Certificate's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Certificate for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Certificate is amortized each year over the term to maturity of the Certificate on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Certificate premium is not deductible for federal income tax purposes. Owners of premium Certificates, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Certificates.

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

Other Tax Considerations. Owners of the Certificates should also be aware that the ownership or disposition of, or the accrual or receipt of interest with respect to, the Certificates have federal or state tax consequences other than as described above. Special Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Lease Agreement and the Certificates other than as expressly described above.

A copy of the proposed form of opinion of Special Counsel is attached hereto as Appendix D.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest with respect to the Certificates to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Certificates. Prospective purchasers of the Certificates should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

CERTAIN LEGAL MATTERS

Continuing Disclosure

The District has covenanted for the benefit of owners of the Certificates to provide certain financial information and operating data relating to the District by not later than nine months after the end of the District's fiscal year (presently June 30) in each year commencing with its report for the 2014-15 fiscal year (the "**Annual Report**") and to provide notices of the occurrence of certain enumerated events; provided that the first Annual Report due March 31, 2016 shall consist solely of this Official Statement. The specific nature of the information to be contained in the Annual Report or the notices of significant events by the District is summarized in "APPENDIX E - FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5).

The District previously issued its 2000 Election General Obligation Bonds. The District's continuing disclosure undertaking for the 2000 Bonds stated that the District would provide an Annual Report to anyone who requested it. The undertaking also obligated the District to report significant events, including ratings changes. The District failed to file a notice of rating change for the bond insurer for the 2000 Bonds. However, the 2000 Bonds were refunded on December 15, 2010 by an issuance of general obligation bonds sold as a private placement, and for which no continuing disclosure obligation was required to be made by the District. In connection with the refunding of the 2000 Bonds, the paying agent for the 2000 Bonds filed a notice of defeasance on EMMA.

In order to ensure the timely compliance with its continuing disclosure obligation, the District has engaged Isom Advisors, A Division of Urban Futures, Inc. to act as dissemination agent with respect to the Bonds.

Absence of Material Litigation

No litigation is pending or threatened, to the knowledge of the District, concerning the validity of the Certificates, and a certificate to that effect will be furnished to purchasers at the time of the original delivery of the Certificates. The District is not aware of any litigation pending or threatened that (i) questions the political existence of the District, (ii) contests the District's ability to receive ad valorem taxes or to collect other revenues or (iii) contests the District's ability to execute and deliver the Certificates.

RATINGS

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("**S&P**") is expected to assign its rating of "AA" to the Certificates, with the understanding that BAM will issue its Policy guaranteeing the payment of principal of and interest represented by the Certificates. Additionally, S&P has assigned its municipal bond rating of "A" to the Certificates. Such ratings reflect only the views of S&P and an explanation of the significance of such ratings may be obtained from S&P. There is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by S&P, if in its judgment circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates.

UNDERWRITING

The Certificates are being purchased by O'Connor & Company Securities, Inc. (the "**Underwriter**"). The Underwriter has agreed to purchase the Certificates at a price of $2,411,270.75 (which price is equal to the aggregate principal amount of the Certificates, less an Underwriter's discount of $48,555.00 and less a net original issue discount of $30,174.25). The Purchase Contract pursuant to which the Underwriter has agreed to purchase the Certificates provides that the Underwriter will purchase all of the Certificates if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Purchase Contract, including the approval of certain legal matters by counsel and certain other conditions.

The Underwriter intends to offer the Certificates to the public at the offering prices set forth on the cover page of this Official Statement. The Underwriter may offer and sell to certain dealers and others at a price lower than the offering prices stated on the cover page hereof. The offering price may be changed from time to time by the Underwriter.

ADDITIONAL INFORMATION

The reference herein to the Trust Agreement, the Lease Agreement, the Site Lease and the Continuing Disclosure Certificate and other legal documents 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 are available from the Underwriter prior to initial sale of the Certificates and following delivery of the Certificates will be on file at the offices of the Trustee in Costa Mesa, California.

References are also made herein to certain documents and reports relating to the District; such references are brief summaries and do not purport to be complete or definitive. Copies of such documents are available from upon written request to the District.

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

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

LIBERTY ELEMENTARY SCHOOL DISTRICT

By: /s/ Keri Montoya
Superintendent/Principal

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APPENDIX A

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

DEFINED TERMS

The following terms have the following meanings, notwithstanding that any such terms may be elsewhere defined in this Official Statement. Any terms not expressly defined in this Summary but previously defined in this Official Statement have the respective meanings previously given.

"Assignment Agreement" means the Assignment Agreement, dated as of June 1, 2015, by and between the Corporation as assignor and the Trustee as assignee, as originally executed or as thereafter amended pursuant to any duly authorized and executed amendments thereto.

"Business Day" means a day other than a Saturday, Sunday or legal holiday, on which banking institutions in the State of California, or in any state in which the Office of the Trustee is located, are not closed for corporate trust business.

"Certificates" means the Certificates of Participation (2015 Capital Improvement Projects), executed and delivered pursuant to the Trust Agreement.

"Certificate Year" means each period from June 2 to June 1 of the following calendar year except that the first certificate year will commencing on the Closing Date and the last certificate year will end on the date of payment of the Lease Payments in full.

"Closing Date" means the day when the Certificates, duly executed by the Trustee, are delivered to the Original Purchaser.

"Code" means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Certificates or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of execution and delivery of the Certificates, together with applicable temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

"Completion Date" means the date on which the District shall file a certificate with the Trustee stating that the acquisition, construction and improvement of the Project have been completed in accordance with all requirements of the District.

"Continuing Disclosure Certificate" shall mean that certain Continuing Disclosure Certificate executed by the District and dated the date of execution and delivery of the Certificates, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Corporation" means the Local Facilities Finance Corporation, a nonprofit corporation duly organized and existing under the Nonprofit Public Benefit Corporation Law of the State of California.

"Corporation Representative" means the President, Vice President, Treasurer, Secretary, Executive Director, or Assistant Treasurer of the Corporation, or any other person authorized to act on behalf of the Corporation under or with respect to the Trust Agreement by resolution of the Board of Directors of the Corporation delivered to the Trustee.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the District or the Corporation relating to the execution and delivery of the Lease or the execution, sale and delivery of the Certificates, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee (which shall include legal fees and the first annual administration fee of the Trustee), financing discounts, legal fees and charges, insurance fees and charges, financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Certificates and charges and fees in connection with the foregoing.

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

"Defeasance Obligations" means (a) cash, or (b) Federal Securities.

"District" means the Liberty Elementary School District, a school district duly organized and existing under the Constitution and laws of the State of California.

"District Representative" means the Superintendent of the District, or any other person authorized to act on behalf of the District under or with respect to the Trust Agreement by resolution of the Board of Trustees of the District delivered to the Trustee.

"Event of Default" means an event of default under the Lease, as defined in Section 8.1 thereof.

"Facilities" means the buildings located on the real property described in Exhibit A to the Lease Agreement.

"Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the District and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

"Federal Securities" means: (1) non-callable direct obligations of the United States of America ("Treasuries"), and (2) securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, or as otherwise maybe authorized under State law and approved by BAM.

"Fiscal Year" means the twelve-month period beginning on July 1 of any year and ending on June 30 of the next succeeding year, or any other twelve-month period by the District as its fiscal year pursuant to written notice filed with the Trustee.

"Hazardous Substances" means any chemical material or substance defined as a "hazardous substance" or by words of similar import under any environmental regulation or which is prohibited or regulated by any governmental authority.

"Insurance Agreement" means the Insurance Agreement between the District and the Insurer with respect to the Reserve Policy.

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

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

"Insurer" or "BAM" means Build America Mutual Assurance Company, a New York domiciled mutual insurance corporation, or any successor thereto.

"Interest Payment Date" means, with respect to any Certificate, December 1, 2015, and the first day of each June and December thereafter to and including the date of maturity or prepayment of such Certificate.

"Lease Agreement" means the Lease Agreement, dated as of June 1, 2015, by and between the Corporation as lessor and the District as lessee, as originally executed or as thereafter amended pursuant to any duly authorized and executed amendments thereto.

"Leased Property" means certain real property constituting the District's Liberty Elementary School, more particularly described in Exhibit B to the Lease.

"Lease Payment Date" means, with respect to any Interest Payment Date, the fifteenth (15th) calendar day of the month immediately preceding such Interest Payment Date.

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

"Lease Payments" means all payments required to be paid by the District pursuant to Section 4.4(a) of the Lease Agreement, including any prepayment thereof pursuant to Article IX of the Lease Agreement.

"Moody's" means Moody's Investors Service, Inc., and its successors and assigns.

"Net Proceeds" means an insurance proceeds or eminent domain award (including any proceeds of sale to a governmental entity under threat of the exercise of eminent domain powers), paid with respect to the Project, to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

"Office" means the corporate trust office of the Trustee at which at any particular time its corporate trust business shall be principally administered, or such other office designated by the Trustee from time to time.

"Original Purchaser" means O'Connor & Company Securities, Inc., as original purchaser of the Certificates.

"Outstanding", when used as of any particular time with respect to Certificates, means (subject to the provisions of Section 13.04 of the Trust Agreement) all Certificates theretofore executed and delivered by the Trustee hereunder except (a) Certificates theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Certificates for the payment or prepayment of which funds or Federal Securities in a sufficient 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 (c) Certificates in lieu of or in exchange for which other Certificates shall have been executed and delivered by the Trustee pursuant to the Trust Agreement.

Notwithstanding anything in the Trust Agreement to the contrary, in the event that the principal and/or interest due with respect to the Certificates shall be paid by the Insurer pursuant to the Insurance Policy, the Certificates shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the District, and the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the District to the registered Owners shall continue to exist and shall run to the benefit of the Insurer, and the Insurer shall be subrogated to the rights of such registered Owners.

"Owner", when used with respect to a Certificate, means the person in whose name the ownership of such Certificate shall be registered on the Registration Books.

"Participating Underwriter" shall have the meaning ascribed thereto in the Continuing Disclosure Certificate.

"Permitted Encumbrances" means, as of any time: (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the District may permit to remain unpaid pursuant to Article V; (b) the Site Lease, the Lease, the Assignment Agreement, and any other agreement or document contemplated hereunder to be recorded against the Project; (c) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (d) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record and which the District certifies in writing will not materially impair the use of the Project for its intended purposes, and (e) easements, rights of way, mineral rights, reservations, covenants, conditions or restriction established following the date of recordation of the Lease Agreement and to which the Corporation, the Insurer and the District agree in writing consent in writing do not reduce the value of the Property.

"Permitted Investments" means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein (the Trustee entitled to rely upon the investment direction of the District as a determination that such investment is such a legal investment):

(a) Federal Securities.

(b) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including: Export-Import Bank, Farmers Home Administration, General Services Administration, U.S. Maritime Administration, Small Business Administration, Government National Mortgage Association, U.S. Department of Housing & Urban Development, and Federal Housing Administration;

(c) bonds, notes or other evidences of indebtedness rated Aa or better by Moody's, issued by Fannie Mae or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years;

(d) U.S. dollar denominated deposit accounts (including those with the Trustee), federal funds and banker's acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of rated P-2 or better by Moody's, maturing no more than 360 days after the date of purchase;

(e) certificates of deposit issued by federal or State chartered savings and loan associations or in federal or State banks (including the Trustee and its affiliates) which are secured at all times by collateral described in the foregoing clauses (a) or (b) of this definition;

(f) commercial paper which is rated at the time of purchase in the single highest classification, rated P-2 or better by Moody's, which matures not more than 270 days after the date of purchase;

(g) investments in a money market fund rated Aa-mf or better by Moody's, which may include funds for which the Trustee or its affiliates provide investment advisory or other management services;

(h) bonds or notes issued by an state or municipality which are rated Aa or better by Moody's;

(i) the Local Agency Investment Fund which is administered by the California Treasurer for the investment of funds belonging to local agencies within the State of California, provided for investment of funds held by the Trustee, the Trustee is entitled to make investments and withdrawals in its own name as Trustee.

"Project" means, collectively, the cost of acquiring and constructing the Improvements financed with the proceeds of the Certificates.

"Project Costs" means all costs of acquiring, constructing, improving and equipping the Improvements which are paid from moneys on deposit in the Project Fund, including but not limited to:

(a) all costs required to be paid to any person under the terms of any agreement for or relating to the acquisition, construction, improvement or equipping of the Project;

(b) obligations incurred for labor and materials in connection with the acquisition, construction, improvement or equipping of the Project;

(c) the cost of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect in connection with the acquisition, construction, improvement or equipping of the Project;

(d) all costs of engineering and architectural services, including the actual out-of-pocket costs for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees, sales commissions, and for supervising construction, as well as for the performance of all other duties required by or consequent to the proper acquisition, construction, improvement or equipping of the Project;

(e) any sums required to reimburse the Corporation or the District for advances made for any of the above items or for any other costs incurred and for work done which are properly chargeable to the acquisition, construction, improvement or equipping of the Project;

(f) all financing costs incurred in connection with such acquisition, construction, improvement or equipping, including but not limited to Costs of Issuance and other costs incurred in connection with the execution and delivery of the Certificates, the Trust Agreement and the Lease; and

(g) the interest components of the Lease Payments during the period of such acquisition, construction, improvement or equipping, to the extent not paid from the Certificate proceeds deposited in the Lease Payment Fund pursuant to Section 4.01(a) of the Trust Agreement.

"Project Fund" means the fund established pursuant to Section 4.02 of the Trust Agreement.

"Record Date" means the close of business on the fifteenth (15th) day of the month preceding each Interest Payment Date, whether or not such fifteenth (15th) day is a Business Day.

"Registration Books" means the records maintained by the Trustee for registration of the ownership and transfer of ownership of the Certificates.

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

"Reserve Policy" means the Reserve Account Municipal Bond Insurance Policy issued by the Insurer guaranteeing certain payments into the Reserve Fund with respect to the Certificates as provided therein and subject to the limitations set forth therein.

"Reserve Requirement" means, as of the date of calculation thereof by the District, an amount equal to the lesser of (a) 10% of the original principal amount of the Certificates, or (b) the maximum amount of Lease Payments (excluding Lease Payments with respect to which the District shall have posted a security deposit pursuant to Section 9.1 of the Lease) coming due in the current or any future Fiscal Year, or (c) 125% of average annual Lease Payments.

"S&P" means Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, and its successors and assigns.

"Securities Depositories" means DTC; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the District designates in a written notice to the Trustee.

"Site Lease" means the Site Lease, dated as of June 1, 2015, by and between the District as lessor and the Corporation as lessee of the Leased Property, as originally executed or as thereafter amended pursuant to any duly authorized and executed amendments thereto.

"Site Lease Payment" means the payment in the amount of $2,490,000, which is due and payable under Section 3 of the Site Lease as the rental for the Leased Property.

"Special Counsel" means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys of nationally recognized expertise with respect to legal matters relating to obligations the interest on which is excludable from gross income pursuant to Section 103 of the Tax Code.

"Trust Agreement" means the Trust Agreement dated as of June 1, 2015, by and among the Trustee, the Corporation and the District, together with any duly authorized and executed amendments thereto.

"Trustee" means Wilmington Trust, National Association, or any successor thereto acting as Trustee pursuant to the Trust Agreement.

SITE LEASE

Under the Site Lease, the District leases the Leased Property to the Corporation, and the Corporation leases the Leased Property from the District, upon the terms and conditions set forth in the Site Lease. The term of the Site Lease commences on June 1, 2015. The Site Lease shall end, and the right of the Corporation to possession of the Leased Property shall thereupon cease, on June 1, 2040 or such earlier or later date on which the Lease Payments (as such term is defined in the Lease Agreement, dated as of June 1, 2015, between the District and the Corporation) are paid in full or provisions made for such payment (except that the term hereof shall not extend beyond June 1, 2050).

The Corporation agrees to pay to the District, as rental for the use and occupancy of the Leased Property during the term of the Site Lease, the sum of $2,490,000 which is due and payable upon execution and delivery of the Site Lease and which shall be deposited in the Project Fund. No further amounts are due and payable by the District as rental for the Project under the Site Lease.

LEASE AGREEMENT

Lease of Leased Property; Term

The Corporation subleases the Leased Property back to the District pursuant to the Lease Agreement. The Lease Agreement commences on June 1, 2015 and shall end June 1, 2040 or such earlier or later date on which the Trust Agreement shall be discharged pursuant to and in accordance with Section 13.01 thereof, but under any circumstances not later than June 1, 2050.

Substitution of Leased Property

The District has the option at any time during the term of the Lease Agreement with written consent of the Insurer, to substitute other land, facilities, improvements or other property (a "Substitute Leased Property") for the Leased Property or any portion thereof (a "Former Leased Property"), provided that the District satisfies all of the conditions precedent to such substitution as set forth in the Lease Agreement, including the following:

(a) The District must notify S&P and the Insurer in writing of such substitution, which notice must contain the certification that all conditions set forth in the Lease Agreement are met with respect to such substitution;

(b) The District must take all actions and must execute and record all documents required to subject such Substitute Leased Property to the terms and provisions of the Lease Agreement;

(c) The District must deliver to the Corporation, the Trustee, and the Insurer evidence that the value of the Substitute Leased Property following such substitution is equal to or greater than the outstanding principal amount of the Certificates and confirms in writing to the Trustee that the indemnification provided pursuant to Section 11.03 of the Trust Agreement applies with respect to the Substitute Leased Property.

(d) The District must certify in writing to the Corporation, the Trustee and the Insurer that such Substitute Leased Property serves the public purposes of the District and constitutes property which the District is permitted to lease under the laws of the State of California;

(e) The District must certify in writing to the Corporation, the Trustee and the Insurer that the estimated useful life of such Substitute Leased Property at least extends to the date on which the final Lease Payment becomes due and payable;

(f) The District shall obtain a policy of title insurance meeting the requirements of the Lease Agreement with respect to such Substitute Leased Property; and

(g) The Substitute Leased Property shall not cause the District to violate any of its covenants, representations and warranties made in the Lease Agreement or in the Trust Agreement.

Lease Payments; Abatement

The District agrees to pay semiannual Lease Payments, subject to abatement as described below, as the rental for the use and occupancy of the Leased Property. On each Lease Payment Date, the District is obligated to deposit with the Trustee the full amount of the Lease Payments coming due and payable on the next Interest Payment Date, to the extent required to be paid by the District under the Lease Agreement. Any amount on deposit in the Lease Payment Fund on any Lease Payment Date is required to be credited towards the payment then required to be deposited by the District with the Trustee.

In the event a Lease Payment is not paid when due, and the Trustee draws on the Reserve Policy to insure timely payment of the Lease Payments to the Owners of the Certificates, the District shall continue to be obligated to pay such Lease Payment, which shall be applied by the Trustee, when paid by the District and received by the Trustee, to reimburse the Insurer for the draw on the Reserve Policy, in accordance with the Trust Agreement.

The District agrees to take such actions as may be necessary to include all Lease Payments required to be paid by it under the Lease Agreement in its annual budgets and to appropriate such Lease Payments in each Fiscal Year during the term of the Lease Agreement.

The Lease Payments will be abated under the Lease Agreement during any period in which due to damage or destruction of the Leased Property in whole or in part, or due to taking in eminent domain proceedings of the Leased Property in whole or in part, there is substantial interference with the District's use and occupancy of all or any portion thereof. The parties to the Lease have agreed that the amount of Lease Payments under such circumstances shall not be less than the amount of the Lease Payments required to pay principal and interest with respect to the Certificates, as scheduled, unless such unpaid amounts are determined to be greater than the fair rental value of the portions of the Leased Property not damaged or destroyed, based on the opinion of an MAI appraiser with expertise in valuing such properties or other appropriate method of valuation, in which event the Lease Payments shall be abated such that they represent said fair rental value. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Lease Agreement shall continue in full force and effect and the District waives any right to terminate the Lease Agreement by virtue of any such damage and destruction. There is to be no abatement of Lease Payments to the extent that the net proceeds of hazard insurance, rental interruption insurance and amounts in the Reserve Fund are available to pay Lease Payments. In the event of such abatement, the District will have no obligation to pay abated Lease Payments and there is no remedy available to Certificate owners arising from such abatement.

Additional Rental Payments

In addition to the Lease Payments, the District shall pay when due all costs and expenses incurred by the Corporation to comply with the provisions of the Trust Agreement, including without limitation all Costs of Issuance (to the extent not paid from amounts on deposit in the Costs of Issuance Fund), annual compensation due to the Trustee, all of its reasonable costs payable as a result of the performance of and compliance with its duties under the Trust Agreement and all other amounts due to the Trustee pursuant to the Trust Agreement, and all other amounts due to the Trustee or the Insurer pursuant to the Trust Agreement, the Insurance Policy or the Reserve Policy (other than the payment of Lease Payments) and all reasonable costs and expenses of attorneys, auditors, engineers and accountants engaged by the

Corporation or the Trustee in connection with the Leased Property or the performance of their duties hereunder or under the Trust Agreement.

The District shall be obligated to pay, as an additional lease payment, to the Trustee for deposit to the Debt Service Reserve Fund an amount equal to the Reserve Fund Requirement under the Trust Agreement, including any amounts required to repay draws and policy costs under the Reserve Policy.

Title

At all times during the term of the Lease Agreement, the District will hold fee title to the Leased Property, subject to the provisions of the Site Lease and other Permitted Encumbrances. Upon the termination of the Lease Agreement, all right, title and interest of the Corporation in and to the Leased Property will be transferred to and vested in the District. Upon the payment in full of all Lease Payments, or upon the deposit by the District of security for such Lease Payments as provided in the Lease Agreement, all right, title and interest of the Corporation in and to the Leased Property will be transferred to and vested in the District.

Maintenance, Utilities, Taxes and Modifications

All improvement, repair and maintenance of the Leased Property is the responsibility of the District, and the District will pay for or otherwise arrange for the payment of all utility services supplied to the Leased Property, and will pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Leased Property resulting from ordinary wear and tear or want of care on the part of the District or any assignee or sublessee. The District will also pay all taxes and assessments of any type or nature, if any, charged to the Corporation or the District affecting the Leased 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 Agreement as and when the same become due.

Insurance

The Lease Agreement requires the District to maintain or cause to be maintained the following insurance against risk of physical damage to the Leased Property and other risks for the protection of the Certificate Owners, the Corporation and the Trustee:

<u>Public Liability and Property Damage Insurance</u>. The District shall maintain or cause to be maintained throughout the Term of the Lease, a standard comprehensive general insurance policy or policies in protection of the Corporation, District, and their respective members, officers, agents, employees and assigns. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Facilities. Such policy or policies shall provide coverage in the minimum liability limits of $1,000,000 for personal injury or death of each person and $3,000,000 for personal injury or deaths of two or more persons in each accident or event (subject to a deductible of not to exceed $250,000), and in a minimum amount of $150,000 (subject to a deductible of not to exceed $50,000) for damage to property resulting from each accident or event. Such insurance may, however, be in the form of a single limit policy in the amount of $3,000,000 covering all such risks, subject to a deductible of not to exceed $250,000. Such insurance may be maintained as part of or in conjunction with

any other insurance coverage carried by the District, and may be maintained in whole or in part in the form of the participation by the District in a joint powers agency or other program providing pooled insurance. The Net Proceeds of such liability insurance shall be applied by the District toward extinguishment or satisfaction of the liability with respect to which paid.

Fire and Extended Coverage Insurance. The District shall procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease, insurance against loss or damage to any Facilities leased hereunder by fire and lightning, with extended coverage and vandalism and malicious mischief insurance. Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in an aggregate amount at least equal to the greatest of (a) one hundred percent (100%) of the replacement cost of the Facilities insured thereunder, or (b) the aggregate principal amount of the Outstanding Certificates. All policies of such insurance may be subject to deductible clauses of not to exceed $100,000 for any one loss. The Net Proceeds of such insurance shall be applied as provided in Section 6.1. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, and may be maintained in whole or in part in the form of self-insurance by the District, subject to the provisions of Section 5.7 of the Lease Agreement, or in the form of the participation by the District in a joint powers agency or other program providing pooled insurance.

Rental Interruption Insurance. The District must maintain, throughout the term of the Lease Agreement, rental interruption or use and occupancy insurance to cover loss, total or partial, in an amount at least equal to the maximum Lease Payments in any 24 month period during the term of the Lease. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the District, but shall not be maintained in the form of self-insurance. The Net Proceeds of such insurance shall be paid to the Trustee and deposited in the Lease Payment Fund, and shall be credited towards the payment of the Lease Payments as the same become due and payable, or to the extent there has been a draw on the Reserve Policy, to reimburse the Insurer for amounts due under the Trust Agreement as a result of a draw on the Reserve Policy.

Title Insurance. The District will obtain a title insurance policy insuring the District's leasehold estate in the Leased Property, subject only to Permitted Encumbrances, in an amount at least equal to the aggregate principal amount of the Certificates. All Net Proceeds received under any such title insurance policy will be deposited with the Trustee in the Lease Payment Fund and will be credited towards the prepayment of the remaining Lease Payments pursuant to the Lease Agreement. A copy of such policy shall be delivered to the Insurer.

Each policy of insurance required by the Lease Agreement shall name the Trustee as loss payee so as to provide that all proceeds thereunder shall be payable to the Trustee. The District shall pay or cause to be paid when due the premiums for all insurance policies required by the Lease. All such policies shall provide that the Trustee shall be given thirty (30) days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby. Unless waived by the Insurer, insurance must be provided by an insurer rated "A" or better by S&P. The Trustee shall not be responsible for the sufficiency of any insurance herein required and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss.

In the event that any insurance shall be provided in the form of self-insurance, the District shall file with the Trustee and the Insurer annually, within 90 days following the close of each Fiscal Year, but no later than August 1 of each year, a statement of the risk manager of the District or an independent insurance adviser engaged by the District identifying the extent of such self-insurance and stating the determination that the District maintains sufficient reserves with respect thereto. In the event that any such insurance shall be provided in the form of self-insurance by the District, the District shall not be obligated to make any payment with respect to any insured event except from such reserves. Any self-insurance and pooled insurance programs shall be subject to the prior written consent of the Insurer.

Assignment; Subleases

The Corporation has assigned certain of its rights under the Lease Agreement to the Trustee pursuant to the Assignment Agreement. The District may not assign any of its rights in the Lease Agreement, and may sublease all or a portion of the Leased Property only with the prior written consent of the Insurer, and only under the conditions contained in the Lease Agreement, including the condition that such sublease not cause the interest component of the Lease Payments to become subject to federal or State of California personal income taxes.

Amendment of Lease

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

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

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

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

(iv) to amend the description of the Leased Property to reflect accurately the property originally intended to be included therein, or in connection with any substitution or release of a portion of the Leased Property pursuant to the Lease Agreement; or

(v) to obligate the District to pay additional amounts of rental for the use and occupancy of the Leased Property, provided that (A) such additional amounts of rental do not cause the total rental payments made by the District to exceed the fair rental value of the Leased Property, (B) the District has obtained an appraisal of the Leased Property showing that the estimated fair market value thereof is not less than the aggregate unpaid principal components of the Lease Payments and the aggregate principal components of such additional amounts of rental, (C) to the extent the Leased Property will be expanded or remodeled with the proceeds of certificates of participation representing the right to receive such additional rental payments, such certificates shall be subordinate to the Certificates until the construction of such expansion or remodeling of the Leased Property is completed, and (D) such additional amounts of rental are pledged or assigned for the payment of any bonds, notes, leases or other obligations the proceeds of which shall be applied to finance the construction or acquisition of land, facilities or other improvements which are authorized pursuant to the Education Code of the State of California.

No amendment to the Lease shall modify any of the rights or obligations of the Trustee without its prior written consent.

Any amendment, supplement, modification to, or waiver of any the Lease Agreement that requires the consent of the Owners of the Certificates or adversely affects the rights or interests of BAM shall be subject to the prior written consent of BAM.

Events of Default

Each of the following constitutes an event of default under the Lease Agreement:

(a) Failure by the District to pay any Lease Payment or other payment required to be paid under the Lease Agreement at the time specified in the Lease Agreement.

(b) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in the preceding clause (a), 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 Corporation, the Insurer or the Trustee; *provided, however*, that if in the reasonable opinion of the District the failure stated in the notice can be corrected, but not within such 30 day period, such failure will not constitute an Event of Default if the consent of the Insurer is obtained and the District commences to cure such failure within such 30 day period and thereafter diligently and in good faith cures such failure in a reasonable period of time.

(c) Certain events relating to the insolvency or bankruptcy of the District.

Remedies on Default

Whenever any Event of Default shall have happened and be continuing, it shall be lawful for the Corporation subject to the control of the Insurer to exercise any and all remedies available pursuant to law or granted pursuant to the Lease; *provided, however*, that notwithstanding anything in the Lease or in the Trust Agreement to the contrary, there shall be no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable or to re-lease the Leased Property to any party other than the District. The provisions of the Lease and the duties of the District and of its board, officers or employees shall be enforceable by the Corporation or its assignee by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction.

The Trustee has no right to accelerate Lease Payments and, due to the governmental nature of the Leased Property, it is uncertain whether a court would permit the exercise of the remedies of re-entry, repossession or re-letting.

Anything in the Site Lease, the Lease Agreement or the Trust Agreement to the contrary notwithstanding, upon the occurrence and continuance of a default or an event of default, BAM shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners of the Certificates or the Trustee for the benefit of the Owners of the Certificates under the Site Lease, the Lease Agreement or the Trust Agreement. No default or event of default may be waived without BAM's written consent.

Upon the occurrence and continuance of a default or an event of default, BAM shall be deemed to be the sole owner of the Certificates for all purposes under the Site Lease, the Lease Agreement and the Trust Agreement, including, without limitations, for purposes of exercising remedies and approving amendments.

TRUST AGREEMENT

Trustee

The Trustee is appointed pursuant to the Trust Agreement and is authorized to prepare, execute and deliver the Certificates thereunder, and to act as a depository of amounts held thereunder. The Trustee is required to make deposits into and withdrawals from funds, and invest amounts held under the Trust Agreement in accordance with the District's instructions.

Funds

The Trust Agreement creates the Lease Payment Fund, the Reserve Fund, the Project Fund and the Insurance and Condemnation Fund to be held in trust by the Trustee.

<u>Lease Payment Fund</u>. There will be deposited in the Lease Payment Fund, when received by the Trustee, all Lease Payments and prepayments thereof, and any other amounts required to be deposited therein pursuant to the Trust Agreement or the Lease Agreement. Moneys on deposit in the Lease Payment Fund will be used to pay principal and interest and premium (if any) represented by the Certificates. Any earnings on investment of moneys in the Lease Payment Fund will remain therein and will be credited towards payment of the next Lease Payments. Any surplus remaining in the Lease Payment Fund after the payment of all Certificates, or provision for their payment has been made, will be paid to the District.

<u>Costs of Issuance Fund</u>. The Trustee shall establish the Costs of Issuance Fund, into which shall be deposited amounts sufficient to pay Costs of Issuance. Funds will be disbursed from the Costs of Issuance upon receipt of a requisition of a District Representative meeting the requirements set forth in the Trust Agreement.

<u>Project Fund</u>. The Trustee will establish the Project Fund on behalf of the District, into which shall be deposited amounts available to pay Project Costs. On the Completion Date, the Trustee shall withdraw all remaining monies in the Project Fund and deposit such monies in the Lease Payment Fund to be applied by the Trustee as a credit against the Lease Payment.

Unless BAM otherwise directs, upon the occurrence and continuance of an Event of Default or an event which with notice or lapse of time would constitute an Event of Default, amounts on deposit in the Project Fund shall not be disbursed, but shall instead be applied to the payment of debt service or redemption price of the Certificates.

Reserve Fund. The Trustee will establish a special fund designated as the "Reserve Fund" to be held by the Trustee in trust for the benefit of the District and the Owners of the Certificates, and applied solely as provided in the Trust Agreement. Moneys in the Reserve Fund shall be held in trust as a reserve for the payment when due of the Lease Payments on behalf of the District.

In the event the Reserve Fund is at any time maintained in cash rather than in the form of the Reserve Policy, the Trustee will retain in the Reserve Fund all earnings on the investment of amounts therein to the extent required to maintain the full amount of the Reserve Requirement on deposit in the Reserve Fund. All amounts on deposit in the Reserve Fund in excess of the Reserve Requirement, and all amounts derived from the investment of amounts in the Reserve Fund which are not required to be retained therein to maintain the Reserve Requirement, shall be transferred by the Trustee to the Lease Payment Fund semiannually on or before each Lease Payment Date. Any recomputation of the Reserve Requirement shall be made by or on behalf of the District, and shall become effective upon the filing by the District with the Trustee of written notice thereof.

Initially, the Reserve Requirement shall be satisfied by the credit to the Reserve Fund of the Reserve Policy, the terms of which are set forth in the Insurance Agreement and the Trust Agreement. The deposit of any Reserve Policy to the Reserve Fund shall be subject to the prior written consent of the Insurer.

If five (5) Business Days prior to any Interest Payment Date the moneys available in the Lease Payment Fund do not equal the amount of the Lease Payment then coming due and payable, the Trustee shall apply the moneys available in the Reserve Fund to make such payments on behalf of the District by transferring the amount necessary for this purpose to the Lease Payment Fund.

Provisions Relating to the Reserve Policy. The agreements of the District, the Corporation and the Insurer with respect to the Reserve Policy shall be governed in accordance with the following provisions notwithstanding anything to the contrary in the Trust Agreement.

(i) Payment of Draws and Expenses. The District shall repay any draws under the Reserve Policy and pay all related reasonable expenses incurred by BAM. Interest shall accrue and be payable on such draws and expenses from the date of payment by BAM at the Late Payment Rate.

Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, the "Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw. Amounts in respect of Policy Costs paid to BAM shall 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 BAM 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. All cash and investments in the Reserve Fund shall be transferred to the Lease Payment Fund for payment of principal and interest represented by the Certificates before any drawing may be made on the Reserve Policy.

(ii) Draws on Reserve Policy. Payment of any Policy Cost shall be made prior to replenishment of any cash amounts. Draws on all reserve fund credit instruments (including the Reserve Policy) on which there is available coverage shall 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. Payment of Policy Costs and reimbursement of amounts with respect to other reserve fund credit instruments shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Fund. For the avoidance of doubt, "available coverage" means the coverage then available for disbursement pursuant to the terms of the applicable alternative credit instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

(iii) Limitation. Draws under the Reserve Policy may only be used to make payments on the Certificates.

(iv) Remedies of BAM. If the District fails to pay any Policy Costs in accordance with the requirements of paragraph 1 above, BAM shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Trust Agreement other than (i) acceleration of the maturity of the Certificates, or (ii) remedies which would adversely affect owners of the Certificates.

(v) Discharge of Trust Agreement. The Trust Agreement shall not be discharged until all Policy Costs owing to BAM shall have been paid in full. The District's obligation to pay such amount shall expressly survive payment in full of the Certificates.

(vi) Notice to BAM. The Trustee shall ascertain the necessity for a claim upon the Reserve Policy and provide notice to BAM at least three Business Days prior to each date upon which interest or principal is due with respect to the Certificates.

(vii) Expiration of Policy. The Reserve Policy shall expire on the earlier of the date the Certificates are no longer Outstanding and the final maturity date of the Certificates.

(viii) Security Interest. In order to secure the District's payment obligations with respect to the Policy Costs, there is hereby granted and perfected in favor of BAM a security interest (subordinate only to that of the Owners of the Certificates) in all revenues and collateral pledged as security for the Certificates.

Insurance and Condemnation Fund; Application of Net Proceeds of Insurance and Eminent Domain. Any Net Proceeds of insurance or condemnation awards with respect to the Leased Property will be deposited in the Insurance and Condemnation Fund. In the event of an insurance award, the net proceeds on deposit in the Insurance and Condemnation Fund will be used, as directed by the District, either (a) to replace, repair, restore, modify or improve the Leased Property if the District determines and notifies the Trustee and the Insurer that such is economically feasible or in the best interests of the District, or (b) to the extent not so used, to prepay the Lease Payments allocable to the Leased Property and thereby prepay Certificates. In the event of an eminent domain award with respect to the Leased Property, the net proceeds on deposit in the Insurance and Condemnation Fund will be used as directed by the District, as follows: (a) if the District determines that such eminent domain proceedings have not materially affected the interest of the District in the Leased Property or its ability to make payments under the Lease Agreement, such proceeds will be used either for repair, replacement or rehabilitation of the Leased Property, or credited towards the allocable Lease Payments next coming due and payable; or (b) if the District determines otherwise, and in any event if all of the Leased Property is taken in eminent domain proceedings, such proceeds will be used to prepay the Lease Payments and Certificates.

Investment of Funds

The Trustee is required to invest and reinvest all moneys held under the Trust Agreement, in Permitted Investments maturing not later than the date moneys are expected to be required for expenditure. All income or profit on any investments of funds held by the Trustee under the Trust Agreement will be deposited in the respective funds from which such investments were made, except that all amounts derived from the investment of amounts in the Reserve Fund will be transferred to the Lease Payment Fund to the extent not required to be retained in the Reserve Fund to maintain the Reserve Requirement.

Remedies Upon Event of Default

Upon the occurrence of an event of default by the District under the Lease Agreement the Trustee, with the prior written consent of the Insurer may, and at the written direction of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding the Trustee shall, exercise any and all remedies available at law or pursuant to the Lease Agreement. The Trustee subject to the control of the Insurer is granted the power to control the proceedings in the event of a default, for the equal benefit of the Certificate Owners, and no Certificate Owner has the right to institute any suit, action or proceeding at law or in equity, unless (a) such Owner has previously notified the Trustee of the occurrence of an event of default, (b) the Owners of a majority in aggregate principal amount of the outstanding Certificates have requested the Trustee in writing to exercise its powers, (c) said Owners have tendered the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in complying with such request, and (d) the Trustee has failed to comply with such request for 60 days after receipt of such request and tender of such indemnity.

Any amounts collected by the Trustee in an event of default are required to be applied first to the payment of the fees and expenses of the Trustee incurred in connection with such event of default and second to the payment of principal and interest represented by the Certificates (including interest on overdue installments of interest at the net effective rate of interest per annum then represented by the outstanding Certificates, but only to the extent funds are available for such purpose after payment of all other overdue amounts), ratably if necessary. Upon an event of default, the Trustee has a first lien on the amounts held under the Trust Agreement for its fees, charges and expenses.

Amendment of Trust Agreement

The Trust Agreement may be amended by agreement among the parties thereto without the consent of the Owners of the Certificates, but only:

(a) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power reserved to the Corporation or the District, provided, however that written consent of the Insurer is required with respect to an amendment to the provisions recognizing or granting rights in or to the Insurer,

(b) to cure, correct or supplement any ambiguous or defective provision in accordance with the original intention of the Corporation and the District,

(c) in regard to questions arising thereunder, as the District and the Corporation may deem necessary or desirable and which do not, in the opinion of Special Counsel, materially adversely affect the interests of the Owners of the Certificates,

(d) to facilitate any amendment to the Lease Agreement which is permitted to be made thereto as described above, or

(e) if and to the extent permitted in the opinion of Special Bond Counsel filed with the Trustee, the Insurer, the District and the Corporation, to delete or modify any of the provisions thereof relating to the exclusion from gross income for federal income tax purposes of interest represented by the Certificates.

Any other amendment requires the approval of the Owners of a majority in aggregate principal amount of the Certificates then outstanding, provided that no such amendment may (a) extend the maturity or time of interest payment, or reduce the interest rate, amount of principal or premium payable on, any Certificate without such Owner's consent; (b) reduce the percentage of Owners of Certificates required to consent to any amendment or modification; or (c) modify any of the Trustee's rights or obligations without its consent, or (d) modify any of the rights and interests of the Insurer without its written assent thereto.

Discharge of Trust Agreement

If and when the obligations represented by any or all Outstanding Certificates shall be paid and discharged in any one or more of the following ways:

> (a) by well and truly paying or causing to be paid the principal of and interest and prepayment premiums (if any) represented by such Certificates Outstanding selected for prepayment as and when the same become due and payable; or
>
> (b) by depositing with the Trustee or any other fiduciary, under an escrow deposit and trust agreement, security for the payment of Lease Payments relating to such Certificates selected for prepayment as more particularly described in Section 9.1 of the Lease, said security to be held by the Trustee on behalf of the District to be applied by the Trustee or by such other fiduciary to pay or prepay such Lease Payments as the same become due, pursuant to Section 9.1 of the Lease -

and if such Certificates selected for prepayment are to be prepaid prior to the maturity thereof notice of such prepayment shall have been mailed or provision satisfactory to the Trustee shall have been made for the mailing of such notice, then, notwithstanding that such Certificates shall not have been surrendered for payment, all rights hereunder of the Owners of such Certificates and all obligations of the Corporation, the Trustee and the District with respect to such Certificates shall cease and terminate, except only certain of the obligations of the Trustee under the Trust Agreement, and 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 paragraph (b) above, to the Owners of such Certificates not so surrendered and paid all sums represented thereby when due and in the event of deposits pursuant to paragraph (b), such Certificates shall continue to represent direct, undivided fractional interests of the Owners thereof in the Lease Payments.

To accomplish discharge hereunder, the District shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Insurer ("Accountant") verifying the sufficiency of the escrow established to pay the Certificates in full on the maturity or prepayment date ("Verification"), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Insurer), (iii) an opinion of nationally recognized bond counsel to the effect that the Certificates are no longer Outstanding under the Trust Agreement. The Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the District, the Insurer and the Trustee. The Insurer shall be provided with final drafts of the above-referenced documentation not less than three Business Days prior to the funding of the escrow. In addition, the Escrow Deposit Agreement shall provide that:

(a) Any substitution of securities following the execution and delivery of the Escrow Deposit Agreement shall require the delivery of a Verification, an opinion of bond counsel that such substitution will not adversely affect the exclusion from gross income of the holders of the Certificates of the interest on the Certificates for federal income tax purposes and the prior written consent of BAM, which consent will not be unreasonably withheld.

(b) The District will not exercise any prior optional redemption of the Certificates secured by the Escrow Deposit Agreement or any other redemption other than mandatory sinking fund redemptions unless (i) the right to make any such redemption has been expressly reserved in the Escrow Deposit Agreement and such reservation has been disclosed in detail in the official statement for the refunding bonds or certificates, and (ii) as a condition to any such redemption there shall be provided to BAM a Verification as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such redemption.

The District shall not amend the Escrow Deposit Agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of BAM.

Any funds held by the Trustee, at the time of discharge of the obligations represented by all Outstanding Certificates as a result of one of the events described in paragraphs (a) or (b) of this Section, which are not required for the payment to be made to Owners, shall, upon payment in full of all fees and expenses of the Trustee (including attorneys' fees) then due, be paid over to the District.

ASSIGNMENT AGREEMENT

The Corporation and the Trustee will enter into the Assignment Agreement under which the Corporation assigns and sets over to the Trustee, for the benefit of the Owners of the Certificates, all of the Corporation's rights under the Lease Agreement (subject to certain exceptions), including the right of the Corporation to receive and collect Lease Payments, its right to receive and collect proceeds of condemnation and insurance awards and the right to exercise rights and remedies of the Corporation in the Lease Agreement to enforce payments of amounts thereunder. The Trustee accepts such assignment for the purpose of securing such payments due to and rights of the Owners of the Certificates, subject to the provisions of the Trust Agreement.

PROVISIONS RELATING TO BOND INSURANCE

The following provisions shall govern, notwithstanding anything to the contrary set forth in the Trust Agreement.

(a) Amendments, Supplements and Consents. BAM's prior written consent is required for all amendments and supplements to the Site Lease, Lease Agreement or Trust Agreement, with the exceptions noted below. The District shall send copies of any such amendments or supplements to BAM and the rating agencies which have assigned a rating to the Certificates.

(b) Consent of BAM. Any amendments or supplements to the Site Lease, Lease Agreement or Trust Agreement shall require the prior written consent of BAM with the exception of amendments or supplements:

i. To cure any ambiguity or formal defect or omissions or to correct any inconsistent provisions in the transaction documents or in any supplement thereto, or

ii. To grant or confer upon the holders of the Certificates any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the holders of the Certificates, or

iii. To add to the conditions, limitations and restrictions on the issuance of bonds or other obligations under the provisions of the Site Lease, Lease Agreement or Trust Agreement other conditions, limitations and restrictions thereafter to be observed, or

iv. To add to the covenants and agreements of the District or Corporation in the Site Lease, Lease Agreement or Trust Agreement other covenants and agreements thereafter to be observed by the District or Corporation or to surrender any right or power therein reserved to or conferred upon the District or Corporation.

(c) Consent of BAM in Addition to Bondholder Consent. Any amendment, supplement, modification to, or waiver of, any of the Site Lease, Lease Agreement or Trust Agreement that requires the consent of holders of the Certificates or adversely affects the rights or interests of BAM shall be subject to the prior written consent of BAM.

(d) Consent of BAM in the Event of Insolvency. Any reorganization or liquidation plan with respect to the District or Corporation must be acceptable to BAM. In the event of any reorganization or liquidation of the District or Corporation, BAM shall have the right to vote on behalf of all holders of the Certificates absent a continuing failure by BAM to make a payment under the Policy.

(e) Consent of BAM Upon Default. Anything in the Site Lease, Lease Agreement or Trust Agreement to the contrary notwithstanding, upon the occurrence and continuance of a default or an event of default, BAM shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Certificates or the Trustee or Paying Agent for the benefit of the holders of the Certificates under any of the Site Lease, Lease Agreement or Trust Agreement. No default or event of default may be waived without BAM's written consent.

(f) BAM as Owner. Upon the occurrence and continuance of a default or an event of default, BAM shall be deemed to be the sole owner of the Certificates for all purposes under the Site Lease, Lease Agreement and Trust Agreement, including, without limitations, for purposes of exercising remedies and approving amendments.

(g) Provisions for Insurer Default. If an Insurer Default shall occur and be continuing, then, notwithstanding anything in paragraphs (a)-(e) above to the contrary, (1) if at any time prior to or following an Insurer Default, BAM has made payment under the Policy, to the extent of such payment BAM shall be treated like any other holder of the Certificates for all purposes, including giving of consents, and (2) if BAM has not made any payment under the Policy, BAM shall have no further consent rights until the particular Insurer Default is no longer continuing or BAM makes a payment under the Policy, in which event, the foregoing clause (1) shall control. For purposes of this paragraph, "Insurer Default" means: (A) BAM has failed to make any payment under the Policy when due and owing in accordance with its terms; or (B) BAM shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, or (vi) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality shall order the suspension of payments on the Policy or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of BAM (including without limitation under the New York Insurance Law).

(h) Payment Procedure Under the Policy. In the event that principal and/or interest due on the Certificates shall be paid by BAM pursuant to the Policy, the Certificates shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the District, the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the District to the registered owners shall continue to exist and shall run to the benefit of BAM, and BAM shall be subrogated to the rights of such registered owners including, without limitation, any rights that such owners may have in respect of securities law violations arising from the offer and sale of the Certificates.

In the event that on the second (2^{nd}) business day prior to any payment date on the Certificates, the Paying Agent or Trustee has not received sufficient moneys to pay all principal of and interest on the Certificates due on such payment date, the Paying Agent or Trustee shall immediately notify BAM or its designee on the same business day by telephone or electronic mail, of the amount of the deficiency. If any deficiency is made up in whole or in part prior to or on the payment date, the Paying Agent or Trustee shall so notify BAM or its designee.

In addition, if the Paying Agent or Trustee has notice that any holder of the Certificates has been required to disgorge payments of principal of or interest on the Certificates pursuant to a final, non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such holder within the meaning of any applicable bankruptcy law, then the Paying Agent or Trustee shall notify BAM or its designee of such fact by telephone or electronic mail, or by overnight or other delivery service as to which a delivery receipt is signed by a person authorized to accept delivery on behalf of BAM.

The Paying Agent or Trustee shall irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for holders of the Certificates as follows:

(i) If there is a deficiency in amounts required to pay interest and/or principal on the Certificates, the Paying Agent or Trustee shall (i) execute and deliver to BAM, in form satisfactory to BAM, an instrument appointing BAM as agent and attorney-in-fact for such holders of the Certificates in any legal proceeding related to the payment and assignment to BAM of the claims for interest on the Certificates, (ii) receive as designee of the respective holders (and not as Paying Agent) in accordance with the tenor of the Policy payment from BAM with respect to the claims for interest so assigned, and (iii) disburse the same to such respective holders; and

(ii) If there is a deficiency in amounts required to pay principal of the Certificates, the Paying Agent or Trustee shall (i) execute and deliver to BAM, in form satisfactory to BAM, an instrument appointing BAM as agent and attorney-in-fact for such holder of the Certificates in any legal proceeding related to the payment of such principal and an assignment to BAM of the Certificates surrendered to BAM, (ii) receive as designee of the respective holders (and not as Paying Agent) in accordance with the tenor of the Policy payment therefore from BAM, and (iii) disburse the same to such holders.

The Trustee shall designate any portion of payment of principal on Certificates paid by BAM, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Certificates registered to the then current holder, whether DTC or its nominee or otherwise, and shall issue a replacement Insured Obligation to BAM, registered in the name directed by BAM, 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 Obligation shall have no effect on the amount of principal or interest payable by the District on any Insured Obligation or the subrogation or assignment rights of BAM.

Payments with respect to claims for interest on and principal of Certificates disbursed by the Paying Agent or Trustee from proceeds of the Policy shall not be considered to discharge the obligation of the District with respect to such Certificates, and BAM shall become the owner of such unpaid Certificates and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the preceding paragraphs or otherwise.

Irrespective of whether any such assignment is executed and delivered, the District, the Corporation and the Trustee agree for the benefit of BAM that:

(i) They recognize that to the extent BAM makes payments directly or indirectly (*e.g.*, by paying through the Paying Agent or Trustee), on account of principal of or interest on the Certificates, BAM will be subrogated to the rights of such holders to receive the amount of such principal and interest from the District, with interest thereon, as provided and solely from the sources stated in the Site Lease, Lease Agreement or Trust Agreement and the Certificates; and

(ii) They will accordingly pay to BAM the amount of such principal and interest, with interest thereon as provided in the transaction documents and the Certificates, but only from the sources and in the manner provided therein for the payment of principal of and interest on the Certificates to holders, and will otherwise treat BAM as the owner of such rights to the amount of such principal and interest.

(j) Additional Payments. The District agrees unconditionally that it will pay or reimburse BAM on demand any and all reasonable charges, fees, costs, losses, liabilities and expenses that BAM may pay or incur, including, but not limited to, fees and expenses of BAM'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 Site Lease, Lease Agreement or Trust Agreement ("Administrative Costs"). For purposes of the foregoing, costs and expenses shall include a reasonable allocation of compensation and overhead attributable to the time of employees of BAM spent in connection with the actions described in the preceding sentence. The District agrees 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 BAM until the date BAM is paid in full.

Notwithstanding anything herein to the contrary, the District agrees to pay to BAM (i) a sum equal to the total of all amounts paid by BAM under the Policy ("BAM Policy Payment"); and (ii) interest on such BAM Policy Payments from the date paid by BAM until payment thereof in full by the District, payable to BAM at the Late Payment Rate per annum (collectively, "BAM Reimbursement Amounts") compounded semi-annually. The District hereby covenants and agrees that the BAM Reimbursement Amounts are payable from and secured by a lien on and pledge of the same revenues and other collateral pledged to the Certificates on a parity with debt service due on the Certificates.

"Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A., at its principal office in The City of New York, New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank, N.A.) plus 3%, and (ii) the then applicable highest rate of interest on the Certificates and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. In the event JPMorgan Chase Bank, N.A., ceases to announce its Prime Rate, the Prime Rate shall be the prime or base lending rate of such other bank, banking association or trust company as BAM, in its sole and absolute discretion, shall designate. Interest at the Late Payment Rate on any amount owing to BAM shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

(j) Third Party Beneficiary. The Insurer is a third party beneficiary to the Trust Agreement.

(k) Exercise of Rights by BAM. The rights granted to BAM under the Site Lease, Lease Agreement or Trust Agreement to request, consent to or direct any action are rights granted to BAM in consideration of its issuance of the Policy. Any exercise by BAM of such rights is merely an exercise of the BAM's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the holders of the Certificates and such action does not evidence any position of BAM, affirmative or negative, as to whether the consent of the holders of the Certificates or any other person is required in addition to the consent of BAM.

BAM shall be entitled to pay principal or interest on the Certificates that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the District (as such terms are defined in the Policy), whether or not BAM has received a claim upon the Policy.

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2014

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LIBERTY ELEMENTARY
SCHOOL DISTRICT
COUNTY OF TULARE
TULARE, CALIFORNIA
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2014

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

Introductory Section

Liberty Elementary School District
Audit Report
For The Year Ended June 30, 2014

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Liberty Elementary School District
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Management's Discussion and Analysis

LIBERTY ELEMENTARY SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
June 30, 2014

INTRODUCTION

Our discussion and analysis of Liberty Elementary School District's financial performance provides an overview of the District's financial activities for the year ended June 30, 2014. It should be read in conjunction with the District's financial statements, which follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* issued June 1999; and GASB Statement No. 37, *Basic Financial Statement – and Management Discussion and Analysis – for State and Local Governments: Omnibus,* an amendment to GASB Statement No. 21 and No. 34, issued in June 2001.

FINANCIAL HIGHLIGHTS

- Total net position was $ 17,067,606 at June 30, 2014. This was an increase of $775,823 over the prior year.
- Overall revenues were $3,347,668, which exceeded expenses of $2,571,845 by $775,823.
- Long-term debt has decreased by $68,579 as a result of the redemption of bonds and the repayment in full of capital leases and early retirement incentive.

OVERVIEW OF FINANCIAL STATEMENTS

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 the District operations in more detail. The fund financial statements comprise the remaining statements.
  - **Governmental funds** statements tell how general government services were financed in the short term as well as what remains for future spending.
  - **Fiduciary fund** statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources belong.

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 supplementary information that further explains and supports 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-the difference between the assets and liabilities is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in enrollment, changes in the property tax base, and changes in program funding by the Federal and State governments, and condition of facilities.

The government-wide financial statements of the District include government activities. Most of the District's basic services are included here, such as regular education, food service, maintenance and general administration. Local Control Funding Formula (LCFF) and Federal and State grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds-not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular programs. Some funds are required to be established by state law and by bond covenants. The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that the District is meeting legal responsibilities for using certain revenues. The District has two kinds of funds:

- <u>Governmental funds</u> - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial position that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements 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. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement that explains the relationship (or differences) between them.
- <u>Fiduciary funds</u> – the District is the trustee, or fiduciary, for assets that belong to others; for the District, the student body activities fund is an agency fund. The District is responsible for ensuring that assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use the assets to finance its operations.

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's combined net position was $17,067,606 at June 30, 2014. See Table 1.

Table 1:
Net Position

	Governmental Activities 2014	Governmental Activities 2013	Total Percentage Change 2014-2013
Assets:			
Cash	$ 2,810,490	$ 1,195,351	135.12%
Accounts Receivable	397,370	510,530	-22.17%
Prepaid Expenditures	2,500	2,500	0.00%
Deferred Loss on Early Retirement of Debt	-	33,617	-100.00%
Capital Assets, Net of Accumulated Depreciation	15,559,593	16,017,504	-2.86%
TOTAL ASSETS	18,769,953	17,759,502	5.69%
Liabilities:			
Accounts Payable	822,761	263,815	211.87%
Unearned Revenue	-	739	-100.00%
Tax Revenue Anticipation Note	-	255,000	-100.00%
Long-Term Debt	879,586	948,165	-7.23%
TOTAL LIABILITIES	1,702,347	1,467,719	15.99%
Net Position:			
Net invested in Capital Assets	14,680,007	15,074,316	-2.62%
Restricted	1,909,975	795,438	140.12%
Unrestricted	477,624	422,029	13.17%
TOTAL NET POSITION	$ 17,067,606	$ 16,291,783	4.76%

Changes in Net Position

The District's total revenues were $3,347,668. A majority of the revenue comes from Local Control Funding Formula (64%). State aid for specific programs accounted for another 2.81% of total revenues.

The total cost of all programs and services was $2,571,845. The District's expenses are predominately related to educating and caring for students (73%). Administrative activities accounted for just 11.2% of total costs. The remaining expenses were for plant services (maintenance and operations), ancillary services and other outgo.

Table 2:
Changes in Net Position

	Governmental Activities		Total Percentage Change
	2014	2013	2014-2013
Revenues:			
Program Revenues:			
Charges for Revenue	$ -	$ 1,734	-100.00%
Operating Grants and Contributions	224,171	228,683	-1.97%
Capital Grants and Contributions	25,833	87,428	-70.45%
General Revenues:			
LCFF/Revenue Limit Sources	2,155,872	1,583,490	36.15%
State Revenues	94,106	303,114	-68.95%
Local Revenues	108,500	114,972	-5.63%
Gain on Disposal of Assets	739,186	-	100.00%
TOTAL REVENUES	3,347,668	2,319,421	44.33%
Program Expenses:			
Instruction	1,658,950	1,622,579	2.24%
Instruction-Related Services	161,023	225,915	-28.72%
Pupil Services	40,594	84,973	-52.23%
Ancillary Services	4,797	-	100.00%
General Administration	287,920	259,661	10.88%
Plant Services	343,023	381,452	-10.07%
Other Outgo	75,538	49,866	51.48%
TOTAL EXPENSES	2,571,845	2,624,446	-2.00%
INCREASE (DECREASE) IN NET POSITION	$ 775,823	$ (305,025)	-354.35%

Governmental Activities

The cost of all governmental activities this year was $2,571,845.

Table 3 presents the cost of each of the District's functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by charges for services, operating grants and capital grants and contributions.

Table 3:
Net Cost of Governmental Activities

	Total Cost of Services		Total Percentage Change	Net Cost of Services		Total Percentage Change
	2014	2013	2014-13	2014	2013	2014-2013
Instruction	$1,658,950	$1,622,579	2.24%	($1,465,812)	($1,373,749)	6.70%
Instruction-Related Services	161,023	225,915	-28.72%	(161,023)	(225,915)	-28.72%
Pupil Services	40,594	84,973	-52.23%	(40,594)	(64,114)	-36.68%
Ancillary Services	4,797	-	100.00%	(4,797)	-	100.00%
General Administration	287,920	259,661	10.88%	(285,392)	(255,440)	11.73%
Plant Services	343,023	381,452	-10.07%	(288,818)	(381,452)	-24.28%
Other Outgo	75,538	49,866	51.48%	(75,405)	(5,931)	1171.37%
TOTAL	$2,571,845	$2,624,446	-2.00%	($2,321,841)	($2,306,601)	0.66%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The strong financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of $2,402,993, an increase from last year's ending fund balance of $1,197,842.

General Fund Budgetary Highlights

Over the course of the year, the District revises its annual budget to reflect unexpected changes in revenues and expenditures. The final amendment to the budget was approved June 30, 2014. A schedule of the District's original and final budget amounts compared with actual revenues and expenses is provided in the required supplemental section of the audited financial report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested $15,924,603 in a broad range of capital assets, including land, buildings and improvements, equipment and vehicles. See Table 4. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Table 4:
Capital Assets

	Governmental Activities		Total Percentage Change
	2014	2013	2014-2013
Land	$ 2,991,450	$ 2,992,900	-0.05%
Land Improvements	17,000	383,540	-95.57%
Buildings	10,896,126	2,892,453	276.71%
Machinery and Equipment	358,354	284,501	25.96%
Work in Progress	1,661,673	10,790,984	-84.60%
Totals at Historical Cost	15,924,603	17,344,378	-8.19%
Total Accumulated Depreciatior	(365,010)	(1,326,874)	-72.49%
NET CAPITAL ASSETS	$ 15,559,593	$ 16,017,504	-2.86%

The District's fiscal year 2013-14 budget projects spending of $1,789,912 for capital projects. This includes architect and consulting and testing fees for construction of a new school,

Long-Term Debt

At year end, the District had $879,586 in debt, as shown in Table 5. The District reduced debt by $68,579 during the fiscal year. More detailed information about the District's debt is presented in the notes to the financial statements.

Table 5:
Long-Term Debt

	Governmental Activities		Total Percentage Change
	2014	2013	2014-2013
General Obiligation Bonds	$ 879,586	$ 928,036	-5.22%
Capital Leases Payable	-	15,152	-100.00%
Early Retirement Incentive	-	4,977	-100.00%
TOTAL LONG-TERM DEBT	$ 879,586	$ 948,165	-7.23%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- The uncertainty of Federal and State funding can have a profound impact on the financial health of the District. Although no changes are currently anticipated, the federal budget was recently adopted and the state could implement budget cuts, as it did during the 2014 and 2013 fiscal years.
- The continuing increases in premiums for health care insurance and worker's compensation could have a significant effect on the future financial health of the District. The 2014 premium for health insurance increased by 3.4 % over the 2013 premium. The worker's compensation 2014 rate did not change from the 2013 rate. Health care premiums are predicted to continue to increase into the foreseeable future.
- The budget assumptions used to prepare the budget for 2014 included a 0% cost of living allowance (COLA), a growth factor of 0%, and salary step and column increase of 1.5%.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, participants, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Business Manager at 1771 E. Pacific Ave, Tulare, CA 93274.

Financial Section

M. Green and Company LLP
CERTIFIED PUBLIC ACCOUNTANTS

Visalia
Dinuba
Hanford

Post Office Box 3330 • Visalia, California 93278-3330 • Telephone (559) 627-3900 • FAX (559) 625-1606
E-mail: visalia@mgreencpas.com • Web Site: www.mgreencpas.com

Independent Auditors' Report

Board of Trustees
Liberty Elementary School District
1771 E. Pacific Avenue
Tulare, California 93274

Members of the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Elementary School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty Elementary School District, as of June 30, 2014, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1–7 and 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Liberty Elementary School District's basic financial statements. The accompanying other required supplementary schedules as other supplementary information as required by the State's audit guide, *Standards and Procedures for Audits of California K-12 Local Education Agencies 2013-14*, published by the Education Audit Appeals Panel are not a required part of the basic financial statements.

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

The budgetary comparison schedules presented as other supplementary information on pages 33 through 39 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2014, on our consideration of Liberty Elementary School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Liberty Elementary School District's internal control over financial reporting and compliance.

M Green and Company LLP

Visalia, California
December 12, 2014

Basic Financial Statements

LIBERTY ELEMENTARY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities
ASSETS:	
Cash in County Treasury	$ 2,810,490
Accounts Receivable	397,370
Prepaid Expenses	2,500
Capital Assets:	
Land	2,991,450
Land Improvements, Net	16,222
Buildings, Net	10,657,270
Equipment, Net	232,978
Work in Progress	1,661,673
Total Assets	18,769,953
LIABILITIES:	
Accounts Payable	822,761
Noncurrent Liabilities:	
Due within one year	48,404
Due in more than one year	831,182
Total Liabilities	1,702,347
NET POSITION:	
Net Investment in Capital Assets	14,680,007
Restricted For:	
Debt Service	166,686
Capital Projects	1,525,239
Legally Restricted Programs	218,050
Unrestricted	477,624
Total Net Position	$ 17,067,606

The accompanying notes are an integral part of this statement.

LIBERTY ELEMENTARY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
PRIMARY GOVERNMENT:				
Government Activities:				
Instruction	$ 1,658,950	$ 167,305	$ 25,833	$ (1,465,812)
Instruction-Related Services	161,023	-	-	(161,023)
Pupil Services	40,594	-	-	(40,594)
Ancillary Services	4,797	-	-	(4,797)
General Administration	287,920	2,528	-	(285,392)
Plant Services	343,023	54,205	-	(288,818)
Other Outgo	75,538	133	-	(75,405)
Total Governmental Activities	2,571,845	224,171	25,833	(2,321,841)
Total Primary Government	$ 2,571,845	$ 224,171	$ 25,833	(2,321,841)
General Revenues:				
LCFF Sources				2,155,872
State Revenues				94,106
Local Revenues				108,500
Gain on Disposal of Assets				739,186
Total General Revenues				3,097,664
Change in Net Position				775,823
Net Position - Beginning				16,291,783
Net Position - Ending				$ 17,067,606

The accompanying notes are an integral part of this statement.

LIBERTY ELEMENTARY SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	County School Facilities Fund New Construction	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash in County Treasury	$ 336,186	$ 2,250,453	$ 223,851	$ 2,810,490
Accounts Receivable	397,370	-	-	397,370
Due from Other Funds	39,473	2,850	-	42,323
Prepaid Expenditures	2,500	-	-	2,500
Total Assets	$ 775,529	$ 2,253,303	$ 223,851	$ 3,252,683
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	$ 74,680	$ 732,687	$ -	$ 807,367
Due to Other Funds	2,850	-	39,473	42,323
Total Liabilities	77,530	732,687	39,473	849,690
Fund Balance:				
Nonspendable Fund Balances:				
Prepaid Items	2,500	-	-	2,500
Restricted Fund Balances	218,050	1,520,616	171,309	1,909,975
Committed Fund Balances	11,287	-	13,069	24,356
Assigned Fund Balances	1,690	-	-	1,690
Unassigned:				
Reserve for Economic Uncertainty	106,000	-	-	106,000
Other Unassigned	358,472	-	-	358,472
Total Fund Balance	697,999	1,520,616	184,378	2,402,993
Total Liabilities and Fund Balances	$ 775,529	$ 2,253,303	$ 223,851	$ 3,252,683

The accompanying notes are an integral part of this statement.

LIBERTY ELEMENTARY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total fund balances - governmental funds balance sheet	$	2,402,993
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not reported in the funds.		15,559,593
Payables for bond principal which are not due in the current period are not reported in the funds.		(879,586)
Payables for accrued interest which are not due in the current period are not reported in the funds.		(15,394)
Net position of governmental activities - Statement of Net Position	$	17,067,606

The accompanying notes are an integral part of this statement.

LIBERTY ELEMENTARY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	County School Facilities Fund New Construction	Other Governmental Funds	Total Governmental Funds
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	$ 1,529,515	$ -	$ -	$ 1,529,515
Education Protection Account Funds	368,108	-	-	368,108
Local Sources	258,249	-	-	258,249
Federal Revenue	92,085	-	-	92,085
Other State Revenue	226,430	-	871	227,301
Other Local Revenue	27,991	22,898	82,335	133,224
Total Revenues	2,502,378	22,898	83,206	2,608,482
Expenditures:				
Instruction	1,420,015	-	-	1,420,015
Instruction - Related Services	160,936	-	-	160,936
Pupil Services	39,815	-	-	39,815
Ancillary Services	4,797	-	-	4,797
General Administration	283,929	-	-	283,929
Plant Services	395,323	1,776,442	2,930	2,174,695
Debt Service:				
Principal	19,738	-	48,450	68,188
Interest	305	-	37,960	38,265
Total Expenditures	2,324,858	1,776,442	89,340	4,190,640
Excess (Deficiency) of Revenues Over (Under) Expenditures	177,520	(1,753,544)	(6,134)	(1,582,158)
Other Financing Sources (Uses):				
Transfers In	-	-	2,539	2,539
Transfers Out	(2,539)	-	-	(2,539)
Other Sources	-	2,780,000	-	2,780,000
Total Other Financing Sources (Uses)	(2,539)	2,780,000	2,539	2,780,000
Net Change in Fund Balance	174,981	1,026,456	(3,595)	1,197,842
Fund Balance, July 1	523,018	494,160	187,973	1,205,151
Fund Balance, June 30	$ 697,999	$ 1,520,616	$ 184,378	$ 2,402,993

The accompanying notes are an integral part of this statement.

LIBERTY ELEMENTARY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Net change in fund balances - total governmental funds	$ 1,197,842
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,832,741
The depreciation of capital assets used in governmental activities is not reported in the funds.	(249,838)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	48,450
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	15,152
Special termination benefits are reported as the amount earned in the SOA but as the amount paid in the funds.	4,977
Deferred loss on early retirement of debt and similar items are amortized in the SOA but not in the funds.	(33,617)
Decrease in accrued interest from beginning of period to end of period.	930
The disposal of capital assets decreases net position in the SOA but not reported in the funds.	(2,040,814)
Change in net position of governmental activities - Statement of Activities	$ 775,823

The accompanying notes are an integral part of this statement.

LIBERTY ELEMENTARY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Agency Fund
	Student Body Fund
ASSETS:	
Cash on Hand and in Banks	$ 20,859
Total Assets	20,859
LIABILITIES:	
Due to Student Groups	20,859
Total Liabilities	20,859
NET POSITION:	
Total Net Position	$ -

The accompanying notes are an integral part of this statement.

A. Summary of Significant Accounting Policies

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

1. Financial Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

The District reports the following major governmental funds:

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

Fund 17, Special Reserve for Other Than Capital Outlay Projects, currently defined as a special revenue fund in the California School Accounting Manual (CSAM), does not meet the GASB Statement No. 54 special revenue fund definition because the fund is not substantially composed of restricted or committed revenue sources. While the fund is authorized by statute and will remain open for internal reporting purposes, the fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in the audited financial statements.

The County School Facilities Fund - New Construction is used to receive apportionments from the State School's Facilities Fund authorized by the State Allocation Board for new school facility construction projects and facility hardship grants.

In addition, the District reports the following fund types:

Non-Major Governmental Funds:

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

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

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

The Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and repayment of, District bonds, interest and related costs.

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

The Building Fund is used to account for the acquisition of major governmental capital facilities and buildings from the proceeds of bond sales.

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

The State School Building Fund is used primarily to account for State apportionments provided for construction and reconstruction of school facilities (Education Code Sections 17070-17080).

The County School Facilities Fund - Modernization is used to receive apportionments from the State School's Facilities Fund authorized by the State Allocation Board for school facility construction projects and facility hardship grants for the modernization of the District. The County School Facilities Fund - Modernization was closed by board action in the 2013-2014 school year.

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

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. The following fund is in use:

The District maintains one agency fund for the school's student body.

b. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

3. Encumbrances

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

4. Budgets and Budgetary Accounting

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

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

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

5. Assets, Liabilities and Equity

a. Deposits and Investments

Cash balances held in banks are fully insured or collateralized.

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

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

Information regarding the amount of dollars invested in derivatives with Tulare County Treasury indicates the amount was less than 1% for the year ended June 30, 2014.

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. These inventories are immaterial and have been omitted from these statements.

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

c. Capital Assets

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

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

Asset Class	Estimated Useful Lives
Buildings	25-50
Land Improvements	20-30
Vehicles	8
Machinery & Equipment	5-20

d. Interfund Activity

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

e. Unearned Revenue

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

f. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. At June 30, 2014, the District had no accumulated unpaid employee vacation benefits.

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

g. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

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

In fiscal year 2011, the District adopted a minimum fund balance policy for the General Fund. The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredictable expenditures. Therefore, the District will maintain an unassigned Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than prescribed for fiscal solvency review purposes pursuant to Education Code Section 33127. In the event that the balance drops below the established minimum level, the District's governing board will develop a plan to replenish the fund balance to the established minimum level within two years.

h. Property Taxes

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

i. Use of Estimates

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

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

Violation	Action Taken
None reported	Not applicable

2. Deficit Fund Balance or Net Position of Individual Funds

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

Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

C. Cash and Investments

1. Cash in County Treasury

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Tulare County Treasury as part of the common investment pool ($2,809,246 as of June 30, 2014). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was $2,810,490. Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

2. Cash on Hand and in Banks

Cash balances on hand and in banks ($20,859 as of June 30, 2014) are fully insured or collateralized.

3. Analysis of Specific Deposits and Investments

Cash and investments as of June 30, 2014, are classified in the accompanying financial statements, as follows:

Statement of net position:

	Credit Quality Rating		Fair Value
Cash in County Treasury	Not Rated	$	2,810,490
Fiduciary Funds:			
Cash on Hand and in Banks	Not Applicable		20,859
Total		$	2,831,349

Cash and investments as of June 30, 2014, consist of the following:

Cash in County Treasury	$	2,810,490
Deposits with Financial Institutions		20,859
Total	$	2,831,349

Investments Authorized by the District's Investment Policy

Education Code Section 41001 and the District's investment policy require operating funds to be deposited into the County Treasury and invested in accordance with the current investment policy of the Tulare County Treasurer. Education Code Section 41015 authorizes the investment of surplus monies, not required for the immediate necessities of the District in any of the investments specified in Section 16430 or 53601 of the Government Code. Additionally, a variety of operational bank accounts are authorized, including but not limited to: Scholarship Accounts, Clearing Accounts and Revolving Cash Accounts. The District's investment policy does not contain any specific provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk. The District held no investments at June 30, 2014.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District held no investments at June 30, 2014.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District held no investments at June 30, 2014.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code, which is investments in any one issuer (other than U.S. Treasury Securities, mutual funds, and external investment pools) that represent 5% or more of total District investments. The District held no investments at June 30, 2014.

Custodial Credit Risk

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

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

Investment Accounting Policy

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

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

D. Accounts Receivable

Accounts receivable as of June 30, 2014, consist of the following:

	General Fund
Federal Government:	
Federal Programs	$ 47,645
State Government:	
State Aid	329,904
Categorical Programs	15,575
Total State Government	345,479
Miscellaneous	4,246
Total	$ 397,370

E. Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balances	Increases	Reclassifications/ Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 2,992,900	$ -	$ (1,450)	$ 2,991,450
Work in progress	10,790,984	1,621,255	(10,750,566)	1,661,673
Total capital assets not being depreciated	13,783,884	1,621,255	(10,752,016)	4,653,123
Capital assets being depreciated:				
Land improvements	197,328	17,000	(197,328)	17,000
Land improvements under capital leases	186,212	-	(186,212)	-
Buildings	2,892,453	2,930	8,000,743	10,896,126
Equipment	185,844	191,556	(19,046)	358,354
Equipment under capital leases	98,657	-	(98,657)	-
Total capital assets being depreciated	3,560,494	211,486	7,499,500	11,271,480
Less accumulated depreciation for:				
Land improvements	(78,797)	(2,270)	80,289	(778)
Land improvements under capital leases	(61,553)	(1,035)	62,588	-
Buildings	(978,807)	(231,426)	971,377	(238,856)
Equipment	(109,060)	(15,107)	(1,209)	(125,376)
Equipment under capital leases	(98,657)	-	98,657	-
Total accumulated depreciation	(1,326,874)	(249,838)	1,211,702	(365,010)
Total capital assets being depreciated, net	2,233,620	(38,352)	8,711,202	10,906,470
Governmental activities capital assets, net	$ 16,017,504	$ 1,582,903	$ (2,040,814)	$ 15,559,593

Depreciation was charged to functions as follows:

Instruction	$ 243,912
Food Service	3,991
Home-to-School Transportation	779
Plant Services	1,069
School Site Administration	87
Total	$ 249,838

F. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2014, consisted of the following:

Due To Fund	Due From Fund		Amount	Purpose
General Fund	Other Governmental Funds	$	36,391	Short-term loans
General Fund	Other Governmental Funds		3,082	Short-term loans
County School Facilities Fund -New Construction	General Fund		2,850	Short-term loans
	Total	$	42,323	

All amounts due are scheduled to be repaid within one year. The amount due includes a prior year balance of $3,082.

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2014, consisted of the following:

Transfers From	Transfers To		Amount	Reason
General Fund	Other Governmental Funds	$	2,539	To close County Schools Facilities Fund - Modernization
	Total	$	2,539	

G. Short-Term Debt Obligations

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

	Beginning Balance	Issued	Redeemed	Ending Balance
2012-13 Cross Year Tax and Revenue Anticipation Notes - Series A	$ 255,000	$ -	$ 255,000	$ -

On April 10, 2012, the District approved participation in the California School Cash Reserve Program Authority's 2012-13 Cross-Year Tax and Revenue Anticipation Notes (TRANS). The District purchased TRANS in the amount of $255,000 for the purpose of providing current expenditures and capital outlay requirements. The note was issued at a premium of $2,689 with an underwriter's discount of $255 and an issuance cost of $2,295. The short-term loan, including interest of $3,032, was paid in full in September 2013.

H. Long-Term Debt Obligations

1. Long-Term Debt Obligation Summary

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2014, are as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
Governmental activities:					
General obligation bond	$ 928,036	$ -	$ 48,450	$ 879,586	$ 48,404
Capital leases	15,152	-	15,152	-	-
Early retirement incentive	4,977	-	4,977	-	-
Total governmental activities	$ 948,165	$ -	$ 68,579	$ 879,586	$ 48,404

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

Liability	Activity Type	Fund
General obligation bond	Governmental	Bond Interest and Redemption Fund
Capital leases	Governmental	General Fund
Early retirement incentive	Governmental	General Fund

In the government-wide financial statements, interest expense for the year ended June 30, 2014, was $37,335 and is included in the functional expenses as a direct charge.

2. General Obligation Bonds

On December 15, 2010, Liberty Elementary School District issued 2010 General Obligation Refunding Bonds in the amount of $1,030,276 pursuant to Article 9 of Chapter 3 of Division 2 of Title 5 of the California Government Code. The bonds were issued by the District to refund its General Obligation Bonds, Election of 2000, Series A, issued in the principal amount of $1,200,000, of which $1,005,000 was outstanding. The bonds were issued as current interest bonds and will mature serially each August 1. The rate of interest is 4.20%. Interest is due semi-annually on February 1 and August 1 each year commencing December 15, 2010. The final maturity date is August 1, 2026.

The outstanding General Obligation Bond Debt of the District as of June 30, 2014, is as follows:

Date Issued	Interest Rate %	Maturity Date	Original Issue	Bonds Outstanding July 1, 2013	Issued	Redeemed	Bonds Outstanding June 30, 2014
2010	4.20	2027	$ 1,030,276	$ 928,036	$ -	$ 48,450	$ 879,586
			$ 1,030,276	$ 928,036	$ -	$ 48,450	$ 879,586

The annual requirements to amortize General Obligation Refunding Bonds, outstanding as of June 30, 2014, are as follows:

Year Ended June 30,	Principal	Interest	Total
2015	$ 48,404	$ 35,926	$ 84,330
2016	53,300	33,790	87,090
2017	53,038	31,557	84,595
2018	57,766	29,230	86,996
2019	62,387	26,707	89,094
2020-2024	351,641	91,745	443,386
2025-2027	253,050	16,199	269,249
Totals	$ 879,586	$ 265,154	$ 1,144,740

3. Capital Leases

The District had commitments under capitalized lease agreements for facilities and equipment valued at $284,869. The final payments on these leases were made during the year ended June 30, 2014. The District received no sublease rental revenue nor paid any contingent rentals associated with these leases.

4. Early Retirement Incentive

On June 14, 2011, the District entered into a Supplemental Employee Retirement Plan, whereby one retiree was to receive incentive payments over three years. The payments were based on an interest rate of .46% compounded monthly. The final payment on this obligation was made during the year ended June 30, 2014.

I. Fund Balances and Restricted Net Position

Fund balances as of June 30, 2014, are as follows:

	General Fund	County School Facilities Fund New Construction	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepaid Items	$ 2,500	$ -	$ -	$ 2,500
Total Nonspendable	2,500	-	-	2,500
Restricted:				
California Clean Energy Jobs Act	52,915	-	-	52,915
Lottery - Instructional Materials	37,760	-	-	37,760
Common Core State Standards Implementation	64,911	-	-	64,911
Other Educational Purposes	1,500	-	-	1,500
Other Restricted Local	60,964		-	60,964
Educational Purposes-State School Facilities Project	-	236,393	-	236,393
Capital Projects	-	1,284,223	4,623	1,288,846
Debt Service	-	-	166,686	166,686
Total Restricted	218,050	1,520,616	171,309	1,909,975
Committed:				
Tier III Flexed Revenues	11,287	-	-	11,287
Deferred Maintenance	-	-	13,069	13,069
Total Committed	11,287	-	13,069	24,356
Assigned:				
Other Purposes	1,690	-	-	1,690
Unassigned:				
Reserve for Economic Uncertainty	106,000	-	-	106,000
Other Unassigned	358,472	-	-	358,472
Total Unassigned	464,472	-	-	464,472
Total Fund Balances	$ 697,999	$ 1,520,616	$ 184,378	$ 2,402,993

The government-wide statement of net position reports $1,909,975 of restricted net position, none of which are restricted by enabling legislation.

J. Commitments Under Noncapitalized Leases

The District has entered into operating leases for modular buildings and a copier with lease terms in excess of one year. These agreements contain no purchase options.

Future minimum lease payments under these agreements as of June 30, 2014, are as follows:

Year Ended June 30,		
2015	$	54,809
2016		54,809
2017		5,707
Total minimum rentals	$	115,325

The District will receive no sublease rental revenue nor pay any contingent rentals associated with these leases. Rent expense for these leases for the year ended June 30, 2014 was $62,170.

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

The Liberty Elementary School District participates in three public entity risk pools under joint powers agreements (JPAs); the Self-Insured Schools of California III (S.I.S.C. III), the Tulare County Schools Insurance Group (T.C.S.I.G.) and the Central Tulare County School Districts Liability/Property Joint Powers Authority (C.T.C.S.J.P.A.). The relationship between the District and the JPAs is such that none of the JPAs are a component unit of the District for financial reporting purposes.

The JPAs were established as agencies under the provisions of the California Government Code, Title I, Division 7, Chapter 5, Article 1, Section 6500 et. seq. The purpose of each JPA is to provide self-insurance programs as follows:

S.I.S.C. III provides the services necessary and appropriate for the establishment, operation and maintenance of a medical Self-Insurance Fund that provides for the payment of medical, dental, vision, and prescription claims of the member public educational agency employees and their covered dependents and to minimize the total cost of annual medical insurance of their respective member organizations.

T.C.S.I.G. is an insurance purchasing pool for workers' compensation insurance.

C.T.C.S.J.P.A. provides a $200,000 liability and a $150,000 property Self-Insured Retention (SIR) for claims against the participating public educational agency JPA members. These claims are paid through the JPA loss fund.

Membership in the JPAs consists of various public educational agencies.

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

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

L. Employee Retirement Systems

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

PERS:

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 7% of their salary (7% of monthly salary over $133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-14 was 11.442% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the years ended June 30, 2014, 2013 and 2012 were $29,678, $28,690 and $26,737, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was $0.

STRS:

Plan Description

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

Funding Policy

Active plan members are required to contribute 8% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2013-14 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the years ended June 30, 2014, 2013 and 2012 were $76,424, $67,270 and $57,931, respectively, and equal 100% of the required contributions for each year. The amount contributed by the State on behalf of the District was $36,867.

M. Postemployment Benefits Other Than Pension Benefits

The District offers no postemployment retirement benefits other than the pension benefits, as described in Note L.

N. Commitments and Contingencies

State and Federal Allowances, Awards and Grants

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

Construction of 4-Wing Classroom Addition and New Preschool Building

On April 21, 2014, the District entered into two lease lease-back contracts with David A. Bush Inc. for a new four wing classroom addition and a new preschool building. The total costs of the contracts were $1,422,082 and $951,683, respectively. The proceeds from the sale of the old elementary school are funding these projects. As of June 30, 2014, $706,783 and $510,365 had been expended on these contracts, respectively. The new four wing classroom addition was completed in October 2014, and the new preschool building was completed in August 2014.

Required Supplementary Information

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

LIBERTY ELEMENTARY SCHOOL DISTRICT

EXHIBIT B-1

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	$ 1,122,686	$ 1,604,562	$ 1,529,515	$ (75,047)
Education Protection Account Funds	261,612	311,746	368,108	56,362
Local Sources	213,155	235,226	258,249	23,023
Federal Revenue	101,337	92,452	92,085	(367)
Other State Revenue	403,094	241,326	226,430	(14,896)
Other Local Revenue	32,500	37,048	27,991	(9,057)
Total Revenues (1)	2,134,384	2,522,360	2,502,378	(19,982)
Expenditures:				
Current:				
Certificated Salaries	934,551	940,547	940,547	-
Classified Salaries	293,215	318,805	318,805	-
Employee Benefits	485,888	484,269	484,269	-
Books And Supplies	104,428	175,272	139,932	35,340
Services And Other Operating Expenditures	301,349	417,106	404,262	12,844
Capital Outlay	801	20,660	17,000	3,660
Debt Service:				
Principal	15,153	19,738	19,738	-
Interest	274	305	305	-
Total Expenditures (1)	2,135,659	2,376,702	2,324,858	51,844
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,275)	145,658	177,520	31,862
Other Financing Sources (Uses):				
Transfers Out	-	(2,539)	(2,539)	-
Total Other Financing Sources (Uses)	-	(2,539)	(2,539)	-
Net Change in Fund Balance	(1,275)	143,119	174,981	31,862
Fund Balance, July 1	523,018	523,018	523,018	-
Fund Balance, June 30	$ 521,743	$ 666,137	$ 697,999	$ 31,862

(1) Due to the consolidation of Special Reserve Fund for Other Than Capital Outlay Projects for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these funds are included in the actual revenues and expenditures and in the original and final General Fund budgets.

APPENDIX C

GENERAL INFORMATION ABOUT THE CITY OF TULARE AND THE COUNTY OF TULARE

The following information concerning the City of Tulare and the County of Tulare of is included only for the purpose of supplying general information regarding the area of the District. The Certificates are not a debt of the City, the County, the State or any of its political subdivisions (other than the District), and neither the City, the County, the State nor any of its political subdivisions (other than the District) is liable therefor.

General Description

Founded in 1852, the County of Tulare (the “**County**”) is located in California's San Joaquin Valley, a large agriculturally rich basin that runs through the center of the State. The County is the second top agricultural producing county in the nation. It is surrounded by Fresno County to the north, Inyo County to the east, Kern County to the south and Kings County to the west. Almost half the entire county area is devoted to national parks and forests, including the famous Sequoia and Kings Canyon National Parks, Inyo and Sequoia National Forests. These natural resources provide year-round recreational opportunities for hiking, fishing, skiing and camping.

The County has eight incorporated cities, of which the City of Tulare (the "**City**") is the second largest in terms of population. The City lies in the western portion of the County.

Population

The following sets forth the County population estimates as of January 1 for the years 2010 to 2014:

COUNTY OF TULARE
Estimated Population

	2010	2011	2012	2013	2014
Dinuba	21,217	21,869	22,641	23,096	23,666
Exeter	10,329	10,357	10,435	10,495	10,539
Farmersville	10,567	10,756	10,837	10,893	10,932
Lindsay	11,762	11,977	12,425	12,533	12,650
Porterville	54,086	54,676	55,173	55,526	55,697
Tulare	**59,089**	**59,710**	**60,700**	**61,238**	**61,857**
Visalia	124,184	125,342	127,016	128,525	129,582
Woodlake	7,268	7,305	7,386	7,671	7,711
Balance Of County	142,743	143,191	144,916	146,060	146,812
County Total	441,245	445,183	451,529	456,037	459,446

Source: State of California Department of Finance, Demographic Research Unit.

Commerce

A summary of historic taxable sales within the City and County during the past five years in which data is available is shown in the following tables.

Total taxable sales during calendar year 2013 in the City were reported to be $847,033,000, a 4.2% increase over the total taxable sales of $812,978,000 reported during calendar year 2012. Figures are not yet available for 2014.

CITY OF TULARE
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2009	761	$476,875	1,118	$613,097
2010	798	531,271	1,140	668,415
2011	813	602,422	1,156	757,245
2012	863	641,503	1,208	812,978
2013	839	664,971	1,184	847,033

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

Total taxable sales during calendar year 2013 in the County were reported to be $5.79 billion, a 5.3% increase over the total taxable sales of $5.50 billion reported during calendar year 2012. Figures are not yet available for 2014.

COUNTY OF TULARE
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2009	5,630	$2,802,055	8,239	$4,145,502
2010	5,837	3,072,261	8,434	4,496,880
2011	5,891	3,440,634	8,448	5,053,721
2012	5,949	3,622,196	8,525	5,499,361
2013	5,816	3,746,171	8,334	5,788,584

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

Employment and Industry

The unemployment rate in the County was 13.4% in February 2015, down from a revised 13.8% in January 2015, and below the year-ago estimate of 15.5%. This compares with an unadjusted unemployment rate of 6.8% for California and 5.8% for the nation during the same period.

The following table shows the average annual estimated numbers of wage and salary workers by industry for the County of Tulare. Figures do not include proprietors, the self-employed, unpaid volunteers or family workers, domestic workers in households, and persons in labor management disputes.

TULARE COUNTY
Civilian Labor Force, Employment and Unemployment
(Annual Averages)

	2009	2010	2011	2012	2013
Civilian Labor Force (1)	203,500	208,100	208,000	206,000	205,300
Employment	172,700	172,800	173,100	173,300	176,600
Unemployment	30,800	35,300	34,900	32,700	28,700
Unemployment Rate	15.2%	17.0%	16.8%	15.9%	14.0%
Wage and Salary Employment: (2)					
Agriculture	36,400	37,700	36,400	33,700	34,200
Mining, Logging and Construction	4,700	3,900	3,900	4,000	4,200
Manufacturing	11,400	11,100	11,200	11,300	11,600
Wholesale Trade	4,000	3,800	3,600	3,700	3,800
Retail Trade	14,600	14,600	15,100	15,700	16,600
Trans., Warehousing and Utilities	5,000	5,100	5,600	6,100	6,500
Information	1,200	1,100	1,000	900	900
Finance and Insurance	2,800	2,700	2,700	2,700	2,700
Professional and Business Services	8,800	8,700	9,400	9,700	10,500
Educational and Health Services	12,000	12,000	11,900	11,800	12,600
Leisure and Hospitality	9,000	8,900	8,900	9,500	10,000
Other Services	2,900	3,000	3,100	3,100	3,100
Federal Government	1,300	1,500	1,200	1,200	1,100
State Government	2,300	2,100	2,000	1,800	1,700
Local Government	27,800	27,500	27,400	27,600	27,200
Total, All Industries (3)	145,300	144,800	144,200	143,800	147,600

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(3) Totals may not add due to rounding.
Source: State of California Employment Development Department.

Major Employers

The largest manufacturing and non-manufacturing employers as of March 2015 in the County area are shown below.

TULARE COUNTY
Largest Employers
March 2015

Employer Name	Location	Industry
College of the Sequoias	Visalia	Schools-Universities & Colleges Academic
Eagle Mountain Casino	Porterville	Casinos
Enns Packing Co	Dinuba	Fruits & Vegetables-Growers & Shippers
Fruit Patch Inc	Dinuba	Fruits & Vegetables-Growers & Shippers
Jostens	Visalia	Trophies Awards & Medals
KD Medical Center	Visalia	Hospitals
Kings Canyon National Park	Kings Canyon N'l Pk	Parks
Land O' Lakes Indl. Cheese	Tulare	Cheese Processors (Mfrs.)
Monrovia Nursery Co	Woodlake	Nurseries-Plants Trees & Etc-Wholesale
Porterville Developmental Center	Porterville	Mental Health Services
Ruiz Food Products Inc	Dinuba	Mexican Food Products-Manufacturers
Sierra View District Hospital	Porterville	Hospitals
Sun Pacific	Exeter	Fruits & Vegetables - Growers
Tulare County Child Care Prgm	Visalia	Child Care Service
Tulare County Parks and Rec Dept.	Visalia	Sheriff
Tulare County Resource Mgmt	Visalia	Government Offices-County
Tulare County Sheriff's Office	Visalia	Sheriff
Tulare District Health Care	Tulare	Health Services
Tulare Regional Medical Center	Tulare	Hospitals
US Cotton Classing Office	Visalia	Government Offices-Us
Visalia Public Works Admin	Visalia	Parking Area/Lots Maintenance & Marking
Walmart	Porterville	Department Stores
Walmart Distribution Center	Porterville	Distribution Centers (Whls)
Walmart Supercenter	Dinuba	Department Stores
Wawona Packing Co	Cutler	Fruits & Vegetables-Growers & Shippers

Source: America's Labor Market Information System Employer Database, 2015 2nd Edition.

Construction Activity

The following tables show a five-year summary of the valuation of building permits issued in the City and the County.

CITY OF TULARE
Building Permit Valuation
(Valuation in Thousands of Dollars)

	2009	2010	2011	2012	2013
Permit Valuation					
New Single-family	$23,652.7	$13,009.0	$22,604.4	$8,994.0	$17,705.9
New Multi-family	315.0	1,555.8	3,674.4	0.0	6,849.8
Res. Alterations/Additions	3,059.2	3,293.3	5,129.0	2,649.1	1,260.6
Total Residential	27,026.9	17,858.1	31,407.8	11,643.1	9,180.2
New Commercial	6,695.0	1,204.5	278.5	8,918.0	9,236.1
New Industrial	2,151.8	0.0	0.0	225.0	0.0
New Other	1,270.9	507.5	0.0	1,552.3	4,271.4
Com. Alterations/Additions	4,423.4	7872.4	9,051.8	11,078.7	4,591.4
Total Nonresidential	14,541.7	9,584.3	9,330.3	21,774.0	18,098.9
New Dwelling Units					
Single Family	180	113	154	61	114
Multiple Family	4	20	48	0	58
TOTAL	184	133	202	61	172

TULARE COUNTY
Building Permit Valuation
(Valuation in Thousands of Dollars)

	2009	2010	2011	2012	2013
Permit Valuation					
New Single-family	$172,385.1	$160,609.7	$124,334.3	$88,018.7	$171,844.3
New Multi-family	11,155.9	32,423.9	10,636.2	6,775.9	6,959.8
Res. Alterations/Additions	15,996.5	23,152.8	36,917.9	13,736.6	11,590.2
Total Residential	199,537.4	216,186.3	171,888.4	108,531.2	190,394.3
New Commercial	16,639.2	10,161.6	29,855.3	72,825.0	93,113.5
New Industrial	3,525.3	3,750.0	27,350.0	8,636.5	800.0
New Other	26,152.0	35,451.6	8,561.4	2,888.7	100,590.4
Com. Alterations/Additions	39,500.4	54,985.9	65,514.8	45,584.8	39,067.5
Total Nonresidential	85,544.0	104,349.1	131,281.5	129,935.0	233,571.4
New Dwelling Units					
Single Family	985	977	721	530	834
Multiple Family	120	282	138	111	60
TOTAL	1,105	1,259	859	641	894

Source: Construction Industry Research Board, Building Permit Summary.

Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

CITY OF TULARE, TULARE COUNTY, STATE OF CALIFORNIA, UNITED STATES
Effective Buying Income
2009 through 2013

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2009	City of Tulare	$758,433	$35,909
	Tulare County	6,190,527	37,001
	California	844,823,319	49,736
	United States	6,571,536,768	43,252
2010	City of Tulare	$723,263	$34,112
	Tulare County	5,826,395	34,764
	California	801,383,028	47,177
	United States	6,365,020,076	41,368
2011	City of Tulare	$700,675	$34,233
	Tulare County	6,045,045	34,581
	California	814,578,458	47,062
	United States	6,438,704,664	41,253
2012	City of Tulare	$843,518	$37,627
	Tulare County	6,386,965	37,110
	California	864,088,828	47,307
	United States	6,737,867,730	41,358
2013	City of Tulare	$849,255	$36,285
	Tulare County	6,358,653	36,537
	California	858,676,636	48,340
	United States	6,982,757,379	43,715

Source: Sales & Marketing Management Survey of Buying Power.

Transportation

Situated on Highway 99, Tulare County offers excellent transportation access routes throughout California and the Western United States. Many communities in the County offer airports for corporate service. Air service is available approximately 45 minutes north at Fresno Yosemite International Airport. San Francisco International Airport is about 3-1/2 hours driving time away.

Union-Southern Pacific, Burlington Northern-Santa Fe Railroads are the San Joaquin Valley Rail companies serve Tulare County with extensive spur track, piggyback service, reciprocal switching, and refrigerated shipping.

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APPENDIX D

FORM OF OPINION OF SPECIAL COUNSEL

June 18, 2015

Board of Trustees
Liberty Elementary School District
1771 East Pacific Avenue
Tulare, California 93274

OPINION: $2,490,000 Certificates of Participation (2015 Capital Improvement Projects) Evidencing the Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be Made by the Liberty Elementary School District to Local Facilities Finance Corporation

Members of the Governing Board:

We have acted as special counsel in connection with the delivery by the Liberty Elementary School District (the "District"), of the Lease Agreement dated as of June 1, 2015 (the "Lease Agreement") between the Local Facilities Finance Corporation (the "Corporation"), as lessor, and the District, as lessee. Pursuant to the Trust Agreement dated as of June 1, 2015 (the "Trust Agreement") between the District, the Corporation and Wilmington Trust, National Association, as trustee thereunder (the "Trustee"), the Trustee has executed and delivered $2,490,000 aggregate principal amount of Certificates of Participation (2015 Capital Improvement Projects) (the "Certificates") evidencing the direct, undivided fractional interests of the owners thereof in lease payments to be made by the District pursuant to the Lease Agreement (the "Lease Payments") which have been assigned by the Corporation to the Trustee pursuant to the Assignment Agreement dated as of June 1, 2015 (the "Assignment Agreement") between the Corporation and the Trustee. We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

1. The District is a school district duly organized and validly existing under the laws of the State of California with the full power to enter into the Lease Agreement and the Trust Agreement and to perform the agreements on its part contained therein.

2. The Lease Agreement and the Trust Agreement have been duly approved by the District and constitute valid and binding obligations of the District enforceable against the District in accordance with their respective terms.

3. The Certificates have been validly executed and delivered by the Trustee pursuant to the Trust Agreement and, by virtue of the assignment made pursuant to the Assignment Agreement, the owners of the Certificates are entitled to the benefits of the Lease Agreement.

4. The portion of the Lease Payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on such corporations (as defined for federal income tax purposes), such interest is required to be taken into account in determining certain income and earnings. The Lease Agreement is a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986 (the “Tax Code”) such that, in the case of certain financial institutions (within the meaning of section 265(b)(5) of the Tax Code), a deduction for federal income tax purposes is allowed for 80% of that portion of such financial institution's interest expense allocable to interest payable with respect to the Certificates. The opinions set forth in the preceding sentences are subject to the condition that the District comply with all requirements of the Tax Code that must be satisfied subsequent to the delivery of the Lease Agreement in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted in the Lease Agreement and the Trust Agreement and other instruments relating to the Certificates to comply with each of such requirements. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of delivery of the Lease Agreement. We express no opinion regarding other federal tax consequences arising with respect to the Lease Agreement and the Certificates.

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

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

Respectfully submitted,

A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by the Liberty Elementary School District (the "District") in connection with the execution and delivery of $2,490,000 Liberty Elementary School District Certificates of Participation (2015 Capital Improvement Projects) (the "Certificates"). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of June 1, 2015, between Wilmington Trust, National Association, as trustee, the District and the Local Facilities Finance Corporation (the "Trust Agreement"). The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Certificates and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

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 2, 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.

"*Annual Report Date*" means the date not later than nine months (currently March 31) after the end of each fiscal year of the District (currently June 30th).

"*Dissemination Agent*" shall mean Isom Advisors, A Division of Urban Futures, Inc., or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"*Listed Events*" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

"*Official Statement*" means the final official statement executed by the District in connection with the delivery of the Certificates.

"*Participating Underwriter*" shall mean O'Connor & Company Securities, Inc., the original underwriter of the Certificates required to comply with the Rule in connection with offering of the Certificates.

"*Repository*" shall mean each National Repository and each State Repository.

"*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.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2016 with the report for the 2014-15 fiscal year, provide to the MSRB in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by 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 Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A, with a copy to the Paying Agent and Participating Underwriter.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the District, file a report with the District, with a copy to the Paying Agent and the Participating Underwriter, certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The District's Annual Report shall contain or incorporate by reference the following:

(a) The District's audited financial statements 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 Annual Report Date, 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) Unless otherwise provided in the audited financial statements filed on or prior to Annual Report Date, financial information and operating data with respect to the District for the preceding fiscal year, substantially similar to that provided in the corresponding tables and charts in the Official Statement:

(i) adopted general fund budget;
(ii) average daily attendance;
(iii) outstanding debt;
(iv) information regarding total assessed valuation of taxable properties within the District;
(v) undeficited annual revenue limit/LCFF revenues per average daily attendance; and
(vi) information regarding secured tax charges and delinquencies on taxable properties within the District, so long as the Teeter Plan is not in place.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the District shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Certificates:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security.

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the obligated person.

(13) The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, and, if the Listed Event is described in sections (a)(2), (a)(6), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13) or (a)(14) above, the District determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the District shall, or shall cause the Dissemination Agent (if not the District) to file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Certificates under the governing legal documents.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier "if material." The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the District determines the event's occurrence is material for purposes of U.S. federal securities law.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above 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 United States 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 governing 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.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the

Certificates, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. 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 Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the District. Any Dissemination Agent may resign by providing 30 days' written notice to the District and the Paying Agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Certificates, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Certificates in the manner provided in the Trust Agreement for amendments to the Trust Agreement with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Certificates.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or 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.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent will have no duty or obligation to review any information provided to it by the District hereunder, and 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.

(b) 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 shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Dated: June 18, 2015

LIBERTY ELEMENTARY SCHOOL DISTRICT

By ________________________________

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	LIBERTY ELEMENTARY SCHOOL DISTRICT
Name of Issue:	$2,490,000 Certificates of Participation (2015 Capital Improvement Projects) Evidencing Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be made by the Liberty Elementary School District as the Rental for Certain Property Pursuant to a Lease Agreement with the Local Facilities Finance Corporation
Date of Issuance:	June 18, 2015

NOTICE IS HEREBY GIVEN NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Certificates as required by Section 10.06 of the Trust Agreement, dated as of June 1, 2015, by and among Wilmington Trust, National Association, as trustee, the District and the Local Facilities Finance Corporation. Continuing Disclosure Certificate, dated June 18, 2015. The District anticipates that the Annual Report will be filed by _____________.

Dated:_______________

LIBERTY ELEMENTARY SCHOOL DISTRICT

By ________________________________

Title: ______________________________

cc: Trustee

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APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the Certificates, payment of principal, interest and other payments on the Certificates to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Certificates and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Certificates (the "Issuer") nor the trustee, fiscal agent or paying agent appointed with respect to the Certificates (the "Agent") take any responsibility for the information contained in this Appendix.

No assurances can be given 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) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. 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.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (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 the Certificates, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest 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 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of 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 Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

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

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the security 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 the notices be provided directly to them.

6. 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.

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

8. Redemption proceeds, distributions, and interest payments 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 Issuer or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or 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.

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

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

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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APPENDIX G

TULARE COUNTY TREASURER’S ANNUAL INVESTMENT POLICY

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TULARE COUNTY

Annual Investment Policy of the Pooled Investment Fund

FISCAL YEAR 2014/2015

Amended as of January 1, 2015

Rita Woodard
Auditor-Controller / Treasurer-Tax Collector

http://www.tularecounty.ca.gov/treasurertaxcollector/index.cfm/treasurer/documents/

PREFACE

The Tulare County Treasurer's Investment Policy Statement for the Pooled Investment Fund is presented annually to the Treasury Oversight Committee for review and to the County Board of Supervisors for approval as recommended by California Government Code §53646 and §27133 and shall remain in effect until the succeeding policy is adopted. This policy has been researched, prepared, and written under the direction of the Auditor-Controller/Treasurer-Tax Collector and the Chief Deputy Treasurer-Tax Collector of the County of Tulare. Each issue addressed in this policy is considered to be of timely and significant importance to the administration of the investment portfolio. While some portions of this policy are a restatement of State law, it is viewed that these restatements are integral to the purpose and flow of this policy.

The following statements are intended to ensure the achievement of the purpose, goals, and objectives of the investment strategy in an orderly, accurate manner. However, there is no guarantee that problems, errors or losses will not arise in the course of administering the investment of idle funds.

Among the obstacles and deterrents that may effect the achievement of the goals and objectives of the portfolio include but are not limited to the following: unforeseen national or international events or crises, deviation of actual cash flow from forecasted cash flow, unexpected demands on cash flow, policies made with regard to investment in local depositories, errors in data or advice used to make decisions, as well as any other unforeseen aberration or event that may have an effect on local, national or international financial markets, economies or politics which in turn has a decided effect upon the portfolio.

Keeping in mind the obstacles and deterrents in pursuing portfolio goals and objectives, this policy is designed to achieve a reasonable rate of return over an economic cycle, consistent with limited risk and prudent investment practices.

The Treasurer's Office also maintains a separate *Investment Guidelines and Procedures Manual* that is consistent with this Investment Policy.

Approval Schedule

- County Treasury Oversight Committee
  Approved – May 1, 2014
  Amended – October 30, 2014
- Tulare County Board of Supervisors
  Approved – June 17, 2014
  Amended – January 6, 2015

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SCOPE

The following investment policy governs the deposit, safekeeping, and investment of all funds under the control of the County Treasurer, as well as all related transactions and investment activities. It does not apply to bond funds or other assets belonging to the County of Tulare, or other affiliated public agency assets that reside outside of the County Treasury Pool.

PURPOSE

The purpose of the investment policy is to facilitate accomplishment of the goals and objectives of the Treasurer with regard to the investment of idle funds, to provide a framework within which to carry out the business of administering and investing the idle funds of the Treasury, and to improve communications at all levels between those involved and those interested in the process of investing and administering the idle funds of the Treasury.

GOALS AND OBJECTIVES

LEGAL COMPLIANCE

All investments shall be made in accordance with the County Treasurer's Investment Policy, California Government Code §27000 et. seq., and §53600 et. seq., and any forthcoming amendments or additions to the California Government Code in relation to the investment of local agency idle funds.

PRUDENCE

The administration of idle funds of the Tulare County Treasurer, as a fiduciary trustee, shall be performed in accordance with the prudent investor standard as stated in California Government Code §§27000.3 and 53600.3:

> "When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, the county treasurer shall act with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the county and other depositors, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the county and other depositors."

As prudence shall be applied in the context of portfolio management, investment officers and their advisors, acting in accordance with written procedures and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectation are reported to the Treasurer in a timely fashion and appropriate action is taken to control adverse developments.

PRIMARY GOALS

The Treasurer's primary goals for the investment of idle funds (the portfolio) are, in order of priority as per California Government Code §§27000.5 and 53600.5:

1. **Safety** -- Safety of capital shall mean the safeguarding of capital through the selection of investments and investing procedures to best protect against loss arising from default, fraud, or error. This objective will be obtained through diversification and investment in securities of high quality to minimize credit risk and loss of principal.
2. **Liquidity** – The investment portfolio shall remain sufficiently liquid to enable the Treasury Pool to meet the operating requirements of its participants which might be reasonably anticipated and shall always have the ability to convert sufficient securities in the portfolio to cash to meet contingency needs.
3. **Yield** – The investment portfolio shall be designed with the objective of attaining the highest rate of return, taking into consideration income preservation, current market conditions, the present phase of the market cycle, both present and future cash flow needs, and the other primary goals of Safety and Liquidity.

PERFORMANCE MEASUREMENT

The investment portfolio will be managed in accordance with the parameters specified within this policy. The investment performance objective for the portfolio shall be to earn a total rate of return which is approximately equal to or greater than the return on a portfolio/index of securities with commensurate risk. These will include the Local Agency Investment Fund (LAIF) and the average two-year Treasury Note.

MAINTENANCE OF PUBLIC TRUST

As the Treasurer has been entrusted with the safekeeping of public monies received from public sources, the Treasurer in managing the investment portfolio shall exercise a high degree of professionalism to ensure and sustain public confidence, remembering that both the investment instruments and the methods of transacting investment business are subject to public review and scrutiny.

PUBLIC INQUIRY

The County Treasurer's portfolio and related transactions are a matter of public record. All districts whose funds are deposited with the Treasurer may receive a monthly/quarterly report of the portfolio by requesting a copy at the Treasurer's Office. In addition, any member of the public may receive a copy of the portfolio or Investment Policy by requesting a copy at the Treasurer's Office. The Treasurer may charge a fee for the copy, as allowed by law.

DELEGATION OF AUTHORITY

The management responsibility for the County of Tulare's investment program is hereby delegated to the County Treasurer in accordance with California Government Code Section 27000.1. Pursuant to California Government Code §27000.1, §53601 and §53635, the Tulare County Ordinance 1-03-2061, the County Treasurer shall be responsible for the investment of the County's funds (including the purchase, sale, or exchange of securities), the monitoring and reviewing of all investments for consistency under this investment policy.

The Treasurer shall have the responsibility to execute investment transactions on a day to day basis and shall establish a system of internal controls to regulate the investment activities. When circumstances warrant, the responsibility to execute investment transactions may be delegated to others. The County may engage the services of one or more external investment managers to assist in the management of the Investment portfolio in a manner consistent with the County's objectives. Such external managers may be granted discretion to purchase and sell investment securities in accordance with this Investment Policy. Each external manager assigned any portion of the portfolio must individually comply with the investment parameters established by this policy. Such managers must be registered under the Investment Advisors Act of 1940.

NO PERSON MAY ENGAGE IN AN INVESTMENT TRANSACTION EXCEPT AS PROVIDED UNDER THE LIMITS OF THIS POLICY AND THE PROCEDURES ESTABLISHED BY THE AUDITOR-CONTROLLER/TREASURER-TAX COLLECTOR.

COUNTY TREASURY OVERSIGHT COMMITTEE

Pursuant to the addition of Article 6, to Chapter 5 of Division 2 of Title 3 of the California Government Code, the Board of Supervisors, in consultation with the County Treasurer has created a County Treasury Oversight Committee to promote the public interest by involving depositors in the management of their funds and by enhancing the security and investment return of their funds through the establishment of criteria for the withdrawal of funds. The County of Tulare Treasury Oversight Committee shall annually review and monitor the Investment Policy and cause an annual audit to determine the Treasurer's compliance with the Investment Policy. Nothing in this policy shall be construed to allow the County Treasury Oversight Committee to direct individual investment decisions, select individual investment advisors, brokers or dealers, or impinge on the day-to-day operations of the County Treasury.

In compliance with §27132 of the California Government Code, the County Treasurer Oversight Committee shall consist of the following:

a) The County Auditor
b) A member of the Board of Supervisors or his/her designee
c) The Superintendent of Schools or his designee
d) A School District designee
e) A Special District designee
f) Two members of the public with expertise, or academic background in public finance.

CONFLICT OF INTEREST

The Auditor-Controller/Treasurer-Tax Collector, the Treasury Oversight Committee, and Treasury staff involved with the investment process shall not engage in any profession, trade, business or occupation which is incompatible or involves a conflict of interest with his/her duties; or which may reflect unfavorably on the County, the appointing authority, or on fellow employees.

Section 27133(d) requires limits to be set on the receipt of honoraria, gifts, and gratuities from advisors, brokers, dealers, bankers, or other persons with whom the County Treasury conducts business by any member of the County Treasury Oversight Committee and shall require the completion of an annual Statement of Economic Interests by each member to be filed with the member's respective agency. This policy sets establishes a limit on the amount of honoraria, gifts and gratuities that a committee member may receive from a single source in a calendar year that is consistent with the Fair Political Practices Commission. This limit may be in addition to the limits set by a committee member's own agency or by state law.

TERMS FOR FUNDS INVESTED WITH THE COUNTY INVESTMENT POOL

The Government Code requires the County Treasurer to define the limits and conditions under which local agencies having their money in the Investment Pool may deposit and withdraw their funds. The Government Codes confer upon the Treasurer the final authority as to how funds for which the Treasurer is held responsible for overseeing, are to be invested. The Treasurer must take into account the current financial condition of the sum total of the Pools' agencies, the conditions of the market place, as well as the cash flow projections and the potential for changes in the Pool's cash needs. The Treasurer must protect the earnings of each individual local agency in the Pool, and also see that no decision will reward a particular agency or group of agencies within the Pool at the expense of another or others within the Pool. If the Treasurer determines that a request for a withdrawal of funds for a specific or outside investment is not, in the Treasurer's opinion, in the best interest of a particular agency, or is overly detrimental to the Pool as a whole, the Treasurer must legally deny the request, or find a means of neutralizing the harm to all those affected.

FUNDS OF AGENCIES REQUIRED TO INVEST WITHIN THE POOL

Funds will be accepted at all times, in the manner prescribed, from those agencies where the County Treasurer is also the Treasurer for the local agency, or from any agencies that by statute must place their money in the County Investment Pool. Funds will earn interest based on the average daily balance apportioned on a quarterly basis.

The Treasury Pool's cash management plan provides for adequate liquidity to cover day-to-day operations of pool participants. The County Treasurer will honor all requests to withdraw funds for normal operations that are approved by the County Auditor at a one-dollar net asset value. To accommodate large withdrawals that exceed those normally associated with operations, the following written notification requirements must be followed to allow for adjustments to the liquidity position of the pool.

- Withdrawals of up to $ 5,000,000……………………….24 hours
- Withdrawals of up to $10,000,000……………………….48 hours
- Withdrawals of up to $10,000,001 and above ………...72 hours

Should a legislative body of a local agency determine that certain funds will not be required by the local agency for a period of at least one year, the local agency may petition the County Treasurer to invest that portion of the local agency's excess funds in a specific investment under the control of the County Treasurer. Such a petition should state the nature of the funds the legislative body wishes to invest specifically, and the reasons why the legislative body believes a specific investment is a preferable and viable alternative to the general Pools participation. Should the Treasurer determine that the request for a specific investment is valid and not overly counter-productive as to the Pool as a whole, the Treasurer will consult with the local agency's legislative body, or its appointed representative, to suggest and determine exactly what investment(s) should be purchased to fulfill the needs of the local agency. The Treasurer will then purchase the specific investment(s) upon receipt of a written resolution issued by the legislative body of the local agency, requesting the specific investment. The resolution must acknowledge that the local agency's legislative body takes full responsibility for the decision to purchase the specific investment(s), and that should conditions change requiring a sale prior to maturity of the specific investment(s), any loss that might be suffered as a result, will be solely that of the local agency, and that this loss shall not be shared by the Pool as a whole, nor by the County.

Under language added to the Government Code in 1995, it is not permissible for local agency legislative bodies, required to have their funds within the Pool, to withdraw funds from the Pool in order to invest outside the County Pool in any manner, at any time without specific permission of the Treasurer. Any such investments shall be either terminated and all funds returned to the Pool, or the securities so purchased must be transferred to the custody of the County Treasurer immediately. Upon receipt of any such securities by the Treasurer, the Treasurer shall at the Treasurer's option, place the investment in the Pool, terminate the investment at the current market value and credit the local agency with the proceeds, or place the security in the name of the local agency as a specific investment.

MONEY VOLUNTARILY INVESTED WITH THE COUNTY INVESTMENT POOL

By Code, the County Treasurer shall limit the amounts and set conditions under which money from local agencies, not required to have their funds in the investment Pool, may deposit and withdraw voluntarily invested funds. Funds from local agencies within the County, voluntarily wishing to participate in the Pool, will not be accepted under normal conditions unless the Treasurer is assured that these funds are in lieu of longer term investments. Such deposits are subject to withdrawal restrictions for a set minimal term as to be agreed to prior to the funds being accepted into the Pool, and may not be withdrawn at any time without a minimum of 30 days notice of “intent to withdraw”.

Under normal conditions, voluntary money withdrawn from the Pool will be disbursed on a dollar for dollar basis, plus appropriate interest, but under adverse market conditions, when the Treasurer deems the withdrawal of voluntary funds would cause undue losses or significantly lower earnings for those local agencies remaining within the Pool, the Treasurer may require one or more of three remedies:

1. Restrict the percentage of funds that may be withdrawn in any given month;
2. Restrict the rate at which the funds may be withdrawn;
3. Require the local agency withdrawing their funds to accept their funds based on the current market value of the overall Pool.

These terms will be agreed to and contracts signed prior to any voluntary money being accepted into the County Investment Pool. Such terms may exceed minimum requirements set forth in the Government Codes.

Specific investments are not normally permitted with voluntary funds, though on a cost recovery basis and under circumstances that dictate such activity, exceptions may be permitted.

AUTHORIZED INVESTMENT INSTRUMENTS

No investment shall be made in any security with a maturity greater than five years, unless it is approved by the Board of Supervisors. Some investments are restricted to terms less than five years. These maturity limitations are described in this Policy. The term “maturity” in this Policy is defined as an instrument’s stated legal final redemption date.

The dollar-weighted average maturity of the portfolio shall not exceed 3.5 years.

The following defines in detail the parameters of each approved investment type. Any instrument not expressly permitted is prohibited. Specific limitations are provided on the maximum allowable percentage per investment category and further limitations by issuer within each investment category. With the exception of insured and/or collateralized bank deposits, overnight repurchase agreements, U.S. Government securities, including its agencies and instrumentalities, and authorized pools, no more than 10% of the County's aggregate investment portfolio may be invested in securities of a single issuer. Where there is a percentage limitation for a particular category of investment, that percentage is only applicable at the time of purchase. If at the end of any quarter, any percentage in any restricted security is higher than the maximum allowed by category at time of purchase, the Treasurer shall take action within 90 days, to adjust the portfolio holdings so that the percentages are brought within the percentage limits.

A. Bonds issued by the County of Tulare, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the County of Tulare or by a department, board, agency, or authority of the County of Tulare.

B. United States Treasury bills, notes, bonds or certificates of indebtedness or those for which faith and credit of the United States are pledged for principal and interest.

C. Registered treasury notes or bonds of any of the 49 United States in addition to the State of California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 United States, in addition to the State of California.

D. Bonds, notes or warrants of the State of California and any local agency within California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency, or authority of the local agency.

E. Federal agency or United State government - sponsored enterprise obligation, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government - sponsored enterprises, per California Government Code §53601. No more than 75% of the total portfolio may be invested in Agency Securities.

F. Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as Bankers Acceptances, which are eligible for purchase by the Federal Reserve System, the short-term paper of which is rated in the highest category by a nationally recognized rating service. Purchases of Bankers Acceptances may not exceed 180 days maturity or 40 percent of the County's surplus funds which may be invested pursuant to this section.

G. Commercial Paper. Commercial paper (excluding Rule 144A issues) of “prime” quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or paragraph (2):

(1) The entity meets the following criteria: (A) Is organized and operating in the United States as a general corporation. (B) Has total assets in excess of five hundred million dollars ($500,000,000). (C) Has debt other than commercial paper, if any, that is rated “A” or higher by a nationally recognized statistical-rating organization.

(2) The entity meets the following criteria: (A) Is organized within the United States as a special purpose corporation, trust, or limited liability company. (B) Has program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond. (C) Has commercial paper that is rated “A-1” or higher, or the equivalent, by a nationally recognized statistical-rating organization.

Purchases of eligible commercial paper shall not exceed 270 days maturity nor represent more than 5 percent of the outstanding paper of an issuing corporation. Purchases of commercial paper may not exceed 40 percent of the County’s investment portfolio.

H. Negotiable Certificates of Deposit issued by a nationally or state-chartered bank or a savings association or federal association or a state or federal credit union or a state-licensed branch of a foreign bank; provided that the senior debt obligations of the issuing institution are rated “A” or better by a nationally recognizing rating service. Purchases of negotiable certificates of deposit may not exceed 30 percent of the County’s surplus money which may be invested pursuant to this section. For the purpose of this section, negotiable certificates of deposit do not come within Article 2 of Chapter 4 of Part 1 of Division 2 of Title 5 of the Government code, except that the amount so invested shall be subject to the limitations of §53638.

I. Authorized by California Government Code Section 53601 and/or 53635.

(1) Investment in Repurchase Agreements or Reverse Repurchase Agreements of any securities authorized by California Government Code 53601 & 53635.

(2) Investment in Repurchase Agreements may be made on any investment authorized in Government Code Section 53601 and 53635 when the term of the agreement does not exceed one year. The market value of securities that underlay a repurchase agreement shall be valued at 102 percent or greater of the funds borrowed against those securities and the value shall be adjusted no less than quarterly. Since the market value of the underlying securities is subject to daily fluctuation, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102 percent no later than the next business day. No more than 50% of the total portfolio may be invested in overnight repurchase agreements.

(3) Reverse Repurchase Agreements may be utilized only when the following conditions are met: The security to be sold on Reverse Repurchase Agreement has been owned and fully paid for by the County of Tulare for a minimum of 30 days prior to sale, and the total of all Reverse Repurchase Agreements on investments owned by the local agency does not exceed 20 percent of the base portfolio, and the agreement does not exceed a term of 92 days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of the security using a Reverse Repurchase Agreement and the final maturity date of the same security.

(4) A Reverse Repurchase Agreement may not be entered into as a means of financing or paying for the security sold on a Reverse Repurchase Agreement, but may only be entered into in order to supplement the yield on securities owned and previously paid for or to provide funds for the immediate payment of an obligation of Tulare County.

(5) Investments in Reverse Repurchase Agreements or similar investments in which the local agency sells securities prior to purchase, may only be made upon prior approval of the Board of Supervisors of the County of Tulare and are limited to no more than 20% of the total portfolio.

(6) (6-a) "Repurchase Agreement" means a purchase of securities by the agency pursuant to an agreement by which the counter party seller will repurchase the securities on or before a specified date and for a specified amount and the counter party will deliver the underlying securities to the agency's pool by book entry, physical delivery, or by third party custodial agreement. The transfer of underlying securities to the counter party bank's customer book-entry account may be used for book-entry delivery.

(6-b) "Securities", for the purpose of repurchase, means securities of the same issuer, description, issue date, and maturity.

(6-c) “Reverse Repurchase Agreement” means a sale of securities by the County Treasury pursuant to an agreement by which the agency will repurchase the securities on or before a specified date, and includes other comparable agreements.

(6-d) The base value of the County Treasury pools portfolio shall be that dollar amount obtained by totaling all cash balances placed in the pools by all pool participants, excluding any amounts obtained through selling securities by way of Reverse Repurchase Agreements or other similar borrowing methods.

(6-e) The spread is the difference between the cost of funds obtained using the reverse repurchase agreement and the earnings obtained on the reinvestment of the funds.

J. Medium-Term Notes of a maximum of five years’ maturity issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment shall be rated in a rating category of “A” or its equivalent or better by a nationally recognized rating service. Purchases of medium-term notes may not exceed 30 percent of the agency’s surplus money which may be invested.

K. Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940. To be eligible for investment these companies shall either:

(1) Attain the highest ranking or highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations.

(2) Have an investment advisor registered or exempt from registration with the Securities and Exchange Commission with not less than five years’ experience managing money market funds with assets under management in excess of five hundred million dollars ($500,000,000). The purchase price of shares of beneficial interest purchased shall not include any commission that these companies may charge and shall not exceed 15 percent of the agency’s surplus money which may be invested pursuant to §53635 of the California Government Code.

L. FDIC insured or collateralized savings accounts, market rate accounts, certificates of deposits and other bank deposits in a state or national bank, savings association or federal association, a state or a federal credit union located in California. Any financial institution accepting County funds for deposit must comply with the requirements of Government Code Section 53630 et seq., including collateralization of deposits. The County may waive the collateralization requirements for any portion of the deposit that is covered by Federal Deposit Insurance. As provided by Government Code Section 53649, the County shall have a signed contract with each financial institution that has County funds on deposit.

M. ~~Certificates of deposit~~ Deposits at a commercial bank, savings bank, savings and loan association, or credit union placed through a deposit placement service that comply with the requirements under Government Code Sections 53601.8 and 53635.8. The full amount of the principal and the interest that may be accrued during the maximum term of each certificate of deposit shall at all times be insured by federal deposit insurance.

N. Local Agency Investment Fund (LAIF). The maximum balance that can be held in the fund is the maximum amount permitted by State Treasury policy.

O. Managed Investment Pool's pursuant to California Government Code 53601(p) for which shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (o), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:

(1) The adviser is registered or exempt from registration with the Securities and Exchange Commission.

(2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (o), inclusive.

(3) The adviser has assets under management in excess of five hundred million dollars ($500,000,000).

P. Asset Backed Securities (Mortgage pass through securities, collateralized mortgage obligations, mortgage-backed or other pay-through bonds, equipment lease backed certificates, consumer receivable pass-through certificates, or consumer receivable backed bonds) provided that such securities :

(1) Have a maximum state final maturity of five years.

(2) Be issued by an issuer/sponsor having an "A" or higher rating for the issuer's debt as provided by a nationally recognized statistical-rating organization

(3) Be rated in a rating category of "AA" or its equivalent or better by a nationally recognized statistical-rating organization.

(4) Purchase of securities authorized by this subdivision may not exceed an accumulative total of 20 percent of the portfolio. Non-Federal Agency securities under this subsection are further limited to 10% of the portfolio.

(5) Purchase of securities authorized by this section is limited to the portion of the portfolio managed by an Investment Advisor on behalf of the County Treasurer.

Q. United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated “AA” or better by an NRSRO and shall not exceed 30 percent of the agency’s moneys that may be invested pursuant to this section.

INELIGIBLE SECURITIES

1. Securities Lending
2. Inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages.
3. A local agency shall not invest any funds in any security that could result in zero interest accrual if held to maturity. However, a local agency may hold prohibited investments purchased prior to January 1, 1996 until their maturity dates.
4. Financial futures and options.

REVIEW AND ANALYSIS OF PROSPECTIVE INVESTMENTS

Due to the complexity of the various investment instruments available and uncertainty of market conditions the Treasurer may seek professional advice in making investment decisions in order to optimize investment selections, subject to §1-03-2062 of the Tulare County Ordinance Code.

COMPETITIVE BIDDING

When executing a transaction, the County and its external investment advisors shall seek bids or offerings from at least three broker/dealers on the approved list.

POOL INVESTMENT PARAMETERS

Allowable Instruments	County Maximum % of Portfolio	Code Maximum % of Portfolio	County Maximum Maturity	Code Maximum Maturity	County % per Issuer[1]
U.S. Treasury Obligations (§53601(b))	100	100	5 Years	5 Years	100
U.S. Agency Obligations or U.S. Government Sponsored Enterprises (§53601(f))	75	100	5 Years	5 Years	100
Supranational Obligations (§53601(q))	30	30	5 Years	5 Years	10
Medium Term Notes (Corporate) (§53601(k))	30	30	5 Years	5 Years	10
Mortgage and Asset Backed Securities ((§53601(o))	20	20	5 Years	5 Years	10
Bankers' Acceptances (§53601(g))	40	40	180 Days	180 Days	10
Negotiable Certificates of Deposit (§53601(i))	30	30	5 Years	5 Years	10
Repurchase Agreement (§53601(j))	50	None	30 Days	1 Year	N/A
Reverse Repurchase Agreements (§53601(j))	20	20	92 Days	92 Days	10
Bank Time Deposits (§53630 et seq.)	30	None	3 Years	None	25
Bank ~~Time~~ Deposits – through deposit placement service (§53601.8)	30	30	3 Years	None	25
Money Market Accounts (§53630 et seq.)	50	None	N/A	None	25
Commercial Paper (§53601(h) and (§53635(a))	40	40	270 Days	270 days	10
Money Market Funds (§53601(l))	15	20	N/A	N/A	10
Obligations issued by a State or local agencies within California or any of the other 49 United States (§53601(d)(e))	30	100	5 Years	5 Years	10
Tulare County (§53601(a))	15	100	5 Years	5 Years	10
L.A.I.F. (§16429.1)	Maximum Allowed	Per State Treasury Policy	N/A	N/A	N/A
Managed Investment Pool pursuant to GC §53601(p)	50	None	N/A	N/A	N/A

[1] With the exception of insured and/or collateralized bank deposits, overnight repurchase agreements, U.S. Government securities, including its agencies and instrumentalities, and authorized pools, no more than 10% of the County's aggregate investment portfolio may be invested in securities of a single issuer. Commercial paper is further limited to 5% of the outstanding paper of the issuing corporation.

BROKER/DEALER AND DEPOSITORY INSTITUTION RELATIONSHIPS

APPROVED LIST OF BROKER/DEALER INSTITUTIONS

The County Treasurer shall approve and maintain a list of broker/dealers and direct issuers authorized to provide investment services to the County. All investments must be made with institutions that have been approved by the County Treasurer prior to investing. The County's external investment advisors may use their own list of approved broker/dealers and financial institutions for investment purposes. The advisor shall submit the list of approved broker/dealers to the County on a quarterly basis for review. The criteria for approval are described in a separate *Investment Guidelines and Procedures Manual* maintained by the Treasurer's Office.

APPROVED LIST OF DEPOSITORY INSTITUTIONS

The County Treasurer shall approve and maintain a list of depository institutions authorized to purchase Certificates of Deposit and Time Deposits. An institution must meet the following criteria to be considered by the County Treasurer for deposits described in section (L) of the AUTHORIZED INVESTMENT INSTRUMENTS section of this policy :

1) The institution must be located in California.
2) The institution must have current financial information, a signed contract and waiver on file with the agency.
3) The institution must maintain a net worth to asset ratio of at least 3% and have a positive earnings record.
4) The institution must be at least 3 years old.
5) For collateralized investments, the institution must have at least $100 million in assets and collateralize their TCD's in accordance with §53651 and §53652 of the California Government Code.
6) The institution shall have received an overall rating of not less than "satisfactory" in its most recent Community Reinvestment Act evaluation.

SAFEKEEPING

As required by California Government Code §53601 and §53635 all investment instruments in a negotiable, bearer, registered, or non-registered format, shall be delivered to the County of Tulare's custodial bank by using book entry or physical delivery. The "delivery vs. payment" purchase procedure shall be used. Securities will be held by a third party custodian designated by the Treasurer and evidenced by safekeeping receipts. No securities will be held by the broker/dealer from whom they were purchased.

REPORTING

The Treasurer provides a quarterly Investment Report to the Board of Supervisors, County Administrative Officer, the County Auditor, and the Oversight Committee, within thirty (30) days following the end of the quarter covered by the report. The quarterly investment report contains, but is not limited to, the following investment information:

A. The type of investment, name of issuer, date of maturity, par and dollar amount invested in all securities, investments, and monies;

B. A description of any funds, investments that are under the management of contracted parties;

C. The market value as of the date of the report, and the source of this valuation for any security within the treasury or under management by contract;

D. The weighted average maturity of investments within the treasury;

E. Purchase dates, book values, and current credit rating of issuers;

F. Yield to maturity;

G. Overall portfolio yield based on cost;

H. Statement that the portfolio is in compliance with the Investment Policy or the manner in which the portfolio is not in compliance;

I. A statement denoting the County's ability to meet its expenditure requirements for the next six months, or an explanation as to why sufficient money shall not be available.

The Treasurer annually renders a Statement of Investment Policy to the Oversight Committee and to the Board of Supervisors, which is approved at a public meeting. Any changes in the policy shall also be reviewed and approved/denied by the Board of Supervisors at a public meeting.

APPENDIX H

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER] Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $__________ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _________

Risk Premium: $__________
Member Surplus Contribution: $_________
Total Insurance Payment: $_________

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

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ____

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
1 World Financial Center, 27^{th} floor
200 Liberty Street
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)

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