

NEW ISSUE—FULL BOOK-ENTRY

RATINGS: Moody's "___"; S&P "___"

See "MISCELLANEOUS – Ratings" herein

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

\$100,000,000*

**MORENO VALLEY UNIFIED SCHOOL DISTRICT
(Riverside County, California)
Election of 2014 General Obligation Bonds, Series A**

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

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

The Moreno Valley Unified School District (Riverside County, California) Election of 2014 General Obligation Bonds, Series A (the "Bonds") were authorized at an election of the registered voters of the Moreno Valley Unified School District (the "District") held on November 4, 2014, at which the requisite 55% or more of the persons voting on the proposition voted to authorize the issuance and sale of \$398,000,000 aggregate principal amount of general obligation bonds of the District. The Bonds are being issued to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities, and to pay the costs of issuing the Bonds.

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

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

The Bonds will be issued as current interest bonds. Interest on the Bonds accrues from the date of delivery of the Bonds (the "Date of Delivery"), and is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2015.

Payments of principal of and interest on the Bonds will be made by U.S. Bank National Association, as the designated Paying Agent, Bond Registrar and Transfer Agent (the "Paying Agent") to DTC for subsequent disbursement to DTC Participants (defined herein) who will remit such payments to the Beneficial Owners of the Bonds. See "THE BONDS – Book-Entry Only System" herein.

The Bonds are subject to optional and mandatory sinking fund redemption prior to their stated maturity dates, as further described herein.*

Maturity Schedule*
(See inside front cover)

The Bonds are offered when, as and if issued, subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel and Disclosure Counsel to the District. Certain matters will be passed on for the Underwriter by _____, California. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of Cede & Co., as nominee of The Depository Trust Company, in New York, New York, on or about _____, 2015.

Piper Jaffray & Co.

Dated: _____, 2015

* Preliminary, subject to change.

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

MATURITY SCHEDULE

\$100,000,000*
MORENO VALLEY UNIFIED SCHOOL DISTRICT
(Riverside County, California)
Election of 2014 General Obligation Bonds, Series A

Base CUSIP⁽¹⁾: 616871

\$ _____ **Serial Bonds**

<u>Maturity</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP⁽¹⁾</u>
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\$ _____ - ____ % **Term Bonds, due August 1, 20__**, **Yield ____%**; **CUSIP⁽¹⁾: _____**

* Preliminary, subject to change.

⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the Underwriter nor the District is responsible for the selection or correctness of the CUSIP numbers set forth herein.

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

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

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

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

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

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

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

MORENO VALLEY UNIFIED SCHOOL DISTRICT

Board of Education

Gary Baugh, Ed.S., *President*
Cleveland Johnson, *Vice President*
Jesus M. Holguin, *Clerk*
Denise Fleming, Ed.D., *Member*
, Member

District Administration

Judy D. White, Ed.D., *Superintendent*
Mays Kakish, *Chief Business Official*

PROFESSIONAL SERVICES

Bond and Disclosure Counsel

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

Financial Advisor

Fieldman, Rolapp & Associates, Inc.
Irvine, California

Paying Agent, Registrar and Transfer Agent

U.S. Bank National Association
Los Angeles, California

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\$100,000,000*
MORENO VALLEY UNIFIED SCHOOL DISTRICT
(Riverside County, California)
Election of 2014 General Obligation Bonds, Series A

INTRODUCTION

This Official Statement, which includes the cover page, inside cover and appendices hereto, provides information in connection with the sale of the Moreno Valley Unified School District (Riverside County, California) Election of 2014 General Obligation Bonds, Series A (the “Bonds”).

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

The District

The Moreno Valley Unified School District (the “District”) was organized as a unified school district in 1962 and provides public education for grades kindergarten through twelve within an area of approximately forty-three square miles located in Riverside County, California (the “County”). The District operates twenty-three elementary schools, six middle schools, four high schools, one charter school, and eight other alternative schools. Total enrollment for the District is 34,122 in fiscal year 2014-15. For fiscal year 2014-15, the District has projected an average daily attendance (“ADA”) of 32,416 students, and taxable property within the District has an assessed valuation of \$11,768,835,431.

The District is governed by a five-member Board of Education (the “Board”), each member of which is elected to a four-year term. Elections for positions on the Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations as well as the supervision of the District’s other key personnel. Dr. Judy D. White is the District Superintendent and Ms. Mays Kakish is the Chief Business Official.

See “TAX BASE FOR PAYMENT OF BONDS” herein for more information regarding the District’s assessed valuation, and “MORENO VALLEY UNIFIED SCHOOL DISTRICT” and “DISTRICT FINANCIAL INFORMATION” herein for more information regarding the District.

Purpose of the Bonds

The Bonds are being issued to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities, and to pay the costs of issuing the Bonds. See “THE BONDS – Application and Investment of Bond Proceeds” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

Authority for Issuance of the Bonds

The Bonds are issued pursuant to certain provisions of the California Government Code and other applicable law, and pursuant to the Resolutions (defined herein). See “THE BONDS – Authority for Issuance” herein.

* Preliminary, subject to change.

Sources of Payment for the Bonds

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

Description of the Bonds

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

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

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

Redemption.* The Bonds maturing on or after August 1, 20__ are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of funds, on August 1, 20__, or on any date thereafter, as a whole or in part. The Term Bonds are subject to mandatory sinking fund redemption as further described herein. See “THE BONDS – Redemption” herein.

Payments. The Bonds will be dated as of the date of their initial issuance (the “Date of Delivery”). Interest on the Bonds accrues from the Date of Delivery, and is payable semiannually on each February 1 and August 1 (each a “Bond Payment Date”), commencing August 1, 2015. Principal of the Bonds is payable on August 1 in the amounts and years as set forth on the inside cover hereof.

Payments of the principal of and interest on the Bonds will be made by U.S. Bank National Association, as the designated paying agent, bond registrar and transfer agent (the “Paying Agent”) to DTC for subsequent disbursement through DTC Participants (defined herein) to the Beneficial Owners of the Bonds.

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel, based on existing statutes, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and compliance with certain covenants and requirements

* Preliminary, subject to change.

described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California (the "State") personal income tax. In addition, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the Bond constitutes original issue discount, and the amount of original issue discount that accrues to the owner of the Bond is excluded from gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State personal income tax. See "TAX MATTERS" herein.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about _____, 2015.*

Bond Owner's Risks

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes, which may be levied without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates) on all taxable property in the District. For more complete information regarding the District's financial condition and taxation of property within the District, see "TAX BASE FOR PAYMENT OF BONDS," "MORENO VALLEY UNIFIED SCHOOL DISTRICT" and "DISTRICT FINANCIAL INFORMATION" herein.

Continuing Disclosure

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

Forward Looking Statements

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget," "intend," or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS,

* Preliminary, subject to change.

PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Bonds. Fieldman, Rolapp & Associates, Inc. is acting as Financial Advisor to the District with respect to the Bonds. Certain matters will be passed on for the Underwriter (as defined herein) by _____, _____, California.

Other Information

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

Copies of documents referred to herein and information concerning the Bonds are available from the Moreno Valley Unified School District, 25634 Alessandro Boulevard, Moreno Valley, California 92553, telephone: (951) 571-7500. The District may impose a charge for copying, mailing and handling.

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

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

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

Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms by the Resolutions (defined herein).

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the State Government Code, Article XIII A of the State Constitution and pursuant to a resolution adopted by the Board on March 10, 2015 (the "District Resolution") and a Resolution of the Board of Supervisor's of the County on March 24, 2015 (the "County Resolution" and together with the District Resolution, the "Resolutions"). The District received authorization at an election held on November 4, 2014 by the requisite 55% or more of the votes cast by eligible voters within the District to issue \$398,000,000 aggregate principal amount of general obligation bonds (the "2014 Authorization"). The Bonds are the first issuance of bonds under the 2014 Authorization. After the issuance of the Bonds, \$298,000,000* of the 2014 Authorization will remain unissued.

Security and Sources of Payment

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Board of Supervisors of the County is empowered and obligated to annually levy *ad valorem* property taxes upon all property within the District subject to taxation thereby, without limitation as to rate or amount (except certain personal property which is taxable at limited rates), for the payment of the principal of and interest on the Bonds when due. Such taxes will be levied annually in addition to all other taxes during the period that the Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Bonds when due. Such taxes, when collected, will be placed by the County in the District's Debt Service Fund (defined herein), which is segregated and maintained by the County and which is available for the payment of the principal of and interest on the Bonds when due, and for no other purpose. Pursuant to the Resolutions, the District has pledged amounts on deposit in the Debt Service Fund to the payment of the Bonds. Although the County is obligated to levy *ad valorem* property taxes for the payment of the Bonds, and although the County will maintain the Debt Service Fund and the Building Fund, the Bonds are not a debt of the County.

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

* Preliminary, subject to change.

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

General Provisions

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

Interest on the Bonds accrues from the Date of Delivery, and is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2015. Interest on Bonds will be computed on the basis of a 360-day year of 12, 30-day months. Each Bond will bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to that Bond Payment Date, inclusive, in which event it will bear interest from such Bond Payment Date, or unless it is authenticated on or before July 15, 2015, in which event it will bear interest from the Date of Delivery. The Bonds are issuable in denominations of \$5,000 principal amount or any integral multiple thereof. The Bonds mature on August 1, in the years and amounts set forth on the inside cover hereof.

Payments of interest will be made on any Bond Payment Date to the person appearing on the registration books of the Paying Agent as the registered Owner of such Bond as of the close of business on the 15th day of the month next preceding any Bond Payment Date (a "Record Date"), such interest to be paid by wire transfer or check mailed to such Owner on the Bond Payment Date, at the Owner's address as it appears on such registration books or at such other address as such Owner may have filed with the Paying Agent for that purpose on or before the Record Date. The Owner in an aggregate principal amount of \$1,000,000 or more may request in writing to the Paying Agent that such Owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. The principal and redemption premiums, if any, payable on the Bonds are payable in lawful money of the United States of America upon maturity or earlier redemption, as applicable, upon surrender of the applicable Bond at the principal office of the Paying Agent. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof. So long as the Bonds are held in the book-entry system of DTC, all payments of principal of and interest on the Bonds will be made by the Paying Agent to Cede & Co. (as a nominee of DTC), as the registered Owner of the Bonds. See "THE BONDS – Book-Entry Only System" herein.

Annual Debt Service

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

<u>Year Ending (August 1)</u>	<u>Annual Principal Payment</u>	<u>Annual Interest Payment⁽¹⁾</u>	<u>Total Annual Debt Service</u>
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Total

⁽¹⁾ Interest payments on Bonds will be made semiannually on February 1 and August 1 of each year, commencing August 1, 2015.

See “MORENO VALLEY UNIFIED SCHOOL DISTRICT – District Debt Structure” herein for a complete debt service schedule of all of the District’s outstanding general obligation bonded debt.

Application and Investment of Bond Proceeds

The Bonds are being issued to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities, and to pay the costs of issuing the Bonds.

Building Fund. The proceeds of the sale of the Bonds, net costs of issuance, will be deposited in the fund held by the County and known as the “Moreno Valley Unified School District Election of 2014 General Obligation Bonds, Series A Building Fund” (the “Building Fund”) and will be applied only for the purposes authorized by the voters at the Election and for which the Bonds are issued. Any interest earnings on moneys held in the Building Fund will be retained therein.

Debt Service Fund. The *ad valorem* property taxes levied by the County for the payment of the Bonds, when collected, will be deposited into the fund held by the County and known as the “Moreno Valley Unified School District Election of 2014 General Obligation Bonds, Series A Debt Service Fund” (the “Debt Service Fund”). Any accrued interest or premium received by the District from the sale of the Bonds will be deposited in the Debt Service Fund. Any interest earnings on moneys held in the Debt Service Fund will be retained therein. If, after all of the Bonds have been redeemed or paid and otherwise cancelled, there are moneys remaining in the Debt Service Fund, said moneys will be transferred to the general fund of the District as provided and permitted by law.

Expected Investment of Bond Proceeds. In accordance with the Resolutions and subject to federal tax restrictions, moneys in the Debt Service Fund and the Building Fund may be invested in the following: (i) lawful investment permitted by Sections 16429.1 and 53601 (“Section 53601”) of the State Government Code; (ii) shares in a State common law trust established pursuant to Title 1, Division 7,

Chapter 5 of the Government Code which invests exclusively in investments permitted by Section 53635 of the Government Code; (iii) a guaranteed investment contract with a provider rated in at least the second highest category by each rating agency then rating the Bonds, (iv) the Local Agency Investments Fund of the State Treasurer, (v) the County's Investment Pool (defined herein), and (vi) State and Local Government Series Securities.

Moneys in the Debt Service Fund and the Building Fund are expected to be invested through the County's pooled investment fund (the "Investment Pool"). See "APPENDIX E - RIVERSIDE COUNTY INVESTMENT POOL" hereto.

Redemption

Optional Redemption.* The Bonds maturing on or before August 1, 20__ are not subject to redemption. The Bonds maturing on or after August 1, 20__ are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, in whole or in part, on any date on or after August 1, 20__, at a redemption price equal to the principal amount of the Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption.* The Term Bonds maturing on August 1, 20__, are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 20__, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amounts represented by such Term Bonds to be so redeemed and the dates therefor and the final principal payment date are as indicated in the following table:

Redemption Date (August 1)	Principal Amount to be Redeemed
---------------------------------------	--

⁽¹⁾ Maturity.

In the event that a portion of the Term Bonds maturing on August 1, 20__ are optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately, or as otherwise directed by the District, in integral multiples of \$5,000 of principal amount, in respect of the portion of such Term Bonds optionally redeemed.

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

* Preliminary, subject to change.

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

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

“Information Services” means Financial Information, Inc.’s “Daily Called Bond Service,” 1 Cragwood Road, 2nd Floor, South Plainfield, New Jersey 07080, Attention: Editor; Mergent Inc., 585 Kingsley Park Drive, Fort Mill, South Carolina 29715, Attention: Called Bond Department; and Standard and Poor’s J.J. Kenny Information Services’ “Called Bond Record,” 55 Water Street, 45th Floor, New York, New York 10041.

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

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

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

such moneys were not so received. In addition, the District will have the right to rescind any Redemption Notice, by written notice to the Paying Agent, on or prior to the date fixed for such redemption. The Paying Agent will distribute a notice of the rescission of such notice in the same manner as such notice was originally provided.

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

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

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

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

Book-Entry Only System

The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants (as defined herein) will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Official Statement. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with Participants are on file with DTC.

The DTC, New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond

certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. However, the information presented on such website is not incorporated herein by reference.

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

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

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

of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

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

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

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

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

The principal of the Bonds and any premium and interest upon the redemption thereof prior to the maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the principal office of the Paying Agent. Interest on the Bonds will be paid by the Paying Agent by check or draft mailed to the person whose name appears on the registration books of the Paying Agent as the registered Owner, and to that person's address appearing on the registration books as of the close of business on the Record Date. At the written request of any registered Owner of at least \$1,000,000 in aggregate principal amount, interest shall be wired to a bank and account number on file with the Paying Agent as of the Record Date.

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

Neither the District nor the Paying Agent shall be required to (a) issue or transfer any Bonds during a period beginning with the opening of business on the 16th day next preceding either any Bond Payment Date or any date of selection of Bonds to be redeemed and ending with the close of business on the Bond Payment Date or any day on which the applicable Redemption Notice is given or (b) transfer any Bonds which have been selected or called for redemption in whole or in part.

Defeasance

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

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

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

then, notwithstanding that any such maturities of Bonds shall not have been surrendered for payment, all obligations of the District with respect to all such designated outstanding Bonds shall cease and terminate, except only the obligation of the independent escrow agent selected by the District to pay or cause to be

paid from funds deposited pursuant to paragraphs (a) or (b) above, to the Owners of such designated Bonds not so surrendered and paid all sums due with respect thereto.

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

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds

Principal Amount of Bonds
Original Issue Premium
Total Sources

Uses of Funds

Building Fund
Debt Service Fund
Costs of Issuance⁽¹⁾
Underwriter’s Discount
Total Uses

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

TAX BASE FOR PAYMENT OF BONDS

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

Ad Valorem Property Taxation

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

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

The valuation of secured property is established as of January 1 and is subsequently equalized in August. Property taxes are payable in two installments, due November 1 and February 1, respectively and become delinquent on December 10 and April 10, respectively. A 10% penalty attaches to any delinquent installment, plus a minimum \$10 cost on the second installment, plus any additional amount determined by the Treasurer-Tax Collector of the County. Property on the secured roll with delinquent taxes is declared tax-defaulted on or about June 30 of the calendar year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption fee and a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the tax-collecting authority of the County.

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

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

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

Assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, 2% inflation) is allocated on the basis of “situs” among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and K-14 school districts share the growth of “base” revenues from the tax rate area. Each year’s growth allocation becomes part of each agency’s allocation in the following year.

Assessed Valuations

Property within the District has a total assessed valuation for fiscal year 2014-15 of \$11,768,835,431. The following table represents a seven-year history of assessed valuations in the District.

**ASSESSED VALUATIONS
Fiscal Years 2008-09 through 2014-15
Moreno Valley Unified School District**

	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
2008-09	\$12,369,536,082	\$488,325	\$424,865,178	\$12,794,889,585
2009-10	10,479,633,085	488,325	424,967,700	10,905,089,110
2010-11	10,029,808,159	488,325	444,893,126	10,475,189,610
2011-12	9,970,112,793	488,325	501,302,675	10,471,903,793
2012-13	10,248,292,680	23,650	553,040,828	10,801,357,158
2013-14	10,373,968,642	23,650	538,381,188	10,912,373,480
2014-15	11,228,439,019	23,650	540,372,762	11,768,835,431

Source: California Municipal Statistics, Inc.

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

Assessed Valuation by Land Use

The following shows a per-parcel analysis of the distribution of taxable property within the District by principal use, and the fiscal year 2014-15 assessed valuation of such parcels.

ASSESSED VALUATION AND PARCELS BY LAND USE Fiscal Year 2014-15 Moreno Valley Unified School District

Non-Residential:	2014-15 Assessed Valuation ⁽¹⁾	% of Total	No. of Parcels	% of Total
Rural/Undeveloped	\$87,393,669	0.78%	321	0.74%
Commercial/Industrial	2,926,478,885	26.06	1,062	2.43
Vacant Commercial/Industrial	360,374,339	3.21	720	1.65
Miscellaneous	<u>217,263</u>	<u>0.00</u>	<u>9</u>	<u>0.02</u>
Subtotal Non-Residential	\$3,374,464,156	30.05%	2,112	4.84%
Residential:				
Single Family Residence	\$6,856,290,779	61.06%	37,027	84.78%
Condominium/Townhouse	50,000,930	0.45	499	1.14
Mobile Home	30,038,363	0.27	840	1.92
2-4 Residential Units	55,227,524	0.49	288	0.66
5+ Residential Units/Apartments	704,466,442	6.27	437	1.00
Vacant Residential	<u>157,950,825</u>	<u>1.41</u>	<u>2,469</u>	<u>5.65</u>
Subtotal Residential	\$7,853,974,863	69.95%	41,560	95.16%
Total	\$11,228,439,019	100.00%	43,672	100.00%

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

Assessed Valuation by Jurisdiction.

The following table shows the fiscal year 2014-15 assessed valuation of the District by jurisdiction.

ASSESSED VALUATION BY JURISDICTION⁽¹⁾ Fiscal Year 2014-15 Moreno Valley Unified School District

Jurisdiction:	Assessed Valuation in District	% of District	Assessed Valuation of Jurisdiction	% of Jurisdiction in District
City of Moreno Valley	\$9,914,590,101	84.24%	\$12,199,658,731	81.27%
City of Riverside	1,248,222,391	10.61	\$24,614,768,393	5.07%
Unincorporated Riverside County	<u>606,022,939</u>	<u>5.15</u>	<u>\$34,589,271,495</u>	<u>1.75%</u>
Total District	\$11,768,835,431	100.00%		
Riverside County	\$11,768,835,431	100.00%	\$225,770,065,829	5.21%

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

Assessed Valuation of Single Family Homes.

The following table displays the per-parcel analysis of single family residences within the District, in terms of their fiscal year 2014-15 assessed valuation.

	<u>No. of Parcels</u>	<u>2014-15 Assessed Valuation</u>	<u>Average Assessed Valuation</u>	<u>Median Assessed Valuation</u>
Single Family Residential	37,027	\$6,856,290,779	\$185,170	\$175,964

<u>2014-15 Assessed Valuation</u>	<u>No. of Parcels⁽¹⁾</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>	<u>Total Valuation</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>
\$0 - \$24,999	19	0.051%	0.051%	\$404,925	0.006%	0.006%
25,000 - 49,999	283	0.764	0.816	11,724,647	0.171	0.177
50,000 - 74,999	686	1.853	2.668	44,211,863	0.645	0.822
75,000 - 99,999	1,807	4.880	7.549	161,526,868	2.356	3.178
100,000 - 124,999	3,977	10.741	18.289	451,935,637	6.592	9.769
125,000 - 149,999	5,670	15.313	33.603	778,774,515	11.359	21.128
150,000 - 174,999	5,829	15.743	49.345	945,263,051	13.787	34.915
175,000 - 199,999	4,963	13.404	62.749	928,349,917	13.540	48.455
200,000 - 224,999	4,208	11.365	74.113	891,324,438	13.000	61.455
225,000 - 249,999	3,185	8.602	82.715	752,862,489	10.981	72.435
250,000 - 274,999	2,356	6.363	89.078	615,910,369	8.983	81.418
275,000 - 299,999	1,786	4.824	93.902	509,910,265	7.437	88.856
300,000 - 324,999	1,164	3.144	97.045	360,779,814	5.262	94.118
325,000 - 349,999	540	1.458	98.504	182,021,657	2.655	96.772
350,000 - 374,999	257	0.694	99.198	92,735,159	1.353	98.125
375,000 - 399,999	145	0.392	99.589	55,798,945	0.814	98.939
400,000 - 424,999	52	0.140	99.730	21,444,603	0.313	99.252
425,000 - 449,999	39	0.105	99.835	16,870,188	0.246	99.498
450,000 - 474,999	13	0.035	99.870	6,002,910	0.088	99.585
475,000 - 499,999	7	0.019	99.889	3,416,061	0.050	99.635
500,000 and greater	41	0.111	100.000	25,022,458	0.365	100.000
Total	37,027	100.000%		\$6,856,290,779	100.000%	

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

Appeals and Adjustments of Assessed Valuations

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

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

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

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

Secured Tax Charges and Delinquencies

The following table sets forth secured tax charges and delinquency information for the District for fiscal years 2007-08 through 2013-14.

SECURED TAX CHARGES AND DELINQUENCIES
Fiscal Years 2007-08 through 2013-14
Moreno Valley Unified School District

	<u>Secured Tax Charge</u> ⁽¹⁾	<u>Amt. Del. June 30</u>	<u>% Del. June 30</u>
2007-08	\$3,641,069.54	\$397,547.33	10.92%
2008-09	3,749,890.70	246,475.22	6.57
2009-10	2,722,677.47	87,871.79	3.23
2010-11	3,285,684.48	83,376.99	2.54
2011-12	3,999,812.26	81,292.67	2.03
2012-13	4,096,238.60	39,904.37	0.97
2013-14	4,483,102.66	45,541.00	1.02

⁽¹⁾ General obligation bond debt service levy.
Source: California Municipal Statistics, Inc.

Alternative Method of Tax Apportionment - “Teeter Plan”

With respect to collection of property taxes, the County has adopted the Teeter Plan, which is an alternate method of tax apportionment authorized in Chapter 3, Part 8, Division 1 of the Revenue and Taxation Code of the State of California (comprising Sections 4701 through 4717, inclusive) (the “Law”) for distribution of certain property tax and assessment levies on the secured roll. Pursuant to the Law, the County adopted the Teeter Plan. The Teeter Plan provides for a tax distribution procedure in which secured roll taxes and assessments are distributed to participating County taxing agencies on the basis of the tax levy, rather than on the basis of actual tax collections. The County then receives all future delinquent tax payments, penalties and interest, and a complex tax redemption distribution system for all taxing agencies is avoided. In connection with its adoption of the Teeter Plan, the County advanced to the participating taxing agencies an amount equal to 95% of the total prior years delinquent secured property taxes and assessments (not including penalties and interest) and 100% of the current year’s delinquent secured property taxes and assessments outstanding.

Pursuant to the Law, the County is required to establish a tax losses reserve fund to cover losses which may occur as a result of sale of tax-defaulted property. Once the tax losses reserve fund reaches a

level of three percent of the total of all taxes and assessments levied on the secured roll for that year, one percent of the total of all taxes and assessments levied on the secured roll for that year, and any additional penalties and interest normally credited to the tax losses reserve fund may be credited to the County General Fund. Upon adoption of a resolution by the Board of Supervisors of the County by August 1 of any fiscal year, the ten percent tax losses reserve fund threshold may be reduced to 25% of the total delinquent taxes and assessments for the previous year. The County did not elect to fund the tax losses reserve fund at a required threshold initially, thereby requiring penalties and interest to be credited first to the tax losses reserve fund to meet its required threshold before allowing any additional penalties and interest to be credited to the County General Fund. The tax loss reserve fund is now fully funded and amounts in excess of the required minimum may be transferred to the County General Fund in the future.

Once adopted by the County, the Teeter Plan remains in effect unless the County orders its discontinuance or prior to the commencement of any subsequent fiscal years the County receives a petition for its discontinuance adopted by resolution of two-thirds of the participating revenue districts in the County. Further, the County may by resolution adopted not later than July 15 of any subsequent fiscal year after a public hearing, discontinue the Teeter Plan as to any levying or assessment levying agency if the rate of secured tax delinquency in that agency in any year exceeds three percent of the total of all taxes and assessments levied on the secured rolls for the agency.

Tax Rates

The following table summarizes the total *ad valorem* tax rates levied, as a percentage of assessed valuation, by all taxing entities in a typical tax rate area (a “TRA”) within the District during the period from fiscal year 2009-10 to fiscal year 2014-15.

**SUMMARY OF AD VALOREM TAX RATES
Fiscal Years 2009-10 through 2014-15
Moreno Valley Unified School District**

(TRA 21-183 – 2014-15 Assessed Valuation: \$714,218,590)

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
General	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
Metropolitan Water District	.00430	.00370	.00370	.00350	.00350	.00350
Moreno Valley Unified School District	.02660	.03357	.04096	.04060	.04354	.04071
Riverside Community College District	.01242	.01499	.01700	.01702	.01768	.01791
Total	1.04332%	1.05226%	1.06166%	1.06112%	1.06472%	1.06212%

Source: California Municipal Statistics, Inc.

Principal Taxpayers

The following table lists the major taxpayers in the District based on their fiscal year 2014-15 secured assessed valuations.

LARGEST LOCAL SECURED TAXPAYERS Fiscal Year 2014-15 Moreno Valley Unified School District

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2014-15 Assessed Valuation</u>	<u>% of Total ⁽¹⁾</u>
1.	HF Logistics SKX T1	Industrial	\$128,078,847	1.14%
2.	IIT Inland Empire Logistics Center	Industrial	118,635,616	1.06
3.	Sysco Riverside Inc.	Industrial	109,874,316	0.98
4.	State Street Bank & Trust Co. of California	Industrial	84,999,998	0.76
5.	Stonegate 552	Apartments	82,989,303	0.74
6.	2250 Town Circle Holdings	Commercial	72,688,330	0.65
7.	Canyon Springs Marketplace Corp.	Commercial	70,277,815	0.63
8.	Canyon Crossing Dunhill	Commercial	53,806,662	0.48
9.	Riverside Sycamore	Commercial	52,344,810	0.47
10.	Campus Opco	Commercial	51,750,000	0.46
11.	Syccanyons & Sierra	Commercial	51,500,000	0.46
12.	Prologis	Industrial	51,436,370	0.46
13.	Bottling Group	Industrial	50,720,518	0.45
14.	Wal Mart Real Estate Business Trust	Commercial	49,023,029	0.44
15.	Sun Life Assurance Co.	Commercial	48,314,878	0.43
16.	Moreno Valley Day Street Apartments	Apartments	45,817,949	0.41
17.	WNRA Moreno Valley	Apartments	45,000,000	0.40
18.	Moreno Valley Apartments One	Apartments	39,615,186	0.35
19.	Buckhead Cactus Commerce	Commercial	37,676,698	0.34
20.	Target Corp.	Commercial	<u>36,295,211</u>	<u>0.32</u>
			\$1,280,845,536	11.41%

⁽¹⁾ 2014-15 Local Secured Assessed Valuation: \$11,228,439,019.

Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt

Set forth on the following page is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. and effective as of February 1, 2015, for debt issued as of January 16, 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.

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

in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

STATEMENT OF DIRECT AND OVERLAPPING DEBT
Fiscal Year 2014-15
Moreno Valley Unified School District

2014-15 Assessed Valuation: \$11,768,835,431

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 2/1/15</u>
Metropolitan Water District	0.507%	\$646,349
Eastern Municipal Water District, I.D. No. U-22	64.642	1,696,206
Riverside City Community College District	14.073	31,959,406
Moreno Valley Unified School District	100.000	33,588,521⁽¹⁾
City of Riverside	5.071	679,260
City of Riverside Community Facilities District No. 92-1	100.000	7,930,000
Moreno Valley Unified School District Community Facilities Districts	100.000	85,170,000
Eastern Municipal Water District Community Facilities Districts	14.929-100.000	7,316,744
City of Moreno Valley Community Facilities Districts	100.000	<u>8,275,000</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$177,261,486
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	5.213%	\$ 34,257,064
Riverside County Pension Obligation Bonds	5.213	17,438,267
Riverside County Board of Education Certificates of Participation	5.213	95,659
Moreno Valley Unified School District Certificates of Participation	100.000	13,280,000
City of Moreno Valley Certificates of Participation	81.269	51,836,213
City of Riverside General Fund and Pension Obligation Bonds	5.071	<u>15,839,293</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$132,746,496
Less: Riverside County supported obligations		<u>439,886</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$132,306,610
<u>OVERLAPPING TAX INCREMENT DEBT:</u>		\$82,098,368
GROSS COMBINED TOTAL DEBT		\$392,106,350⁽²⁾
NET COMBINED TOTAL DEBT		\$391,666,464

Ratios to 2014-15 Assessed Valuation:

Direct Debt (\$33,588,521)	0.29%
Total Direct and Overlapping Tax and Assessment Debt.....	1.51%
Combined Direct Debt (\$46,868,521)	0.40%
Gross Combined Total Debt.....	3.33%
Net Combined Total Debt	3.33%

Ratios to Redevelopment Incremental Valuation (\$3,360,212,695):

Total Overlapping Tax Increment Debt.....	2.44%
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⁽¹⁾ Excludes the Bond described herein.

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

Source: California Municipal Statistics, Inc.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

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

Article XIII A of the California Constitution

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

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

Article XIII A requires a vote of two-thirds or more of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem* property, sales or transaction tax on real property. Article XIII A exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b), as the result of an amendment approved by State voters on June 3, 1986, on any bonded indebtedness approved by two-thirds or more of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. The tax for payment of the Bonds falls within the exception described in (c) of the immediately preceding sentence. In addition, Article XIII A requires the approval of two-thirds of all members of the state legislature to change any state taxes for the purpose of increasing tax revenues.

Legislation Implementing Article XIII A

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

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

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

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

Unitary Property

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

The State electric utility industry has been undergoing significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any future litigation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District. So long as the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State's school financing formula. See "DISTRICT FINANCIAL INFORMATION" herein.

Article XIII B of the California Constitution

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

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

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

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

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

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

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

Article XIII B also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See “– Propositions 98 and 111” herein.

Article XIII C and Article XIII D of the California Constitution

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

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

fees and charges, and explicitly provides that nothing in Article XIIC or XIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

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

Proposition 26

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

Propositions 98 and 111

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

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

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

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

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

- a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in State per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.
- b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.
- c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which was expected to

raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

- d. Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.
- e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues ("Test 1") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment ("Test 2"). Under Proposition 111, schools will receive the greater of (1) Test 1, (2) Test 2, or (3) a third test ("Test 3"), which will replace Test 2 in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in the State per capita personal income. Under Test 3, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

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

The 55% vote requirement applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate per \$100,000 of taxable property value projected to be levied as the result of any single election be no more than \$60 (for a unified school district), \$30 (for a high school or elementary school district), or \$25 (for a community college district) when assessed valuation is projected to increase in accordance with Article XIII A of the Constitution.

These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

Proposition 1A and Proposition 22

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

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

Jarvis vs. Connell

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

employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act.

Proposition 30

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

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

Proposition 2

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

Under Proposition 2, and beginning in fiscal year 2015-16 and each fiscal year thereafter, the State will generally be required to annually transfer to the BSA an amount equal to 1.5% of estimated State general fund revenues (the “Annual BSA Transfer”). Supplemental transfers to the BSA (a “Supplemental BSA Transfer”) are also required in any fiscal year in which the estimated State general fund revenues that are allocable to capital gains taxes exceed 8% of the total estimated general fund tax revenues. Such excess capital gains taxes—net of any portion thereof owed to K-14 school districts pursuant to Proposition 98—will be transferred to the BSA. Proposition 2 also increases the maximum

size of the BSA to an amount equal to 10% of estimated State general fund revenues for any given fiscal year. In any fiscal year in which a required transfer to the BSA would result in an amount in excess of the 10% threshold, Proposition 2 requires such excess to be expended on State infrastructure, including deferred maintenance.

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

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

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

Future Initiatives

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

DISTRICT FINANCIAL INFORMATION

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

State Funding of Education

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

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

The following table reflects the District's historical ADA and the revenue limit rates per unit of ADA for fiscal years 2004-05 through 2012-13.

AVERAGE DAILY ATTENDANCE AND REVENUE LIMIT
Fiscal Years 2004-05 through 2012-13
Moreno Valley Unified School District

<u>Fiscal Year</u>	<u>Average Daily Attendance⁽¹⁾</u>	<u>Annual Change In ADA</u>	<u>Base Revenue Limit per ADA⁽²⁾</u>	<u>Deficited Revenue Limit per ADA⁽²⁾</u>	<u>Enrollment⁽³⁾</u>
2004-05	34,131	--	\$4,964	\$4,948	35,937
2005-06	34,385	254	5,175	5,129	37,019
2006-07	34,755	370	5,543	5,543	37,224
2007-08	34,562	(193)	5,795	5,795	37,129
2008-09	33,899	(663)	6,124	5,644	35,991
2009-10	34,157	258	6,386	5,214	36,285
2010-11	34,072	(85)	6,384	5,237	36,039
2011-12	33,857	(215)	6,504	5,220	35,868
2012-13	32,791	(10)	6,716	5,220	35,046

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

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

⁽³⁾ Enrollment as of October California Basic Educational Data System ("CBEDS") in each school year.

Source: Moreno Valley Unified School District.

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

The primary component of AB 97, as amended by SB 91, is the implementation of the Local Control Funding Formula ("LCFF"), which replaces the revenue limit funding system for determining State apportionments, as well as the majority of categorical program funding. State allocations will be provided on the basis of target base funding grants per unit of ADA (a "Base Grant") assigned to each of four grade spans. Full implementation of the LCFF is expected to occur over a period of several fiscal years. Beginning in fiscal year 2013-14, an annual transition adjustment is required to be calculated for each school district, equal to such district's proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. In each year, school districts will have the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap.

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

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

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

The following table shows a breakdown of the District’s ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment, for fiscal years 2012-13 through 2014-15.

ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Fiscal Years 2012-13 through 2014-15
Moreno Valley Unified School District

Fiscal Year	Average Daily Attendance⁽¹⁾				Total ADA	Enrollment⁽²⁾	
	K-3	4-6	7-8	9-12		Total Enrollment	% of EL/LI Enrollment
2012-13	10,368	7,795	5,181	9,447	32,791	35,046	n/a
2013-14	10,150	7,682	5,220	9,648	32,700	34,404	84.84%
2014-15	10,150	7,682	5,220	9,364	32,416	34,122	83.49%

⁽¹⁾ Except for fiscal year 2014-15, reflects P-2 ADA, which ends on or before the last attendance month prior to April 15 of each school year. An attendance month is each four-week period of instruction beginning with the first day of school for any school district. Excludes County operated programs.

⁽²⁾ Fiscal year 2012-13 enrollment as of October report submitted to the California Basic Educational Data System (“CBEDS”). Fiscal years 2013-14 and 2014-15 reflect certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System (“CALPADS”) in each school year and used to calculate each school district’s unduplicated EL/LI student enrollment. Adjustments may be made to the certified EL/LI counts by the California Department of Education. For purposes of calculating Supplemental and Concentration Grants, a school district’s fiscal year 2013-14 percentage of unduplicated EL/LI students is expressed solely as a percentage of its total fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment is based on the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district’s percentage of unduplicated EL/LI students will be based on a rolling average of such district’s EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years.

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

⁽⁴⁾ Projected.

Source: Moreno Valley Unified School District.

For certain school districts that would have received greater funding levels under the prior revenue limit system, the LCFF provides for a permanent economic recovery target (“ERT”) add-on,

equal to the difference between the revenue limit allocations such districts would have received under the prior system in fiscal year 2020-21, and the target LCFF allocations owed to such districts in the same year. To derive the projected funding levels, the LCFF assumes the discontinuance of deficit revenue limit funding, implementation of a 1.94% COLA in fiscal years 2014-15 through 2020-21, and restoration of categorical funding to pre-recession levels. The ERT add-on will be paid incrementally over the LCFF implementation period. The District does not qualify for the ERT add-on.

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

Certain schools districts, known as "basic aid" districts, have allocable local property tax collections that equal or exceed such districts' total LCFF allocation, and result in the receipt of no State apportionment aid. Basic aid school districts receive only special categorical funding, which is deemed to satisfy the "basic aid" requirement of \$120 per student per year guaranteed by Article IX, Section 6 of the State Constitution. The implication for basic aid districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The District does not currently qualify as a basic aid district.

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

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

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

or annual update adheres to the State template, and (ii) the district's budgeted expenditures are sufficient to implement the actions and strategies outlined in the LCAP.

A school district is required to receive additional support if its respective LCAP or annual update thereto is not approved, if the district requests technical assistance from its respective county superintendent, or if the district does not improve student achievement across more than one State priority for one or more student subgroups. Such support can include a review of a district's strengths and weaknesses in the eight State priority areas, or the assignment of an academic expert to assist the district in identifying and implementing programs designed to improve outcomes. Assistance may be provided by the California Collaborative for Educational Excellence, a state agency created by the LCFF and charged with assisting school districts achieve the goals set forth in their LCAPs. On or before October 1, 2015, the State Board of Education is required to develop rubrics to assess school district performance and the need for support and intervention.

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

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

Other Revenue Sources

Federal and Local Sources. The federal government provides funding for several of the District's programs, including special education programs, programs under the No Child Left Behind Act, and specialized programs such as Drug Free Schools, Innovative Strategies, and Vocational & Applied Technology. In addition, the District receives additional local revenues beyond local property tax collections, such as leases and rentals, interest earnings, interagency services, foundation contributions, parcel taxes (as discussed below), developer fees (as discussed below) and other local sources.

Developer Fees. The District maintains a fund, separate and apart from the General Fund, to account for developer fees collected by the District. Residential development is assessed a fee of \$4.02 per square foot, while commercial development is assessed a fee of \$0.51 per square foot. The following table summarizes the revenues received by the District from developer fees over the last 12 years and a projection for the current fiscal year.

DEVELOPER FEES
Fiscal Years 2002-03 through 2014-15
Moreno Valley Unified School District

<u>Year</u>	<u>Developer Fees Collected</u>
2002-03	\$4,092,275
2003-04	8,620,559
2004-05	14,704,324
2005-06	14,717,695
2006-07	6,480,931
2007-08	1,565,512
2008-09	1,235,483
2009-10	1,200,061
2010-11	1,297,342
2011-12	869,936
2012-13	1,108,386
2013-14	927,206
2014-15 ⁽¹⁾	900,000

⁽¹⁾ Projected.

Source: Moreno Valley Unified School District.

Redevelopment Revenues. The District has agreements with a number of redevelopment agencies, pursuant to which the District has, in the past, received pass-through tax increment revenues received by such agencies (the “Pass-Through Revenues”). The Pass-Through Revenues are not offset against the State apportionment received by the District and are deposited into the general fund. The following table summarizes the Pass-Through Revenues received by the District from such redevelopment agencies over the last seven fiscal years, and a projection for the current fiscal year.

REDEVELOPMENT REVENUES
Fiscal Years 2007-08 through 2014-15
Moreno Valley Unified School District

<u>Fiscal Year</u>	<u>Total Redevelopment Revenues Received</u>
2007-08	\$39,133
2008-09	467,776
2009-10	481,581
2010-11	458,402
2011-12	424,630
2012-13	1,130,044
2013-14	1,212,647
2014-15 ⁽¹⁾	1,212,647

⁽¹⁾ Projected.

Source: Moreno Valley Unified School District.

State Dissolution of Redevelopment Agencies

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

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

Among the various types of enforceable obligations, the first priority for payment is tax allocation bonds issued by the former redevelopment agency; second is revenue bonds, which may have been issued by the host city, but only where the tax increment revenues were pledged for repayment and only where other pledged revenues are insufficient to make scheduled debt service payments; third is administrative costs of the Successor Agency, not to exceed \$250,000 in any year, to the extent such costs have been approved in an administrative budget; then, fourth tax revenues in the Trust Fund in excess of such amounts, if any, will be allocated as residual distributions to local taxing entities in the same proportions as other tax revenues. Moreover, all unencumbered cash and other assets of former redevelopment

agencies will also be allocated to local taxing entities in the same proportions as tax revenues. Notwithstanding the foregoing portion of this paragraph, the order of payment is subject to modification in the event a Successor Agency timely reports to the Controller and the Department of Finance that application of the foregoing will leave the Successor Agency with amounts insufficient to make scheduled payments on enforceable obligations. If the county auditor-controller verifies that the Successor Agency will have insufficient amounts to make scheduled payments on enforceable obligations, it shall report its findings to the Controller. If the Controller agrees there are insufficient funds to pay scheduled payments on enforceable obligations, the amount of such deficiency shall be deducted from the amount remaining to be distributed to taxing agencies, as described as the fourth distribution above, then from amounts available to the Successor Agency to defray administrative costs. In addition, if a taxing agency entered into an agreement pursuant to Health and Safety Code Section 33401 for payments from a redevelopment agency under which the payments were to be subordinated to certain obligations of the redevelopment agency, such subordination provisions shall continue to be given effect.

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

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

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

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

Budget Process

State Budgeting Requirements. The District is required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by AB 1200, which became law on October 14, 1991. Portions of AB 1200 are summarized below.

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first.

A district may be on either a dual or single budget cycle. The dual budget option requires a revised and readopted budget by September 15 that is subject to State-mandated standards and criteria. The revised budget must reflect changes in projected income and expenses subsequent to July 1. The single budget is only readopted if it is disapproved by the county office of education, or as needed. The District is on a single budget cycle and adopts its budget on or before July 1.

For both dual and single budgets submitted on July 1, the county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, will determine if the budget allows the district to meet its current obligations and will determine if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before August 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by August 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than August 20, the county superintendent must notify the Superintendent of Public Instruction of all school districts whose budget has been disapproved.

For all dual budget options and for single budget option districts whose budgets have been disapproved, the district must revise and readopt its budget by September 15, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than October 8 will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code section 42127.1. Until a district's budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

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

The District has never had an adopted budget disapproved by the County superintendent of schools, and has never received a "negative" certification of an Interim Financial Report pursuant to AB 1200.

Budget Projections. The District currently projects that it will meet the minimum general fund reserve requirement in fiscal years 2014-15 and 2015-16, maintaining unrestricted general fund reserves of approximately 11.9%, and 9.71%, respectively for such years. The District currently projects an operating deficit in fiscal year 2014-15 of approximately \$9,608,361. The District currently projects an operating deficit in 2015-16 of approximately \$10,991,451.

General Fund Budgeting. The table on the following page summarizes the District's general fund adopted budgets for fiscal years 2011-12 through 2014-15, audited ending results for fiscal years 2011-12 through 2013-14, and projected ending results for fiscal year 2014-15.

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GENERAL FUND BUDGETING
Fiscal Years 2011-12 through 2014-15
Moreno Valley Unified School District

	Fiscal Year 2011-12		Fiscal Year 2012-13		Fiscal Year 2013-14		Fiscal Year 2014-15	
	<u>Adopted Budget⁽¹⁾</u>	<u>Audited Actuals⁽¹⁾</u>	<u>Adopted Budget⁽¹⁾</u>	<u>Audited Actuals⁽¹⁾</u>	<u>Adopted Budget⁽¹⁾</u>	<u>Audited Actuals⁽¹⁾</u>	<u>Adopted Budget</u>	<u>Audited Actuals</u>
REVENUES:								
LCFF/Revenue Limit Sources ⁽²⁾	\$181,772,548	\$179,248,370	\$164,381,544	\$178,472,328	\$175,894,154	\$219,728,249	\$251,829,964	\$254,921,884
Federal Revenue	19,221,532	21,842,482	20,216,886	20,905,950	18,327,179	20,510,749	20,212,537	22,759,422
Other State Revenue	54,551,299	59,103,772	58,003,442	60,208,791	63,419,720	39,601,685	33,580,886	66,928,834
Other Local Revenue	<u>5,395,055</u>	<u>3,528,417</u>	<u>6,165,722</u>	<u>4,046,067</u>	<u>3,590,202</u>	<u>3,377,975</u>	<u>2,958,303</u>	<u>4,995,310</u>
Total Revenues	260,940,434	263,723,041	248,767,594	263,633,136	261,231,255	283,218,658	308,581,690	349,605,450
EXPENDITURES:								
Certificated Salaries	134,662,441	134,012,866	132,271,296	131,193,617	131,825,004	\$136,763,980	\$151,251,424	\$151,412,681
Classified Salaries	42,571,742	42,412,269	41,648,817	41,201,952	43,243,778	43,163,819	49,776,457	49,828,075
Employee Benefits	52,972,932	54,809,141	57,826,801	52,205,628	52,306,380	53,159,451	59,231,775	59,830,845
Books and Supplies	11,270,983	8,951,735	8,565,515	8,733,217	14,300,906	10,690,337	15,800,643	29,761,526
Services and Operating Expenditures	24,179,462	25,255,218	24,278,032	23,571,278	23,283,805	30,486,575	31,232,173	34,367,968
Capital Outlay	629,070	928,000	1,371,902	1,207,018	264,398	362,345	1,495,983	34,076,261
Other Outgo	1,894,825	47,181	1,886,050	78,101	1,888,175	2,846,058	1,942,870	2,877,870
Transfers of Indirect Costs	(361,000)	(355,910)	(388,487)	(340,976)	(538,882)	(536,305)	(720,064)	(723,075)
Debt Service	--	<u>1,894,113</u>	--	<u>1,889,042</u>	--	--	--	--
Total Expenditures	267,820,456	267,954,613	267,459,926	259,738,877	266,573,564	276,936,260	310,011,261	361,432,151
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(6,880,023)	(4,231,572)	(18,692,332)	3,894,259	(5,342,309)	6,282,398	(1,429,571)	(11,826,701)
OTHER FINANCING SOURCES (USES):								
Transfers In	--	1,800	--	104,448	--	3,459,318	2,500,000	2,500,000
Transfers Out	(2,000,000)	(1,823,603)	(1,880,775)	(877,204)	(81,647)	(203,172)	(93,903)	(281,660)
Total Other Financing Sources (Uses)	(2,000,000)	(1,821,803)	(1,880,775)	(772,756)	(81,647)	3,256,146	2,406,097	2,218,340
NET CHANGE IN FUND BALANCES	(8,880,023)	(6,053,375)	(20,573,107)	3,121,503	(5,423,956)	9,538,544	976,526	(9,608,361)
FUND BALANCE, JULY 1	47,981,866	47,981,866	31,302,095	41,928,491	41,579,107	45,049,994	54,588,539	54,588,539
FUND BALANCE, JUNE 30	<u>\$39,101,844</u>	<u>\$41,928,491</u>	<u>\$10,728,988</u>	<u>\$45,049,994</u>	<u>\$36,155,151</u>	<u>\$54,588,538</u>	<u>\$55,565,065</u>	<u>\$44,980,179</u>

⁽¹⁾ From the District's Comprehensive Audited Financial Statements for fiscal years 2011-12 through 2013-14, respectively.

⁽²⁾ From the District's First Interim Financial Report for fiscal year 2014-15 approved by the Board on December 9, 2014.

⁽³⁾ Prior to the Fiscal Year 2013-14 First Interim Financial Report, this category was coded as "Revenue Limit." From the Fiscal Year 2013-14 First Interim Financial Report through the Fiscal Year 2013-14 Second Interim Financial Report, this category was coded as "LCFF/Revenue Limit Sources." Beginning with the Fiscal Year 2014-15 Adopted Budget, the category is coded as "LCFF."

Source: *Moreno Valley Unified School District.*

Accounting Practices

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

Comparative Financial Statements

Excerpts from the District's audited financial statements for the year ended June 30, 2014, are attached for reference as APPENDIX B hereto. 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 Moreno Valley Unified School District, 25634 Alessandro Boulevard, Moreno Valley, California 92553, telephone: (951) 571-7500.

The table on the following page reflects the District's general fund revenues, expenditures and fund balances for fiscal years 2009-10 through 2013-14.

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**AUDITED GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES
AND FUND BALANCES⁽¹⁾**

**Fiscal Years 2009-10 through 2013-14
Moreno Valley Unified School District**

	<u>Audited</u> <u>2009-10</u>	<u>Audited</u> <u>2010-11</u>	<u>Audited</u> <u>2011-12</u>	<u>Audited</u> <u>2012-13</u>	<u>Audited</u> <u>2013-14</u>
REVENUES					
LCFF/Revenue Limit Sources ⁽²⁾ :					
State Apportionments	\$170,982,113	\$160,026,792	\$160,001,958	\$157,323,453	\$198,681,586
Local Sources	--	19,602,824	19,246,412	21,148,875	21,167,821
LCFF Transfers ⁽²⁾	--	--	--	--	(121,158)
Federal Revenue	29,605,911	33,650,090	21,842,482	20,905,950	20,510,749
Other State Revenue	65,594,786	58,749,728	59,103,772	60,208,791	39,601,685
Other Local Revenue	<u>3,634,648</u>	<u>2,939,590</u>	<u>3,528,417</u>	<u>4,046,067</u>	<u>3,377,975</u>
Total Revenues	269,817,458	274,969,024	263,723,041	263,633,136	283,218,658
EXPENDITURES					
Current:					
Instruction	182,141,665	180,826,983	172,762,891	169,085,118	180,694,565
Instruction – Related Services:		27,631,783	27,936,434	27,188,233	
Supervision of instruction	10,315,883	--	--	--	7,446,435
Instructional library and technology	1,945,163	--	--	--	1,899,232
School site administration	16,322,706	--	--	--	15,784,234
Pupil services:		21,807,348	22,362,399	19,498,915	
Home-to-school transportation	7,477,642	--	--	--	7,240,709
Food services	31,723	--	--	--	61,364
All other pupil services	14,427,726	--	--	--	14,153,058
Administration:					
Data processing	2,447,425	--	--	--	2,760,817
All other general administration	6,022,339	--	--	--	6,055,816
Facility acquisition and construction	772,959	--	--	--	342,540
Ancillary services	31,243	34,258	32,729	31,158	39,266
Community services	87,805	106,878	90,252	83,494	85,832
Enterprise	460,134	467,931	482,528	518,977	3,991,562
General Administration	--	7,816,600	8,495,160	8,720,702	--
Plant Services	32,121,771	33,858,873	33,850,926	32,645,137	33,534,772
Other Outgo	--	(713)	47,181	78,101	2,846,058
Debt Service:					
Principal	870,000	895,000	925,000	950,000	--
Interest	<u>1021,956</u>	<u>995,963</u>	<u>969,113</u>	<u>939,042</u>	<u>--</u>
Total Expenditures	276,498,140	274,440,904	267,954,613	259,738,877	276,936,260
Excess (Deficiency) of Revenues Over Expenditures	(6,680,682)	528,120	(4,231,572)	3,894,259	6,282,398
OTHER FINANCING SOURCES (Uses)					
Transfers in	--	--	1,800	104,448	3,459,318
Other sources	974,735	--	--	--	--
Transfers out	(1,702,092)	(3,033,941)	(1,823,603)	(877,204)	(203,172)
Other uses	<u>(23,369)</u>	--	--	--	--
Total Financing Sources (Uses)	(750,726)	(3,033,941)	(1,821,803)	(772,756)	3,256,146
NET CHANGE IN FUND BALANCES	(7,431,408)	(2,505,821)	(6,053,375)	3,121,503	9,538,544
Fund Balances— Beginning	<u>57,919,087</u>	<u>50,487,679</u>	<u>47,981,866</u>	<u>41,928,491</u>	<u>45,049,994</u>
Fund Balances— Ending	<u>\$50,487,679</u>	<u>\$47,981,858</u>	<u>\$41,928,491</u>	<u>\$45,049,994</u>	<u>\$54,588,538</u>

⁽¹⁾ From the District's Audited Financial Statements for fiscal years 2009-10 through 2013-14.

⁽²⁾ Beginning in fiscal year 2013-14, this category is coded Local Control Funding Formula.

Source: Moreno Valley Unified School District.

State Budget

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

2014-15 Budget. On June 20, 2014, the Governor signed into law the State budget for fiscal year 2014-15 (the "2014-15 Budget"). The following information is drawn from the State Department of Finance's summary of the 2014-15 Budget and the LAO report entitled "The 2014-15 Budget: California Spending Plan," and certain other sources relating to Proposition 2.

The 2014-15 Budget is based on revenue projections previously included in the Governor's May revision to the proposed budget for fiscal year 2014-15. For fiscal year 2013-14, the 2014-15 Budget projects total State general fund revenues of \$102.2 billion, and total State general fund expenditures of \$100.7 billion. The 2014-15 Budget projects that the State will end the 2013-14 fiscal year with a \$2.9 billion general fund surplus. For fiscal year 2014-15, the 2014-15 Budget projects total State general fund revenues of \$109.5 billion and total State general fund expenditures of \$108 billion, leaving the State with a projected general fund surplus for fiscal year 2014-15 of approximately \$2.1 billion. This projected reserve is a combination of \$449 million in the State's general fund traditional reserve, and an authorized deposit of \$1.6 billion into the Budget Stabilization Account (the "BSA") established by the California Balanced Budget Act of 2004 (also known as Proposition 58).

As part of implementing certain provisions of the 2014-15 Budget, a legislatively-referred constitutional amendment (Proposition 2) was placed on the ballot, and ultimately approved by the voters at the November 4, 2014 statewide election. Among other things, Proposition 2 will create a reserve account that is expected to smooth spikes in education funding. See also "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2" herein.

As a result of changes in State general fund revenues, local property tax collections and changes in student attendance, the 2014-15 Budget includes revised estimates to the minimum funding guarantees for fiscal years 2012-13 and 2013-14. The 2012-13 minimum guarantee is revised upward to \$57.8 billion, an increase of \$1.3 billion over the estimate included in the 2013-14 State budget. For fiscal year 2013-14, the 2014-15 Budget revises the minimum guarantee at \$58.3 billion, approximately \$3 billion higher than that included in the 2013-14 State budget.

The 2014-15 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2014-15 at \$60.9 billion, including \$44.5 billion of support from the State general fund. This represents an increase of \$2.6 billion over the estimates included in the Governor's May revision. The 2014-15 Budget also authorizes certain payments to reduce the State's outstanding maintenance factor, including \$5.2 billion allocable to fiscal year 2012-13 and \$2.6 billion allocable to fiscal year 2014-15. The State is expected to end fiscal year 2014-15 with an outstanding maintenance factor of approximately \$4 billion.

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

- *State Pensions* – The 2014-15 Budget includes a plan to reduce the \$74.4 billion unfunded STRS liability in approximately 30 years by increasing contribution rates among the State, K-14 school districts, and participating employees. For fiscal year 2014-15, these increases are expected to result in \$276 million of additional contributions from all three entities. The plan also provides the STRS Board (as defined herein) with limited authority to (i) increase State and K-14 school district contributions based on changing conditions, and (ii) reduce K-14 school district contributions if they are no longer necessary. For additional information, see “MORENO VALLEY UNIFIED SCHOOL DISTRICT – Retirement Programs” herein.
- *Local Control Funding Formula* – An increase of \$4.7 billion in Proposition 98 funding to continue the transition to the LCFF. This includes a 0.85% COLA to prior-year Base Grants, and results in per-pupil funding that is 12% higher than the prior-year. This increase is projected to close the remaining funding implementation gap between prior year funding levels and the LCFF target levels by approximately 29%. As a result, the adjusted 2014-15 Base Grants are as follows: (i) \$7,011 for grades K-3, (ii) \$7,116 for grades 4-6, (iii) \$7,328 for grades 7-8, and (iv) \$8,491 for grades 9-12. The LAO estimates that the 2014-15 funding levels are approximately 80% of the full implementation cost. The 2014-15 Budget also provides \$26 million towards implementing the LCFF for county offices of education, sufficient to fully fund their LCFF funding target in fiscal year 2014-15. See also “DISTRICT FINANCIAL INFORMATION – State Funding of Education – Local Control Funding Formula” herein.
- *School Reserves* – Senate Bill 858 (Stats. 2014, Chapter 32) (“SB 858”), trailer legislation to the 2014-15 Budget, creates new disclosure requirements effective beginning fiscal year 2015-16 for school districts that have general fund reserves in excess of the State minimum. Existing minimum reserve levels vary between one to five percent of general fund expenditures, depending on the size of the district, and generally require higher reserves for smaller school districts. SB 858 would require school districts to identify amounts in excess of their required reserves and explain the need for higher levels. This information must be disclosed at a public meeting and in each budget submitted to a county office of education. The LAO indicates that available data shows that virtually all school districts maintain excess reserves. As a result of the passage of Proposition 2 (discussed above), certain additional provisions of SB 858 have gone into effect that will cap school district reserve levels. Reserves will be capped in any fiscal year following a State deposit into the PSSSA created by Proposition 2. See also “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2” herein. Caps for most school districts will range between three to ten percent of annual general fund expenditures. SB 858 permits a county office of education to grant an exemption from the reserve cap for up to two years if a school district demonstrates that it would face extraordinary fiscal circumstances justifying a higher reserve.

- *Categorical Programs* – The 2014-15 Budget provides \$33 million to fund a 0.85% COLA for select K-12 categorical programs, including foster youth services, American Indian American Indian Childhood Education, special education and child nutrition.
- *K-12 Deferrals* – The 2014-15 Budget provides \$5.2 billion to reduce outstanding apportionment deferrals, including \$4.7 billion for school districts. Under the budget plan, \$992 million in deferrals, including \$897 million for school districts, are expected to remain outstanding at the end of fiscal year 2014-15. The 2014-15 Budget also provides for a trigger mechanism whereby potentially all outstanding deferrals would be repaid if the Proposition 98 minimum guarantee increases as a result of additional funding sources. Effectively, the 2014-15 Budget earmarks the first \$992 million of additional State spending allocable to fiscal years 2013-14 and 2014-15 to the pay down of deferrals.
- *Student Assessments* – The 2014-15 Budget provides \$54 million to continue the implementation of new student assessments.
- *Independent Study* – The 2014-15 Budget streamlines the existing independent study program, reducing administrative burdens and freeing up time for teachers to spend on student instruction and support, while making it easier for schools to offer and expand instructional opportunities available to students through non-classroom based instruction.
- *K-12 Mandates* – The 2014-15 Budget provides \$400 million, including \$287 million of Proposition 98 funding and \$113 million from unspent prior-year funds, to reduce a backlog of unpaid reimbursement claims to school districts for the cost of State-mandated programs. Funds will be distributed to school districts on a per-student basis. The 2014-15 Budget also adds six new K-12 reimbursable mandates to the existing block grant program. The 2014-15 Budget does not increase funding for the block grant program as the added costs are expected to be minimal.
- *Proposition 39* – Passed by voters in November 2012, Proposition 39 increases State corporate tax revenues and requires a five-year period, starting in fiscal year 2013-14, that a portion of these additional revenues be used to improve energy efficiency and expand the use of alternative energy in public buildings. The 2014-15 Budget provides \$279 million of Proposition 98 funding for qualifying school district energy programs and \$28 million for a revolving loan program for K-14 school districts.
- *Quality Education Investment Act* – The 2014-15 Budget authorizes a final payment of \$410 million to retire the State’s obligation under the Quality Education Investment Act (Stats. 2006, Chapter 751), which required the State to provide additional annual school district and community college district funding payments. Of this amount, \$316 million is for continued funding of the QEIA program (including \$268 million for school districts) and \$94 million is to pay down a separate State obligation related to school facility repairs.
- *Emergency Repair Program* – \$189 million of funding towards the Emergency Repair Program (“ERP”), which was created in 2004 to fund critical repair projects at certain low-performing schools. Funds will be allocated to school districts that have unfunded claims for emergency repairs from the most recent ERP award cycle, which occurred in 2008.
- *School Infrastructure* – The 2014-15 Budget shifts existing bonding authority under the Career Technical Education (\$4.1 million) and High Performance Initiative (\$32.9 million) school facility programs to the New Construction and Modernization facility programs. Bonding authority will be split equally between new construction and modernization.

- *K-12 High-Speed Internet Access* – An increase of \$27 million in one-time Proposition 98 funding for the K-12 High Speed Network to provide technical assistance and grants to K-12 local educational agencies required to successfully implement Common Core. These funds will be targeted to those K-12 local educational agencies most in need of help with securing internet connectivity and infrastructure required to implement the new computer adaptive tests under Common Core.
- *Career Technical Education Pathways Program* – An increase of \$250 million in one-time Proposition 98 funding to support competitive grants for participating K-12 local educational agencies. The Career Pathways Trust Program provides grant awards to improve career technical programs and linkages between employers, schools, and community colleges.

For additional information regarding the State’s 2014-15 Budget, see the State Department of Finance website at www.dof.ca.gov and the LAO’s website at www.lao.ca.gov. However, the information presented on such websites is not incorporated herein by reference.

Governor’s Proposed 2015-16 Budget. On January 9, 2015, the Governor released his proposed State budget for fiscal year 2015-16 (the “Proposed Budget”). The following information is taken from the LAO’s overview of the Proposed Budget, dated January 13, 2015.

The Proposed Budget assumes, for fiscal year 2014-15, total general fund revenues and transfers of \$108 billion and authorizes total expenditures of \$111.7 billion. The State is projected to end the 2014-15 fiscal year with a general fund surplus of \$2.1 billion, comprised of a balance of \$452 million in the State’s traditional budget reserve and balance of \$1.6 billion in the BSA. For fiscal year 2015-16, the Proposed Budget assumes total general fund revenues of \$113.4 billion and authorizes expenditures of \$113.3 billion. The State is projected to end the 2015-16 fiscal year with a \$3.4 billion general fund surplus, comprised of a \$534 million balance in the budget reserve and \$2.8 billion in the BSA. The balance in the BSA includes a \$1.2 billion deposit mandated by the provisions of Proposition 2. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2.” This \$1.2 billion deposit to the BSA reflects half of the total Annual BSA Transfer and Supplemental BSA Transfer required by Proposition 2, and the Proposed Budget allocates the other \$1.2 billion towards paying down special fund loans and certain Proposition 98 “settle up” obligations created by previous budgetary legislation that understated the minimum funding guarantee. Under the Proposed Budget, outstanding Proposition 98 settle up obligations at the end of fiscal year 2015-16 total \$1.3 billion.

As a result of projected increases to State general fund revenues, as well as certain revisions to student attendance, the Proposed Budget includes revised estimates of the minimum funding guarantees for fiscal years 2013-14 and 2014-15. The 2013-14 minimum funding guarantee is revised upward to \$58.7 billion, an increase of \$371 million from the estimate included in the 2014-15 Budget. For fiscal year 2014-15, the minimum funding guarantee is revised at \$63.2 billion, approximately \$2.3 billion higher than that included in the 2014-15 Budget.

For fiscal year 2015-16, the Proposed Budget sets the minimum funding guarantee at \$65.7 billion, including \$47 billion from the State general fund, and reflects an increase of \$2.6 billion (or 4%) from the revised level for fiscal year 2014-15. Despite the increase in the minimum guarantee, the State general fund share is only \$371 million. A projected growth in available local property tax collections accounts for the balance, and results primarily from the Governor’s assumption that the “triple flip” legislation, which diverts local property tax revenues from school districts and community colleges to local governments, will sunset. For purposes of Proposition 98, fiscal year 2015-16 is a “Test 2” year, and changes in the minimum guarantee are driven primarily by an increase in per-capita personal income.

Under the Proposed Budget, total per-student Proposition 98 funding increases to \$9,571, an increase of \$640 (or 7.2%) from the prior year.

Significant features of the Proposed Budget with respect to K-12 education include the following:

- *Maintenance Factor* – The Proposed Budget authorizes a maintenance factor payment of \$725 million owed to school districts and community college districts, leaving an outstanding maintenance factor of \$1.9 billion.
- *Local Control Funding Formula* – An additional \$4 billion to school districts and charter schools to continue the implementation of the LCFF, reflecting a year-to-year increase of 9%. This amount is estimated to close approximately 32% of the remaining funding gap between fiscal year 2014-15 funding levels and the LCFF target rates. Under the Proposed Budget, the LAO estimates that the LCFF target rates will be approximately 85% funded. The Proposed Budget also provides \$109,000 of Proposition 98 funds to support a cost of living adjustment for county offices of education at their target LCFF funding levels.
- *Apportionment Deferrals* – \$897 million to eliminate all outstanding K-12 apportionment deferrals.
- *Categorical Programs* – An increase of \$71 million to support a 1.58% COLA for selected categorical programs outside of the LCFF.
- *Adult Education* – \$500 million in ongoing funding for adult education. This proposal would build on prior budgetary legislation which mandated the establishment of regional adult education consortia composed of school districts, community college districts and certain other stakeholders to for delivery of adult education services. Under the Governor’s proposal, the ongoing funding would support programs in elementary and secondary basic skills, citizenship and English as a second language for immigrants, educational programs for disabled adults, short-term career technical education (CTE) and apprenticeship programs. For fiscal year 2015-16 only, these funds would replace, on a dollar-for-dollar basis, LCFF funds currently allocated to school district-run adult education programs in these five areas.
- *Career Technical Education* – \$250 million in funding in each of the next three fiscal years to fund a competitive grant initiative the supports K-12 CTE programs that lead to industry-recognized credentials or postsecondary training. Participating school districts, county offices of education and charter schools would be required to match grant contributions dollar-for-dollar, collect accountability data and commit to providing ongoing support to CTE programs after the expiration of grant funding. Applicants would also be expected to partner with local postsecondary institutions, labor organizations and businesses in applying for the grant funds. The Proposed Budget also includes \$48 million to extend the Career Technical Education Pathways Grant Program, created as part of the 2013-14 State budgetary legislation. The primary purpose of the program is to improve linkages between CTE programs and schools and community colleges, as well as between K-14 education and local businesses. The California Department of Education and the California Community Colleges Chancellor’s Office jointly administer the program and allocate funding through an interagency agreement.
- *Technology Infrastructure* – \$100 million in one-time funding to support additional broadband infrastructure improvement grants, and builds on prior funding provided in the 2014-15 Budget for such grants.

- *Emergency Repair Program* – \$273 million in one-time funding for the State ERP. See also “—2014-15 Budget.” This additional payment is expected to fully retire the State’s ERP obligation.
- *Education Mandates* –\$1.1 billion to reduce a backlog of unpaid reimbursement claims to school districts for the cost of State-mandated programs. Funds will be distributed to school districts on a per-student basis.

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

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

MORENO VALLEY UNIFIED SCHOOL DISTRICT

The information in this section concerning the operations of the District and the District’s operating budget are provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable solely from the proceeds of an ad valorem property tax required to be levied by the County in an amount sufficient for the payment thereof. See “THE BONDS – Security and Sources for Payment” herein.

Introduction

The District was organized as a unified school district in 1962 and provides public education for grades kindergarten through twelve within an area of approximately forty-three square miles located in Riverside County, California. The District operates twenty-three elementary schools, six middle schools, four high schools, one charter school, and eight other alternative schools. Total enrollment for the District is 34,122 in fiscal year 2014-15. For fiscal year 2014-15, the District has projected an ADA of 32,416 students, and taxable property within the District has an assessed valuation of \$11,768,835,431.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of subsequent audited financial reports of the District may be obtained by contacting: Moreno Valley Unified School District, 25634 Alessandro Blvd., Moreno Valley, California, 92053, attention: Superintendent.

Administration

**BOARD OF EDUCATION
Moreno Valley Unified School District**

<u>Name</u>	<u>Office</u>	<u>Current Term Expires</u>
Gary E. Baugh, Ed.S.	President	December, 2018
Cleveland Johnson	Vice President	December, 2018
Jesus M. Holguin	Clerk	December, 2018
Denise Fleming, Ed.D.	Member	December, 2016
Vacant	Member	December, 2016

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Currently, Dr. Judy D. White is the Superintendent of the District. Brief biographies of the Superintendent and the Chief Business Official follow:

Judy D. White, Ed.D., Superintendent. Dr. Judy D. White began her tenure as the Superintendent of Moreno Valley Unified School District on February 14, 2011. She has over 36 years of experience in education, most recently as the Deputy Superintendent of the San Bernardino City Unified School District. Dr. White earned a B.A. in Sociology from Occidental College, an M.A. in Education from California State University San Bernardino and an Ed.D. in Educational Leadership from Azusa-Pacific University.

Mays Kakish, Chief Business Official. Mays Kakish was appointed Chief Business Official of the District effective April 4, 2011. Ms. Kakish previously served as the Assistant Superintendent, Business Services of the Beaumont Unified School District for five years. She has over 14 years of experience in public education. Ms. Kakish holds a B.S. from California State University San Bernardino, San Bernardino, California.

Average Daily Attendance and Enrollment

On average throughout the District, the regular education pupil-teacher ratio is approximately 29:1 for grades K-3, 33:1 in grades 4-6, 29:1 in grades 7-8 and 29:1 in grades 9-12. The following table shows an eight-year ADA and enrollment history for the District.

AVERAGE DAILY ATTENDANCE AND ENROLLMENT Fiscal Years 2007-08 through 2014-15 Moreno Valley Unified School District

<u>Fiscal Year</u>	<u>Average Daily Attendance⁽¹⁾</u>	<u>Enrollment⁽²⁾</u>
2007-08	34,562	37,129
2008-09	33,899	35,991
2009-10	34,157	36,285
2010-11	34,072	36,039
2011-12	33,857	35,868
2012-13	32,791	35,046
2013-14	32,700	35,404
2014-15	32,416 ⁽³⁾	34,122

⁽¹⁾ Except for fiscal year 2014-15, reflects P-2 ADA in each school year.

⁽²⁾ Fiscal years 2007-08 through 2012-13 reflect enrollment as of the October CBEDS report. Fiscal years 2013-14 and 2014-15 reflect certified enrollment as of the fall census day (the first Wednesday in October), which is reported to the California Longitudinal Pupil Achievement Data System ("CALPADS") in each school year and used to calculate each school district's unduplicated EL/LI student enrollment. CALPADS figures exclude preschool and adult transitional students.

⁽³⁾ Projected.

Source: Moreno Valley Unified School District.

Charter Schools

The California Legislature enacted the Charter Schools Act of 1992 (California Education Code Sections 47600-47616.5) to permit teachers, parents, students, and community members to establish schools that would be free from most state and district regulations. Revised in 1998, California's charter school law states that local boards are the primary charter approving agency and that county panels can appeal a denied charter. State education standards apply, and charter schools are required to use the same student assessment instruments. The charter school is exempt from state and local education rules and regulations, except as specified in the legislation.

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

There is one charter school currently operating within the District, which is operated by the District (the "Charter School"). The following table shows enrollment figures for the District's Charter School for the past six fiscal years and a projected amount for fiscal year 2014-15.

CHARTER SCHOOL ENROLLMENT
Fiscal Years 2008-09 through 2014-15
Moreno Valley Unified School District

<u>Fiscal Year</u>	<u>District operated Charter School</u>
2008-09	167
2009-10	209
2010-11	226
2011-12	195
2012-13	157
2013-14	189
2014-15	159

Source: Moreno Valley Unified School District.

Labor Relations

As of February 1, 2015, the District employed 1,727 full-time certificated employees and 669 classified employees. In addition, the District employs 884 part-time faculty and staff. District employees, except management and some part-time employees, are represented by two bargaining units, as noted below:

BARGAINING UNITS
Moreno Valley Unified School District

<u>Labor Organization</u>	<u>Number of Employees in Organization</u>	<u>Contract Expiration Date</u>
Moreno Valley Educators Association	1,657	June 30, 2016
California Schools Employees' Association	1,480	June 30, 2017

Source: Moreno Valley Unified School District.

Retirement Programs

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

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

Prior to fiscal year 2014-15, unlike typical defined benefit programs, neither the employee, employer or State contribution rate to the STRS Defined Benefit Program varied annually to make up funding shortfalls or assess credits for actuarial surpluses. In recent years, the combined employer,

employee and State contributions to the STRS Defined Benefit Program have not been sufficient to pay actuarially required amounts. As a result, and due to significant investment losses, the unfunded actuarial liability of the STRS Defined Benefit Program has increased significantly in recent fiscal years. In September 2013, STRS projected that the STRS Defined Benefit Program would be depleted in 31 years assuming existing contribution rates continued, and other significant actuarial assumptions were realized. In an effort to reduce the unfunded actuarial liability of the STRS Defined Benefit Program, the State recently passed the legislation described below to increase contribution rates.

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

**MEMBER CONTRIBUTION RATES
STRS (Defined Benefit Program)**

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

Source: AB 1469.

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

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

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

Source: AB 1469.

Based upon the recommendation from its actuary, for fiscal year 2021-22 and each fiscal year thereafter the STRS Teachers’ Retirement Board (the “STRS Board”), is required to increase or decrease the K-14 school districts’ contribution rate to reflect the contribution required to eliminate the remaining 2014 Liability by June 30, 2046; provided that the rate cannot change in any fiscal year by more than 1% of creditable compensation upon which members’ contributions to the STRS Defined Benefit Program are based; and provided further that such contribution rate cannot exceed a maximum of 20.25%. In addition to the increased contribution rates discussed above, AB 1469 also requires the STRS Board to report to

the State legislature every five years (commencing with a report due on or before July 1, 2019) on the fiscal health of the STRS Defined Benefit Program and the unfunded actuarial obligation with respect to service credited to members of that program before July 1, 2014. The reports are also required to identify adjustments required in contribution rates for K-14 school districts and the State in order to eliminate the 2014 Liability.

The District's contributions to STRS were \$11,095,714 in fiscal year 2010-11, \$10,999,874 in fiscal year 2011-12, \$10,698,301 in fiscal year 2012-13 and \$11,114,138 in fiscal year 2013-14. The District has budgeted \$14,205,668 for its contribution to STRS for fiscal year 2014-15.

The State also contributes to STRS, currently in an amount equal to 3.454% of teacher payroll for fiscal year 2014-15. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Pursuant to AB 1469, the State contribution rate will increase over the next three years to a total of 6.328% in fiscal year 2016-17. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990. In addition, the State is currently required to make an annual general fund contribution up to 2.5% of the fiscal year covered STRS member payroll to the Supplemental Benefit Protection Account (the "SBPA"), which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended from time to time. PERS operates a number of retirement plans including the Public Employees Retirement Fund ("PERF"). PERF is a multiple-employer defined benefit retirement plan. In addition to the State, employer participants at June 30, 2013 included 1,580 public agencies and schools (representing more than 2,500 entities). PERS acts as the common investment and administrative agent for the member agencies. The State and K-14 school districts (for "classified employees," which generally consist of school employees other than teachers) are required by law to participate in PERF. Employees participating in PERF generally become fully vested in their retirement benefits earned to date after five years of credited service. One of the plans operated by PERS is for K-14 school districts throughout the State (the "Schools Pool").

Contributions by employers to the Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The District is currently required to contribute to PERS at an actuarially determined rate, which is 11.771% of eligible salary expenditures for fiscal year 2014-15. Participants enrolled in PERS prior to January 1, 2013 contribute 7% of their respective salaries, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 6% of their respective salaries for fiscal year 2014-15. See "— California Public Employees' Pension Reform Act of 2013" herein.

The District's contributions to PERS were \$7,776,601 in fiscal year 2010-11, \$7,816,160 in fiscal year 2011-12, \$7,761,904 in fiscal year 2012-13 and \$7,909,907 in fiscal year 2013-14. The District has budgeted \$8,073,974 for its contribution to CalPERS for fiscal year 2014-15.

State Pension Trusts. Each of STRS and PERS issues a separate comprehensive financial report that includes financial statements and required supplemental information. Copies of such financial reports may be obtained from each of STRS and PERS as follows: (i) STRS, P.O. Box 15275,

Sacramento, California 95851-0275; (ii) PERS, P.O. Box 942703, Sacramento, California 94229-2703. Moreover, each of STRS and PERS maintains a website, as follows: (i) STRS: www.calstrs.com; (ii) PERS: www.calpers.ca.gov. However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference.

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

FUNDED STATUS
STRS (Defined Benefit Program) and PERS
(Dollar Amounts in Millions)⁽¹⁾
Fiscal Years 2010-11 through 2012-13

Fiscal Year	STRS				PERS			
	Accrued Liability	Value of Trust Assets (MVA) ⁽²⁾	Unfunded Liability (MVA) ⁽²⁾⁽³⁾	Unfunded Liability (AVA) ⁽⁴⁾	Accrued Liability	Value of Trust Assets (MVA) ⁽²⁾	Unfunded Liability (MVA) ⁽²⁾	Unfunded Liability (AVA) ⁽⁴⁾
2010-11	\$208,405	\$147,140	\$68,365	\$64,475	\$58,358	\$45,901	\$12,457	\$6,811
2011-12	215,189	143,118	80,354	70,957	59,439	44,854	14,585	5,648
2012-13	222,281	157,176	74,374	73,667	61,487	49,782	12,005	5,237

⁽¹⁾ Amounts may not add due to rounding.

⁽²⁾ Reflects market value of assets.

⁽³⁾ Excludes SBPA reserve.

⁽⁴⁾ Reflects actuarial value of assets.

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

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

On March 14, 2012, the PERS Board voted to lower the PERS’ rate of expected price inflation and its investment rate of return (net of administrative expenses) (the “PERS Discount Rate”) from 7.75% to 7.5%. As one consequence of such decrease, the annual contribution amounts paid by PERS member public agencies, including the District, have been increased by 1 to 2% for miscellaneous plans and by 2 to 3% for safety plans beginning in fiscal year 2013-14. On February 18, 2014, the PERS Board voted to keep the PERS Discount Rate unchanged at 7.5%.

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

Also, on February 20, 2014, the PERS Board approved new demographic assumptions reflecting (i) expected longer life spans of public agency employees and related increases in costs for the PERS system and (ii) trends of higher rates of retirement for certain public agency employee classes, including police officers and firefighters. The cost of the revised assumptions shall be amortized over a 20-year period and related increases in public agency contribution rates shall be affected over a three year period, beginning in fiscal year 2014-15. The new demographic assumptions affect each of: the State, K-14 school districts and all other public agencies.

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

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

Other Post-Employment Benefits

Plan Description. Upon attainment of age 55 and completion of at least 10 years of District service, an employee may retire and remain covered under one of the medical plan options at the District's expense until age 65 (the "Benefits"). The District's contribution for certificated and classified retirees is limited to the amount paid by the District on behalf of current employees for the lowest cost individual health plan offered at 100% coverage by the District at the time of payment. This amount is \$492.00 per month for the 2013-14 fiscal year. Certificated retirees working less than 100% full-time at their last assignments while an active employee receive a pro-rated amount based on their last full-time equivalency. Management retirees receive a District contribution equal to the full cost of individual coverage under any of the District plans. Classified employees are required to complete the equivalent of 10 years of full-time District service in order to receive District-paid benefits upon retirement. Board Members are eligible for lifetime District-paid retiree health benefits if they served in office after January 1, 1981, their term began before January 1, 1995, and they have served at least 12 years on the District's

Board. There are two District retirees currently covered under these provisions. Board Members not meeting these requirements are eligible for self-paid health benefits.

As of February 1, 2015, membership of the Plan consisted of 224 retirees currently receiving Benefits, and 2,514 active plan members.

Funding Policy. The District currently finances the OPEB on a “pay-as-you-go” basis. The District’s contributions to the OPEB were \$2,055,993 in fiscal year 2011-12 (all of which was used for current premiums), \$2,166,433 in fiscal year 2012-13 (all of which was used for current premiums) and \$2,172,890 in fiscal year 2013-14 (all of which was used for current premiums). The District currently projects \$2,289,810 for its contribution to the OPEB, net of any deposit to the Trust, for fiscal year 2014-15 (all of which are expected to be used for current premiums).

In fiscal year 2002-03, the District established an irrevocable trust (the “OPEB Trust”) to begin funding its actuarial accrued liability with respect to the Benefits, as discussed herein. In fiscal year 2008-09 the District committed \$1,500,000 to the OPEB Trust for the sole purpose of paying the Benefits. As of December 31, 2014, the District had contributed \$1,500,000 to the OPEB Trust and the value of assets in the OPEB Trust was \$2,680,810. For fiscal year 2014-15, the District currently projects a contribution of \$50,000 to the OPEB Trust.

Actuarial Study. The District has implemented Governmental Accounting Standards Board (“GASB”) Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans, pursuant to which the District has commissioned and received several actuarial studies of its outstanding liabilities with respect to the OPEB. The most recent of these studies (the “Study”), determined that the actuarial accrued liability (“AAL”) with respect to the OPEB, as of a July 1, 2013 valuation date, was \$21,977,756. The Study also concluded that the annual required contributions (the “ARC”) for the District’s fiscal years 2011-12 and 2012-13 were each \$2,875,819. The ARC is the amount that would be necessary to fund the value of future benefits earned by current employees during each fiscal year (the “Normal Cost”) and the amount necessary to amortize the AAL, in accordance with the GASB Statements Nos. 43 and 45; the ARC is expected to increase each year based on covered payroll.

Net OPEB Obligation. As of June 30, 2014, the District recognized a long-term obligation (the “Net OPEB Obligation”) of \$1,006,654 with respect to its accrued liability for the Benefits. The Net OPEB Obligation is based on the District’s contributions towards the ARC during fiscal year 2013-14, plus interest on the prior year’s Net OPEB Obligation and minus any adjustments to reflect the amortization thereof. See “APPENDIX B – EXCERPTS FROM THE DISTRICT’S 2013-14 AUDITED FINANCIAL STATEMENTS – Note 10” attached hereto.

Risk Management

The District is exposed to various risks of loss related to torts, errors and omissions, and injuries to employees. During fiscal year June 30, 2014, the District operated the Worker’s Compensation Fund (Internal Service Fund) (the “Internal Service Fund”) to account for and finance its uninsured risks of loss. Under this program, the Internal Service Fund provides coverage for up to a maximum of \$100,000 for each workers’ compensation claim. The District participates in JPAs to provide excess insurance coverage above the self-insured retention level. Settled claims have not exceeded the coverage provided by the JPAs. See “- Joint Powers Agreements” below.

Funding of the Internal Service Fund is based on estimates of the amounts needed to pay prior and current year claims. The claims’ liability of \$5,939,057 reported in the Internal Service Fund at June

30, 2-14, is based on the requirements of Governmental Accounting Standards Board Statement NO. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements and the amount of the loss can be reasonably estimated. The District may purchase annuity contracts from commercial insurers to satisfy certain liabilities under workers' compensation claims; accordingly, no liability is then reported for those claims.

Changes in the Internal Service Fund's claims liability amount in fiscal year 2013-14 were:

	<u>Liability July 1, 2013</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Liability June 30, 2014</u>
Workers Compensation	\$5,160,972	\$2,976,619	\$2,198,534	\$5,939,057

Joint Powers Agreements

The District has entered into joint powers agreements (JPAs) with other governmental units, as allowed by the California Government Code. These JPAs have budgeting and financial reporting requirements independent of member units. Summarized below is certain information on these entities:

<u>JPA</u>	<u>Purpose</u>
Schools Excess liability Fund (SELF)	To provide liability insurance coverage in excess of \$1,000,000 (up to \$25,000,000)
Alliance of Schools for Cooperative Insurance Programs (ASCIP)	Arrange for and provide property liability insurance for its members
Self Insured Schools of California III	Arranges for and provides' compensation, property and liability and health insurance coverage for their member districts
Protected Insurance Program for Schools (PIPS)	Provides each member a joint program and system for workers' compensation coverage

For more information regarding the JPAs, see "APPENDIX B – EXCERPTS FROM THE DISTRICT'S 2013-14 AUDITED FINANCIAL STATEMENTS – Note 16" attached hereto.

District Debt Structure

Short-Term Debt. Currently, the District had no outstanding tax and revenue anticipation notes (“TRANS”).

Long-Term Debt. A schedule of changes in long-term debt for the year ended June 30, 2014 is show below:

	<u>Balance</u> <u>July 1, 2013*</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
Bonded Debt	\$39,508,521	--	\$2,800,000	\$36,708,521
Other Postemployment Benefits	407,881	598,773	--	1,006,654
Compensated Absences	1,767,503	110,042	--	1,877,545
Certificates of Participation	18,585,000	13,280,000	18,585,000	13,280,000
Community Facilities Districts	<u>96,035,000</u>	<u>19,070,000</u>	<u>23,445,000</u>	<u>91,660,000</u>
Total	\$156,303,905	\$33,058,815	\$44,830,000	\$144,532,720

⁽¹⁾ Debt service with respect to the bonds of these community facilities districts (the “CFD Bonds”) is paid from the proceeds of special taxes levied against land within the respective community facilities districts.

*Restated

Source: *Moreno Valley Unified School District.*

See “APPENDIX B – EXCERPTS FROM THE DISTRICT’S 2013-14 AUDITED FINANCIAL STATEMENTS – Note 7” attached hereto.

General Obligation Bonds. The District received authorization at an election held on March 2, 2004 by more than 55% of the votes cast by eligible voters within the District to issue \$50,000,000 of general obligation bonds (the “2004 Authorization”). On July 7, 2004, the County issued on behalf of the District the first series and final series of bonds pursuant to the 2004 Authorization in the aggregate principal amount of \$49,999,945.60 (the “2004 Series A Bonds”). On April 3, 2007 the District issued its 2007 General Obligation Refunding Bonds (the “2007 Refunding Bonds”) in the aggregate principal amount of \$43,003,521, as current interest bonds and capital appreciation bonds, to advance refund a portion of the Election of 2004, Series A Bonds.

Pursuant to the 2014 Authorization, the voters of the District authorized the issuance of not-to-exceed \$398,000,000 of general obligation bonds. The Bonds represent the first series of bonds issued under the 2014 Authorization. After the issuance of the Bonds, \$298,000,000* of the 2014 Authorization will remain.

* Preliminary, subject to change.

The following table shows the combined debt service schedule with respect to the total outstanding general obligation debt of the District.

<u>Year Ending</u> <u>August 1</u>	<u>2004 Series A</u> <u>Bonds</u>	<u>2007 Refunding</u> <u>Bonds⁽¹⁾</u>	<u>The Bonds</u>	<u>Total Annual</u> <u>Debt Service</u>
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
Total				

Source: Moreno Valley Unified School District.

CFD Bonds. The District has established 12 community facility districts under the Mello Roos Community Facilities Act of 1982, Community Facilities District Nos. 88-1, 2002-1, 2003-1, 2003-2, 2004-1, 2004-2, 2004-3, 2004-5, 2004-6, 2005-2, 2005-3, and 2005-5. Each of these districts has issued debt (collectively, the “CFD Bonds”), as further described below.

SUMMARY OF OUTSTANDING CFD BONDED DEBT

Issuance	Initial Principal Amount	Principal Currently Outstanding	Date of Delivery
<u>CFD No. 88-1</u>			
1989 Special Tax Revenue Bonds	\$20,895,000	_____	August 1, 1989
2002 Special Tax Revenue Bonds, Series A	13,080,000	_____	December 24, 2002
2002 Special Tax Revenue Bonds, Series B	7,730,000	_____	December 24, 2002
<u>CFD Nos. 2002-1; 2003-2; 2003-1</u>			
CFD No. 2002-1 2002 Special Tax Bonds	8,850,000	-- ⁽¹⁾	October 24, 2002
CFD No. 2003-2 2004 Special Tax Bonds	3,715,000	-- ⁽²⁾	August 19, 2004
CFD No. 2003-1 2004 Special Tax Bonds	7,375,000	_____	November 4, 2004
CFD No. 2002-1 Series 2013 Special Tax Refunding Bonds	7,790,000	_____	July 12, 2013
CFD No. 2003-2 Series 2013 Special Tax Refunding Bonds	3,855,000	_____	July 12, 2013
<u>CFD Nos. 2004-1; 2004-2; 2004-3; 2004-5; 2004-6</u>			
CFD No. 2004-1 2005 Special Tax Bonds	3,155,000	_____	April 14, 2005
CFD No. 2004-2 2005 Special Tax Bonds	5,580,000	_____	October 27, 2005
CFD No. 2004-6 2005 Special Tax Bonds	27,935,000	_____	December 8, 2005
CFD No. 2004-5 2006 Special Tax Bonds	5,000,000	_____	May 24, 2006
CFD No. 2004-3 2007 Special Tax Bonds		_____	April 12, 2007
<u>CFD Nos. 2005-2; 2005-3; 2005-5</u>			
CFD 2005-3 2007 Special Tax Bonds	11,235,000	_____	March 22, 2007
CFD 2005-5 2012 Special Tax Bonds	9,115,000	_____	February 16, 2012
<u>CFD No. 2007-1</u>			
CFD No. 2007-1 205 Special Tax Bonds	_____	_____	_____, 2015

⁽¹⁾ Deceased from proceeds of the sale of the CFD No. 2002-1 Series 2013 Special Tax Refunding Bonds.

⁽²⁾ Deceased from proceeds of the sale of the CFD No. 2003-2 Series 2013 Special Tax Refunding Bonds.

Debt service with respect to the CFD Bonds is paid from the proceeds of special taxes levied against land within the respective community facilities districts. The following table displays the total annual debt service requirements of the District for its outstanding CFD Bonds as of the date hereof:

<u>Year Ending (June 30)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$5,405,000	\$5,685,852	\$11,090,852
2015	6,275,000	4,266,282	10,541,282
2016	1,370,000	4,210,675	5,580,675
2017	1,520,000	4,152,933	5,672,933
2018	1,695,000	4,086,997	5,781,997
2019-2023	11,315,000	19,094,943	30,409,943
2024-2028	17,420,000	15,725,035	33,145,035
2029-2033	25,745,000	10,387,015	36,132,015
2034-2038	22,260,000	3,246,353	25,506,353
2039-2043	2,860,000	408,375	3,268,375

Source: Fieldman, Rolapp & Associates, Inc.

Certificates of Participation. On February 27, 2014, the District executed and delivered its 2014 Refunding Certificates of Participation (the “2014 Certificates”) in the aggregate principal amount of \$13,280,000. The proceeds from the 2014 Certificates were utilized to refinance certain then-outstanding certificate of participation debt of the District.

The following table summarizes the semi-annual 2014 Certificates payment requirements of the District.

SEMI-ANNUAL CERTIFICATE PAYMENT SCHEDULE

Certificate Payment Date	Principal	Interest	Total Semi-Annual Payments	Total Annual Payments
3/1/2015	\$805,000	295,750.00	1,100,750.00	\$1,403,072.22
9/1/2015	--	283,675.00	283,675.00	--
3/1/2016	835,000	283,675.00	1,118,675.00	1,402,350.00
9/1/2016	--	271,150.00	271,150.00	--
3/1/2017	855,000	271,150.00	1,126,150.00	1,397,300.00
9/1/2017	--	254,050.00	254,050.00	--
3/1/2018	885,000	254,050.00	1,139,050.00	1,393,100.00
9/1/2018	--	236,350.00	236,350.00	--
3/1/2019	920,000	236,350.00	1,156,350.00	1,392,700.00
9/1/2019	--	217,950.00	217,950.00	--
3/1/2020	950,000	217,950.00	1,167,950.00	1,385,900.00
9/1/2020	--	194,200.00	194,200.00	--
3/1/2021	1,000,000	194,200.00	1,194,200.00	1,388,400.00
9/1/2021	--	169,200.00	169,200.00	--
3/1/2022	1,045,000	169,200.00	1,214,200.00	1,383,400.00
9/1/2022	--	143,075.00	143,075.00	--
3/1/2023	1,090,000	143,075.00	1,233,075.00	1,376,150.00
9/1/2023	--	115,825.00	115,825.00	--
3/1/2024	1,140,000	115,825.00	1,255,825.00	1,371,650.00
9/1/2024	--	87,325.00	87,325.00	--
3/1/2025	1,195,000	87,325.00	1,282,325.00	1,369,650.00
9/1/2025	--	57,450.00	57,450.00	--
3/1/2026	1,250,000	57,450.00	1,307,450.00	1,364,900.00
9/1/2026	--	26,200.00	26,200.00	--
3/1/2027	<u>1,310,000</u>	<u>26,200.00</u>	<u>1,336,200.00</u>	<u>1,362,400.00</u>
TOTAL	\$13,280,000	\$4,408,650.00	\$17,688,650.00	\$17,990,972.22

Source: Moreno Valley Unified School District.

2001 Lease Revenue Bonds - QZABs. In December 2001, the District issued \$24,000,000 principal amount of 2001 Lease Revenue Bonds, Qualified Zone Academy Bonds (the “2001 QZABs”) to provide funds to finance the renovation of existing facilities to enable those facilities to support new technology standards that the District was then-required to meet. The 2001 QZABs do not bear interest and have been advance refunded in a manner that met the requirements of an insubstance defeasance. The District does not account for the 2005 QZABs as a portion of the District’s general long-term debt. See “APPENDIX C – EXCERPTS FROM THE DISTRICT’S 2013-14 AUDITED FINANCIAL STATEMENTS – Note 7” herein.

2005 Certificates of Participation - QZABs. In December 2005, the District issued \$5,000,000 principal amount of 2005 Certificates of Participation, Qualified Zone Academy Bonds (the “2005 QZABs”) to provide funds for school project costs through a lease agreement between the District and the Corporation. The 2005 QZABs do not bear interest and have been advance refunded in a manner that met the requirements of an insubstance defeasance. The District does not account for the 2005 QZABs as a portion of the District’s general long-term debt. “APPENDIX B – EXCERPTS FROM THE DISTRICT’S 2013-14 AUDITED FINANCIAL STATEMENTS – Note ___” attached hereto.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California (“Bond Counsel”), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations.

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

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

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

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

SUBSEQUENT TO THE ISSUANCE OF THE BONDS, THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF THE INTEREST ON THE BONDS OR THE MARKET VALUE OF THE BONDS. LEGISLATIVE CHANGES HAVE BEEN PROPOSED IN CONGRESS, WHICH, IF ENACTED, WOULD RESULT IN ADDITIONAL FEDERAL INCOME TAX BEING IMPOSED ON CERTAIN OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS SUCH AS THE BONDS. THE INTRODUCTION OR ENACTMENT OF ANY SUCH CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. NO ASSURANCE CAN BE GIVEN THAT, SUBSEQUENT TO THE ISSUANCE OF THE BONDS, SUCH CHANGES (OR OTHER CHANGES) WILL NOT BE INTRODUCED OR ENACTED OR INTERPRETATIONS WILL NOT OCCUR. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

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

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

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

LEGAL MATTERS

Legality for Investment in California

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

Continuing Disclosure

Current Undertaking. In connection with the issuance of the Bonds, the District has covenanted for the benefit of Owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Reports") by not later than nine months following

the end of the District's fiscal year (which currently ends June 30), commencing with the report for the 2014-15 Fiscal Year, and to provide notices of the occurrence of certain listed events. The Annual Reports and notices of listed events will be filed by the District in accordance with the requirements of the Rule. The specific nature of the information to be contained in the Annual Reports or the notices of listed events is included in "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS" attached hereto. These covenants have been made in order to assist the Underwriter in complying with the Rule.

[Prior Undertakings.] The District has, within the last five years, failed to timely file certain information required in annual reports or as required under its prior undertakings pursuant to the Rule with respect to its outstanding general bonded indebtedness and its CFD Bonds. In the past, the District has also filed certain audit reports and information required under prior undertakings by the posting of a link to the District's website, or by other online cross-reference. The District has since filed and re-filed all such information and is current with respect to its obligations entered into in connection with the Rule. During the last five years, the District has retained Special District Financing Administration, LLC, Escondido, California, to administer its continuing disclosure obligations and to prepare all filings on its behalf.

The District elected to participate in the Municipalities Continuing Disclosure Cooperation ("MCDC") initiative of the Securities and Exchange Commission. The MCDC is a program allowing issuers and underwriters to voluntarily report issuances of municipal obligations where the official statement or other offering document therefor may have made misstatements about compliance with the issuer's or other obligated person's continuing disclosure obligations. The District was notified by the underwriter for the District's 2011 Tax and Revenue Anticipation Notes (the "2011 TRANS") that it filed a report under MCDC with respect to statements made in the official statement for such issuance. The District filed a report under MCDC for statements made in the Official Statement for the District's 2011 TRANS.

No Litigation

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

Information Reporting Requirements

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

Legal Opinion

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

MISCELLANEOUS

Ratings

Moody's and S&P have assigned the Bonds the ratings of “__” and “___,” respectively. Generally, rating agencies base their ratings on information and material furnished directly to them and on investigations, studies and assumptions made by them. The ratings reflect only the views of such organizations and an explanation of the significance of such ratings may be obtained from the applicable rating agency, at the following addresses: Moody's Investors Service, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007; Standard & Poor's, 55 Water Street, 45th Floor, New York, New York 10041. There is no assurance that the ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies, if, in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

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

Financial Statements

Excerpts from the District's audited financial statements with required supplemental information for the year ended June 30, 2014, the independent auditor's report of the District, and the related statements of activities and of cash flows for the year then ended, and the report of Jeanette L. Garcia & Associates, Certified Public Accountant (the “Auditor”) dated December 15, 2014, are attached to this Official Statement as APPENDIX B. In connection with the inclusion of the excerpts from financial statements and the report of the Auditor thereon in APPENDIX B to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

Underwriting

The Bonds are being purchased by Piper Jaffray & Co. (the “Underwriter”). The Underwriter has agreed, pursuant to a purchase contract by and between the District and the Underwriter (the “Purchase Contract”), to purchase all of the Bonds for a purchase price of \$_____ (which is equal to the principal amount thereof, plus original issue premium of \$_____ and less Underwriter's discount of \$_____).

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

Additional Information

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

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

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

**MORENO VALLEY UNIFIED SCHOOL
DISTRICT**

By: _____
Mays Kakish
Chief Business Official

APPENDIX A

FORM OF OPINION OF BOND COUNSEL FOR THE BONDS

_____, 2015

Board of Education
Moreno Valley Unified School District

Members of the Board of Education:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of \$ _____ Moreno Valley Unified School District (Riverside County, California) Election of 2014 General Obligation Bonds, Series A (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

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

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, a greater than fifty-five percent vote of the qualified electors of the Moreno Valley Unified School District (the "District") voting at an election held on November 4, 2014, and a resolution of the Board of Education of the District adopted on March 10, 2015 (the "District Resolution") and a resolution of the Board of Supervisors of Riverside County adopted on March 24, 2015 (the "County Resolution" and together with the District Resolution, the "Resolutions").

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

3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that, with respect to corporations, such interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of such corporations.

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

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

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

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

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

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

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

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

Respectfully submitted,

APPENDIX B

EXCERPTS FROM THE DISTRICT'S 2013-14 AUDITED FINANCIAL STATEMENTS

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE FOR THE BONDS

The Moreno Valley Unified School District will execute a Continuing Disclosure Certificate in substantially the following form in connection with the issuance of \$ _____ Moreno Valley Unified School District (Riverside County, California) Election of 2014 General Obligation Bonds, Series A.

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Moreno Valley Unified School District (the "District") in connection with the issuance of \$ _____ of the District's Election of 2014 General Obligation Bonds, Series A (the "Bonds"). The Bonds are being issued pursuant to a resolution of the District dated March 10, 2015 (the "District Resolution") and a resolution of the Board of Supervisors of Riverside County dated March 24, 2015 (the "County Resolution" and together with the District Resolution, the "Resolutions"). The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolutions, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean initially _____, or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

"Holder" shall mean the registered owner of the Bonds.

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

"Official Statement" shall mean the Official Statement, dated as of ____, 2015, relating to the offer and sale of the Bonds.

"Participating Underwriter" shall mean Piper Jaffray & Co., or any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean, the Municipal Securities Rulemaking Board, which can be found at <http://emma.msrb.org/>, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

“State Repository” shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Certificate, there is no State Repository.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District’s fiscal year (presently ending June 30), commencing with the report for the 2014-15 Fiscal Year, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) Not later than thirty (30) days (nor more than sixty (60) days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repository to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a notice to the Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided to the Repository.

SECTION 4. Content and Form of Annual Reports. (a) The District’s Annual Report shall contain or include by reference the following:

1. The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Material financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District's audited financial statements):

- (a) state funding received by the District for the last completed fiscal year;
- (b) average daily attendance of the District for the last completed fiscal year;
- (c) outstanding District indebtedness, as of the last completed fiscal year;
- (d) summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year;
- (e) assessed valuation of taxable property within the District for the current fiscal year; and
- (f) secured *ad valorem* tax charges and delinquencies for the current year, to the extent Riverside County discontinues the Teeter Plan (as such term is defined in the Official Statement).

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

(b) The Annual Report shall be filed in an electronic format, and accompanied by identifying information, prescribed by the Municipal Securities Rulemaking Board.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5(a), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not in excess of 10 business days after the occurrence of the event:

1. principal and interest payment delinquencies.
2. tender offers.
3. defeasances.
4. rating changes.
5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).
6. unscheduled draws on the debt service reserves reflecting financial difficulties.
7. unscheduled draws on credit enhancement reflecting financial difficulties.
8. substitution of the credit or liquidity providers or their failure to perform.

9. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the District. For the purposes of the event identified in this Section 5(a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(b) Pursuant to the provisions of this Section 5(b), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. non-payment related defaults.
2. modifications to rights of Bondholders.
3. optional, contingent or unscheduled Bond calls.
4. unless described under Section 5(a)(5) above, material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.
5. release, substitution or sale of property securing repayment of the Bonds.
6. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.
7. appointment of a successor or additional trustee or paying agent with respect to the Bonds or the change of name of such a trustee or paying agent.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a) or Section 5(b), as applicable.

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon fifteen (15) days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

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

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(b), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolutions, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: _____, 2015

MORENO VALLEY UNIFIED SCHOOL DISTRICT

By: _____
Chief Business Official

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: MORENO VALLEY UNIFIED SCHOOL DISTRICT

Name of Bond Issue: Election of 2014 General Obligation Bonds, Series A

Date of Issuance: _____, 2015

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate relating to the Bonds. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

MORENO VALLEY UNIFIED SCHOOL DISTRICT

By _____ [form only; no signature required]

APPENDIX D

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR THE CITY OF MORENO VALLEY AND RIVERSIDE COUNTY

The following material is descriptive of the City of Moreno Valley and Riverside County. The following information concerning the City of Moreno Valley and Riverside County is included only for the purpose of supplying general information regarding the community. The Bonds are not a debt of Riverside County. This material has been prepared by or excerpted from the sources as noted herein and has not been reviewed for accuracy by the District or Bond Counsel.

General

The School District encompasses approximately 752 square miles of the southern part of Riverside County (the "County"). Population centers include the cities of Indio, La Quinta, Indian Wells, Palm Desert, Rancho Mirage and the community of Bermuda Dunes.

The County is the fourth largest county in the State of California (the "State"), encompassing approximately 7,243 square miles. It is located in the southern portion of the State and is bordered by San Bernardino County on the north, Los Angeles and Orange Counties on the west, the State of Arizona and the Colorado River on the east, and San Diego and Imperial Counties on the south. The County, incorporated in 1893, is a general law County with its County seat located in the city of Riverside.

A relatively young city, Moreno Valley (the "City") witnessed rapid growth in the 1980s and the first decade of the 21st century, making it the second-largest city in Riverside County by population. Located just north of Lake Perris, the City shares March Joint Air Reserve Base with both Riverside, California and the city of Perris. The City is an incorporated common law city and is governed by a council-manager government.

Population

The following table lists population estimates for the City, County and State for the past ten years.

POPULATION ESTIMATES City of Moreno Valley, County of Riverside and State of California 2005-2014

Year ⁽¹⁾	City of Moreno Valley		County of Riverside		State of California	
	Population	% Change	Population	% Change	Population	% Change
2005	167,262	5.4	1,895,695	4.5	35,869,173	0.8
2006	176,830	5.7	1,975,913	4.2	36,116,202	0.7
2007	182,330	3.1	2,049,902	3.7	36,399,676	0.8
2008	185,513	1.7	2,102,741	2.6	36,704,375	0.8
2009	189,690	2.3	2,140,626	1.8	36,966,713	0.7
2010 ⁽²⁾	193,365	1.9	2,189,641	2.3	37,253,956	0.8
2011	194,451	0.6	2,205,731	0.7	37,427,946	0.5
2012	197,088	1.4	2,234,209	1.3	37,668,804	0.6
2013	198,183	0.6	2,255,653	1.0	37,984,138	0.8
2014	199,258	0.5	2,279,967	1.1	38,340,074	0.9

⁽¹⁾ As of January 1.

⁽²⁾ As of April 1.

Source: 2010: U.S. Department of Commerce, Bureau of the Census, for April 1.

2053-09, 2011-14 (2000 and 2010 DRU Benchmark): California Department of Finance for January 1.

Personal Income

The following table shows of per capita personal income for the County, State of California and the United States from 2003 through 2012.

PER CAPITAL PERSONAL INCOME⁽¹⁾
County of Riverside, State of California, and United States
2003-2012

<u>Year</u>	<u>County of Riverside</u>	<u>California</u>	<u>United States</u>
2003	\$26,837	\$35,298	\$32,676
2004	27,743	37,150	34,300
2005	28,873	38,969	35,888
2006	30,309	41,627	38,127
2007	30,871	43,157	39,804
2008	30,808	43,609	40,873
2009	29,433	41,569	39,357
2010	29,563	42,297	40,163
2011	31,074	44,666	42,298
2012	31,742	46,477	43,735

⁽¹⁾ Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. All dollar estimates are in current dollars (not adjusted for inflation).

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Employment

The County is a part of the Riverside-San Bernardino Primary Metropolitan Statistical Area (“PMSA”), which includes all of Riverside and San Bernardino Counties. The following table presents the Annual Average Labor Force for the City, County and State from 2007 to 2013.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT ANNUAL AVERAGES City of Moreno Valley, County of Riverside and State of California 2007-2013

<u>Year</u>	<u>Area</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
2007	City of Moreno Valley	85,700	79,700	6,100	7.1%
	Riverside County	903,400	848,900	54,500	6.0
	State of California	17,921,000	16,960,700	960,300	5.4
2008	City of Moreno Valley	87,000	78,400	8,600	9.9%
	Riverside County	912,900	835,200	77,800	8.5
	State of California	18,207,300	16,893,900	1,313,500	7.2
2009	City of Moreno Valley	88,200	74,600	13,600	15.5%
	Riverside County	917,100	794,400	122,800	13.4
	State of California	18,220,100	16,155,000	2,065,100	11.3
2010	City of Moreno Valley	90,500	75,400	15,100	16.7%
	Riverside County	939,500	803,300	136,200	14.5
	State of California	18,336,300	16,068,400	2,267,900	12.4
2011	City of Moreno Valley	90,700	76,300	14,400	15.9%
	Riverside County	942,200	812,800	129,400	13.7
	State of California	18,417,900	16,249,600	2,168,300	11.8
2012	City of Moreno Valley	91,200	78,400	12,800	14.1%
	Riverside County	950,600	835,200	115,400	12.1
	State of California	18,519,000	16,589,700	1,929,300	10.4
2013	City of Moreno Valley	91,100	80,300	10,900	11.9%
	Riverside County	953,200	855,300	97,900	10.3
	State of California	18,596,800	16,933,300	1,663,500	8.9

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department.
March 2013 Benchmark.

The following table summarizes the annual average industry employment statistics for the Riverside-San Bernardino-Ontario Metropolitan Statistical Area ("MSA"), which includes both Riverside and San Bernardino Counties, between 2009 and 2013.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES
Riverside-San Bernardino-Ontario MSA
2009-2013

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Farm	14,900	15,000	14,900	15,000	14,600
Mining and Logging	1,100	1,000	1,000	1,200	1,200
Construction	67,900	59,700	59,100	62,600	69,300
Manufacturing	88,700	85,100	85,100	86,700	86,800
Wholesale Trade	48,900	48,600	49,000	52,100	56,000
Retail Trade	156,200	155,500	158,500	162,300	164,800
Transportation, Warehousing and Utilities	66,800	66,600	68,800	73,800	78,600
Information	14,100	14,000	12,100	11,500	11,300
Financial Activities	42,500	41,000	39,900	40,800	42,000
Professional and Business Services	125,200	123,400	125,800	127,100	132,600
Education and Health Services	155,000	154,000	157,600	167,200	182,000
Leisure and Hospitality	123,800	122,800	124,000	129,300	136,200
Other Services	37,300	38,200	39,100	40,100	40,800
Government	<u>235,200</u>	<u>234,300</u>	<u>227,500</u>	<u>224,600</u>	<u>225,000</u>
Total All Industries	1,177,600	1,159,300	1,162,200	1,194,200	1,241,000

Note: Items may not add to total due to independent rounding.

Source: California Employment Development Department, Labor Market Information Division. March 2013 Benchmark.

Largest Employers

The following tables list the largest employers in the County and City as of June 30, 2013.

LARGEST EMPLOYERS
County of Riverside
2013

<u>Employer</u>	<u>Description</u>	<u>Number of Employees</u>	<u>% of Total County Employees</u>
1. County of Riverside	County Government	18,728	2.23%
2. March Air Reserve Base	Military	9,000	1.07
3. Stater Brothers Market	Grocery retail	6,900	0.82
4. WalMart	General retail	5,681	0.68
5. University of California at Riverside	Higher education and research university	5,497	0.65
6. Riverside Unified School District	Primary & Secondary Education	5,000	0.60
7. Corona-Norco Unified School District	Primary & Secondary Education	4,633	0.55
8. Kaiser Permanente Riverside Med. Center	Hospital and healthcare	4,500	0.54
9. Moreno Valley Unified School District	Primary & Secondary Education	3,355	0.40
10. Hemet Unified School District	Primary & Secondary Education	3,270	0.39

Source: County of Riverside 'Comprehensive Annual Financial Report' for the year ending June 30, 2013.

PRINCIPAL EMPLOYERS
City of Moreno Valley
2013

<u>Employer</u>	<u>Description</u>	<u>Number of Employees</u>	<u>% of Total City Employees</u>
1. March Air Reserve Base	Military	8,600	26.12%
2. Moreno Valley Unified School District	Primary and secondary education	3,366	10.22
3. Riverside County Regional Medical Ctr.	Hospital and healthcare	2,600	7.90
4. Ross Dress for Less/DD's Discounts	Retail distribution	1,630	4.95
5. Moreno Valley Mall (excludes major tenants)	Retail	1,365	4.15
6. Kaiser Permanente Community Hospital	Hospital and healthcare	944	2.87
7. City of Moreno Valley	Local government	771	2.34
8. Walgreens Co.	Retail distribution	685	2.08
9. Val Verde Unified School District	Primary and secondary education	674	2.05
10. Sketchers USA	Retail distribution	660	1.82

Source: City of Moreno Valley 'Comprehensive Annual Financial Report' for the year ending June 30, 2013.

Retail Trade

The following tables present a seven-year history of taxable sales in the County and City.

TAXABLE SALES
County of Riverside
2006-2012
(Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2006	23,322	\$21,842,345	43,672	\$29,816,237
2007	22,918	21,242,516	45,279	29,023,609
2008	23,604	18,689,249	46,272	26,003,595
2009	29,829	16,057,488	42,765	22,227,877
2010	32,534	16,919,500	45,688	23,152,780
2011	33,398	18,576,285	46,886	25,641,497
2012	34,683	20,016,668	48,316	28,096,009

Note: In 2009, retail permits expanded to include permits for food services.
Source: "Taxable Sales in California (Sales & Use Tax)," California Board of Equalization.

TAXABLE SALES
City of Moreno Valley
2006-2012
(Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2006	1,502	\$1,218,440	2,316	\$1,307,961
2007	1,398	1,170,236	2,312	1,267,045
2008	1,402	1,064,374	2,342	1,154,650
2009	1,546	947,927	2,040	1,018,353
2010	1,652	994,464	2,154	1,067,546
2011	1,693	1,092,691	2,198	1,172,223
2012	1,732	1,185,877	2,231	1,275,922

Note: In 2009, retail permits expanded to include permits for food services.

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

Building Activity

Provided below are the building permits and valuations for the County and City from 2009 to 2013.

BUILDING PERMIT VALUATIONS
County of Riverside
2009-2013
(Dollars in Thousands)

<u>Valuation (\$000):</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Residential	\$1,053,694	\$1,079,637	\$873,411	\$885,473	\$1,375,593
Non-residential	<u>376,819</u>	<u>539,379</u>	<u>559,398</u>	<u>526,369</u>	<u>873,977</u>
Total*	\$1,430,512	\$1,619,016	\$1,432,809	\$1,411,842	\$2,251,583
Residential Units:					
Single family	3,431	91	2,659	2,981	4,716
Multiple family	<u>759</u>	<u>70</u>	<u>1,061</u>	<u>560</u>	<u>1,427</u>
Total	4,190	161	3,720	3,541	6,143

* Totals may not add to sums because of rounding.

Source: Construction Industry Research Board.

BUILDING PERMIT VALUATIONS
City of Moreno Valley
2009-2013
(Dollars in Thousands)

Valuation (\$000):	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Residential	\$31,632	\$36,189	\$8,224	\$17,454	\$49,679
Non-residential	<u>13,422</u>	<u>73,901</u>	<u>77,047</u>	<u>7,809</u>	<u>109,568</u>
Total*	\$45,053	\$110,089	\$87,282	25,453	\$161,260
Residential Units:					
Single family	114	91	23	1	133
Multiple family	<u>0</u>	<u>70</u>	<u>0</u>	<u>82</u>	<u>60</u>
Total	114	161	23	83	193

* Totals may not add to sums because of rounding.
Source: Construction Industry Research Board.

APPENDIX E

RIVERSIDE COUNTY INVESTMENT POOL

The following information concerning the Riverside County Investment Pool (the "Investment Pool") has been provided by the Treasurer, and has not been confirmed or verified by the District or the Underwriter. The District and the Underwriter have not made an independent investigation of the investments in the Investment Pool and have made no assessment of the current County investment policy. The value of the various investments in the Investment Pool will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, with the consent of the County Board of Supervisors, may change the County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the Investment Pool will not vary significantly from the values described herein. Finally, neither the District nor the Underwriter make any representation as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date. Additional information regarding the Investment Pool may be obtained from the Treasurer at <https://www.countytreasurer.org/>; however, the information presented on such website is not incorporated herein by any reference.

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