

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST \_\_, 2015

**NEW ISSUE – FULL BOOK-ENTRY**

**Insured Rating: Moody's: \_\_**  
**Underlying Rating: Moody's: \_\_**  
**(See "RATINGS" herein.)**

In the opinion of Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel, subject, however, to certain qualifications described herein, under existing laws, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Tax-Exempt Series B Bonds and the Refunding Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended ("Code"). In the further opinion of Bond Counsel, interest on the Tax-Exempt Series B Bonds and the Refunding Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, Bond Counsel observes that interest is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liabilities. In the further opinion of Bond Counsel, interest on the Tax-Exempt Series B Bonds, the Taxable Series B Bonds and the Refunding Bonds is exempt from State of California personal income taxation. Bond Counsel expresses no opinion regarding or concerning any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

**[\$[PRINCIPAL AMOUNT B]\***  
**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**  
**GENERAL OBLIGATION BONDS,**  
**2012 ELECTION, SERIES B (TAX-EXEMPT)**  
**(Riverside and Imperial Counties, California)**

**[\$[PRINCIPAL AMOUNT B TAXABLE]\***  
**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**  
**GENERAL OBLIGATION BONDS,**  
**2012 ELECTION, SERIES B (TAXABLE)**  
**(Riverside and Imperial Counties, California)**

**[\$[PRINCIPAL AMOUNT REF]\***  
**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**  
**2015 GENERAL OBLIGATION REFUNDING BONDS**  
**(Riverside and Imperial Counties, California)**

**Dated: Date of Delivery**

**Due: August 1, as shown below**

The Coachella Valley Unified School District General Obligation Bonds, 2012 Election, Series B (Tax-Exempt) (the "Tax-Exempt Series B Bonds") in the aggregate principal amount of \$[Principal Amount B]\* and the Coachella Valley Unified School District General Obligation Bonds, 2012 Election, Series B (Taxable) (the "Taxable Series B Bonds" and, together with the Tax-Exempt Series B Bonds, the "Series B Bonds") in the aggregate principal amount of \$[Principal Amount B Taxable]\* are being issued by the County of Riverside (the "County"), on behalf of Coachella Valley Unified School District (the "District"), (i) to finance the construction of new facilities and renovation and improvement at existing schools (including the purchase of portable learning technology devices), (ii) fund a debt service fund to pay interest partially through February 1, 2016,\* and (iii) to pay certain costs of issuing the Bonds. On November 6, 2012, the District voted to approve Measure X to authorize up to \$41,000,000. On May 9, 2013, the District issued \$20,225,000 of Coachella Valley Unified School District General Obligation Bonds, 2012 Election, Series A (the "Series A Bonds") in the initial par amount of \$20,225,000, leaving \$20,775,000 of the 2012 Authorization. After the Series B Bonds are issued, \$\_\_\_\_\_ of the 2012 Authorization will remain authorized but unissued.

The Coachella Valley Unified School District 2015 General Obligation Refunding Bonds (the "Refunding Bonds" and together with the Series B Bonds, the "Bonds" or "Series of the Bonds") in the aggregate principal amount of \$[Principal Amount Ref]\* are being issued by the District, (i) to advance refund a portion of the District's outstanding General Obligation Bonds, 2005 Election, Series B, and (ii) to pay certain costs of issuing the Bonds.

The Bonds are general obligation bonds of the District, payable solely from *ad valorem* property taxes. The Boards of Supervisors of County and Imperial County (together with the County, the "Counties") have the power and are obligated to annually levy *ad valorem* taxes upon taxable property subject to taxation, without limitation of rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds.

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 (collectively referred to herein as "DTC"). Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds. Interest accrues from their date of issuance and is payable semiannually by check mailed on February 1 and August 1 of each year, commencing February 1, 2016. The Bonds are issuable as fully-registered bonds in denominations of \$5,000 or any integral multiple thereof. Payment to registered owners of \$1,000,000 or more in principal amount of the Bonds, at the registered owner's written request, will be by wire transfer to an account in the United States of America.

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, authenticating agent 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.")

**The Bonds are subject to optional redemption and the [Tax-Exempt Series B Bonds] are subject to mandatory redemption prior to maturity as described herein. See "THE BONDS – Redemption" herein.**

The District has applied for municipal bond insurance for the scheduled payment of principal and interest on the Bonds when due which, if purchased, would be issued concurrently with the delivery of the Bonds.

This cover page contains information for general reference only. It is not a summary of all the provisions of the Bonds. Potential investors must read the entire official statement to obtain information essential in making an informed investment decision.

\*Preliminary, subject to change.

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.

*The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to the approval as to their legality by Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel to the District and subject to certain other conditions. McFarlin & Anderson LLP, Laguna Hills, California, is acting as Disclosure Counsel. Certain legal matters will be passed on for the District by Bowie, Arneson, Wiles & Giannone, Newport Beach, California and for the Underwriter by Norton Rose Fulbright US LLP, Los Angeles, California. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC on or about [Closing Date], 2015.*

## **RBC Capital Markets**

The date of this Official Statement is [Pricing Date], 2015.

**\$(PRINCIPAL AMOUNT B) \***  
**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**  
**GENERAL OBLIGATION BONDS,**  
**2012 ELECTION, SERIES B**  
**(TAX-EXEMPT)**  
**(Riverside and Imperial Counties, California)**

**MATURITY SCHEDULE**  
**Base CUSIP® No. 189849†**

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP® No.†
2016	\$	%	%	
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2027				
2028				
2029				
2029				
20__				

\$ \_\_\_\_\_ % Term Bonds due August 1, 20\_\_ – Yield \_\_\_\_\_ % CUSIP† No. \_\_\_\_\_

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services (CGS) which is managed on behalf of the American Bankers Association by S&P Capital IQ. CUSIP® data is not intended to create a database and does not serve in any way as a substitute for the CUSIP® Service Bureau. CUSIP® numbers are provided for convenience of reference only. Neither the District nor the Underwriter take any responsibility for the accuracy of such numbers.

\*Preliminary, subject to change.

**[\$[PRINCIPAL AMOUNT B TAXABLE] \*  
 COACHELLA VALLEY UNIFIED SCHOOL DISTRICT  
 GENERAL OBLIGATION BONDS,  
 2012 ELECTION, SERIES B  
 (TAXABLE)  
 (Riverside and Imperial Counties, California)**

**MATURITY SCHEDULE  
 Base CUSIP® No. 189849†**

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP® No.†
2016	\$	%	%	
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2027				
2028				
2029				
2029				
20__				

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services (CGS) which is managed on behalf of the American Bankers Association by S&P Capital IQ. CUSIP® data is not intended to create a database and does not serve in any way as a substitute for the CUSIP® Service Bureau. CUSIP® numbers are provided for convenience of reference only. Neither the District nor the Underwriter take any responsibility for the accuracy of such numbers.

\*Preliminary, subject to change.

**[\$[PRINCIPAL AMOUNT REF] \*  
 COACHELLA VALLEY UNIFIED SCHOOL DISTRICT  
 2015 GENERAL OBLIGATION REFUNDING BONDS  
 (Riverside and Imperial Counties, California)**

**MATURITY SCHEDULE  
 Base CUSIP® No. 189849†**

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP® No.†
2016	\$	%	%	
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2027				
2028				
2029				
2030				
2031				

---

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services (CGS) which is managed on behalf of the American Bankers Association by S&P Capital IQ. CUSIP® data is not intended to create a database and does not serve in any way as a substitute for the CUSIP® Service Bureau. CUSIP® numbers are provided for convenience of reference only. Neither the District nor the Underwriter take any responsibility for the accuracy of such numbers.

---

\*Preliminary, subject to change.

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

**BOARD OF TRUSTEES**

Maria G. Machuca, *President*  
Lowell Kamper, *Vice President*  
Meagan Caress, *Clerk*  
Blana Hall, *Member*  
Manuel Jarvis-Martinez, *Member*  
Joe Murillo, *Member*  
Joey Acuna, Jr., *Member*

**DISTRICT ADMINISTRATION**

Dr. Darryl S. Adams, *Superintendent*  
Gregory J. Fromm, *Assistant Superintendent, Business and Finance*

---

**PROFESSIONAL SERVICES**

**BOND COUNSEL**

Bowie, Arneson, Wiles & Giannone  
*Newport Beach, California*

**DISCLOSURE COUNSEL**

McFarlin & Anderson LLP  
*Laguna Hills, California*

**FINANCIAL ADVISER**

Fieldman Rolapp & Associates  
*Irvine, California*

**PAYING AGENT AND ESCROW AGENT**

U.S. Bank National Association  
*Los Angeles, California*

**VERIFICATION AGENT**

Causey Demgen & Moore P.C.  
*Denver, Colorado*

NO DEALER, BROKER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED BY THE DISTRICT TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION WITH RESPECT TO THE BONDS, OTHER THAN AS CONTAINED IN THIS OFFICIAL STATEMENT, AND IF GIVEN OR MADE, ANY SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE DISTRICT OR THE UNDERWRITER. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER OF ANY SECURITIES OTHER THAN THOSE DESCRIBED ON THE COVER PAGE AND INSIDE COVER OR AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL TO MAKE SUCH 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 time 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 information set forth herein has been furnished by the District, or other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness. The Underwriter has provided the following sentence for inclusion in this Official Statement. "The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information." The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof.

This Official Statement is submitted in connection with the sale of securities referred to herein and may not be reproduced or used, as a whole or in part, for any other purpose. All information for investors regarding the District and the Bonds is contained in this Official Statement. While the District maintains an internet website for various purposes, none of the information on such website is intended to assist investors in making any investment decision or to provide any continuing information with respect to the Bonds or any other bonds or obligations of the District.

**IN CONNECTION WITH OFFERING THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES 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 SECURITIES DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.**

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

The District maintains a website. However, the information presented on that website is not part of this Official Statement and should not be relied upon to make investment decisions with respect to the Bonds.

## TABLE OF CONTENTS

<p>INTRODUCTION ..... 1</p> <p style="padding-left: 20px;">The District ..... 1</p> <p style="padding-left: 20px;">Authority for Issuance.....2</p> <p style="padding-left: 20px;">Sources of Payment for the Bonds.....2</p> <p style="padding-left: 20px;">Purpose of Issue .....3</p> <p style="padding-left: 20px;">Description of the Bonds.....3</p> <p style="padding-left: 20px;">Municipal Bond Insurance .....3</p> <p style="padding-left: 20px;">Potential Bond Insurer.....3</p> <p style="padding-left: 20px;">Tax Matters .....4</p> <p style="padding-left: 20px;">Offering and Delivery of the Bonds.....4</p> <p style="padding-left: 20px;">Continuing Disclosure.....4</p> <p style="padding-left: 20px;">Professionals Involved in the Bond Offering.....4</p> <p style="padding-left: 20px;">Other Information .....5</p> <p>THE BONDS .....6</p> <p style="padding-left: 20px;">Authority for Issuance.....6</p> <p style="padding-left: 20px;">Security .....6</p> <p style="padding-left: 20px;">Description of the Bonds; Payment.....7</p> <p style="padding-left: 20px;">Book-Entry-Only System.....8</p> <p style="padding-left: 20px;">Paying Agent.....8</p> <p style="padding-left: 20px;">Redemption .....8</p> <p style="padding-left: 20px;">Selection of Bonds for Redemption .....10</p> <p style="padding-left: 20px;">Notice of Redemption .....10</p> <p style="padding-left: 20px;">Contingent Redemption; Rescission of Redemption.....10</p> <p style="padding-left: 20px;">Partial Redemption of Bonds .....11</p> <p style="padding-left: 20px;">Effect of Notice of Redemption .....11</p> <p style="padding-left: 20px;">Defeasance .....11</p> <p style="padding-left: 20px;">Registration, Transfer and Exchange of Bonds .....12</p> <p>ESTIMATED SOURCES AND USES OF FUNDS .....14</p> <p>DEBT SERVICE SCHEDULE.....15</p> <p>APPLICATION OF PROCEEDS OF BONDS .....17</p> <p style="padding-left: 20px;">Series B Bonds Building Fund.....17</p> <p style="padding-left: 20px;">Debt Service Funds .....17</p> <p style="padding-left: 20px;">Refunding Plan.....17</p> <p>APPENDIX A – INFORMATION RELATING TO THE COACHELLA VALLEY UNIFIED SCHOOL DISTRICT’S OPERATIONS AND BUDGET .....A-1</p> <p>APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT .....B-1</p> <p>APPENDIX C – ECONOMIC AND DEMOGRAPHIC INFORMATION .....C-1</p> <p>APPENDIX D – PROPOSED FORMS OF OPINIONS OF BOND COUNSEL.....D-1</p> <p>APPENDIX E – FORMS OF CONTINUING DISCLOSURE CERTIFICATES .....E-1</p> <p>APPENDIX F – COUNTY OF RIVERSIDE TREASURER’S POOLED INVESTMENT FUND.....F-1</p> <p>APPENDIX G – BOOK-ENTRY SYSTEM.....G-1</p> <p>APPENDIX H – SPECIMEN MUNICIPAL BOND INSURANCE POLICY .....H-1</p>	<p style="padding-left: 20px;">Permitted Investments ..... 18</p> <p>TAX BASE FOR REPAYMENT OF BONDS ..... 18</p> <p style="padding-left: 20px;"><i>Ad Valorem</i> Property Taxation ..... 18</p> <p style="padding-left: 20px;">Assessed Valuations ..... 20</p> <p style="padding-left: 20px;">Assessed Valuations and Parcels by Land Use..... 22</p> <p style="padding-left: 20px;">Assessed Valuation of Single Family Homes..... 23</p> <p style="padding-left: 20px;">Largest Property Owners..... 25</p> <p style="padding-left: 20px;">Appeals and Adjustments of Assessed Valuations ..... 25</p> <p style="padding-left: 20px;">Alternative Method of Tax Distribution – Teeter Plan ..... 26</p> <p style="padding-left: 20px;">Tax Levies, Collections and Delinquencies ..... 27</p> <p style="padding-left: 20px;">Tax Rates..... 28</p> <p style="padding-left: 20px;">Direct and Overlapping Bonded Debt ..... 29</p> <p>TAX MATTERS ..... 31</p> <p style="padding-left: 20px;">Opinion of Bond Counsel..... 31</p> <p style="padding-left: 20px;">Original Issue Discount; Premium Bonds..... 32</p> <p style="padding-left: 20px;">Impact of Legislative Proposals, Clarifications of the Code and Court Decisions on Tax Exemption..... 32</p> <p style="padding-left: 20px;">Internal Revenue Service Audits of Tax-Exempt Securities Issues..... 33</p> <p style="padding-left: 20px;">Information Reporting and Backup Withholding..... 33</p> <p>OTHER LEGAL MATTERS ..... 33</p> <p style="padding-left: 20px;">Continuing Disclosure ..... 33</p> <p style="padding-left: 20px;">Legality for Investment in California ..... 34</p> <p style="padding-left: 20px;">Absence of Material Litigation..... 34</p> <p>RATINGS..... 34</p> <p>UNDERWRITING ..... 35</p> <p>VERIFICATION OF MATHEMATICAL ACCURACY ..... 35</p> <p>ADDITIONAL INFORMATION ..... 36</p>
--	---



[INSERT SCHOOL DISTRICT REGIONAL AND SCHOOL LOCATION MAP]

**§[PRINCIPAL AMOUNT B]\*  
COACHELLA VALLEY UNIFIED SCHOOL  
DISTRICT  
GENERAL OBLIGATION BONDS,  
2012 ELECTION, SERIES B (TAX-EXEMPT)  
(Riverside and Imperial Counties, California)**

**§[PRINCIPAL AMOUNT B TAXABLE]\*  
COACHELLA VALLEY UNIFIED SCHOOL  
DISTRICT  
GENERAL OBLIGATION BONDS,  
2012 ELECTION, SERIES B (TAXABLE)  
(Riverside and Imperial Counties, California)**

**§[PRINCIPAL AMOUNT REF]\*  
COACHELLA VALLEY UNIFIED SCHOOL DISTRICT  
2015 GENERAL OBLIGATION REFUNDING BONDS  
(Riverside and Imperial Counties, California)**

## **INTRODUCTION**

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

This Official Statement, which includes the cover page, inside cover page and appendices hereto, provides information in connection with the sale of the Coachella Valley Unified School District General Obligation Bonds, 2012 Election, Series B (Tax-Exempt) (the “Tax-Exempt Series B Bonds”), in the principal amount of §[Principal Amount B],\* the Coachella Valley Unified School District General Obligation Bonds, 2012 Election, Series B (Taxable) (the “Taxable Series B Bonds” and together with the Tax-Exempt Series B Bonds, the “Series B Bonds”) in the principal amount of §[Principal Amount B Taxable]\* and the Coachella Valley Unified School District 2015 General Obligation Refunding Bonds in the principal amount of §[Principal Amount Ref]\* (the “Refunding Bonds” and together with the Series B Bonds, the “Bonds” or “Series”).

### **The District**

The Coachella Valley Unified School District (the “District”) is a unified school district providing elementary and secondary levels of education. Established in 1973, the District currently operates fourteen K-6 schools, three 7-8 schools, one 7-12 high school, two 9-12 high schools, one continuation high school, one adult education extension program, one Early Head Start program, nine Head Start programs, three part-day State Preschools and ten full-day State Preschools. The District encompasses approximately 1,220 square miles, with most of its territory within Riverside County (the “County”) and a small portion within Imperial County (together with the County, the “Counties”). The District serves the cities of Coachella, La Quinta, Thermal, Mecca, Oasis, North Shores, Indio and Salton City. For Fiscal Year 2014-15, the District’s average daily attendance (“ADA”) was 17,906 students and for Fiscal Year 2015-16, the District’s ADA is projected to be 18,005 students, and taxable property within the District has a Fiscal Year 2014-15 assessed valuation of \$8,293,467,798.<sup>1</sup>

The District is governed by a seven-member Board of Trustees of the District (the “District Board”), each member of which is elected to a four-year term. Elections for positions to the District Board are held every two years, alternating between four and three available positions. The management and policies of the District are administered by a Superintendent appointed by the District Board who is

---

\*Preliminary, subject to change.

<sup>1</sup> Source: Riverside and Imperial Counties.

responsible for day-to-day District operations, as well as the supervision of the District's other key personnel. Dr. Darryl S. Adams is the current District Superintendent.

See "TAX BASE FOR REPAYMENT OF BONDS" herein for more information regarding the District's assessed valuation, and APPENDIX A – "INFORMATION RELATING TO THE COACHELLA VALLEY UNIFIED SCHOOL DISTRICT'S OPERATIONS AND BUDGET" and APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT" herein for more general information regarding the District and its finances.

### **Authority for Issuance**

The Series B Bonds are authorized to be issued by the District pursuant to provisions of the California Government Code Sections 53506 *et seq.* and, to the extent applicable, Education Code Sections 15100 *et seq.* pursuant to Resolution No. 2016-02, adopted by the District Board on July 14, 2015 (the "Series B Resolution"), pursuant to provisions of the California Constitution, the 2012 Authorization (as herein defined), the provisions of the Government Code issued in accordance with the statutory authority set forth specifically Government Code Sections 53506 *et seq.*, and as applicable, the provisions of the Education Code, specially Education Code Sections 15266, 15100 *et seq.* and 15140 *et seq.* pursuant to Resolution No. 2015-163, adopted by the Board of Supervisors of Riverside County (the "County Board") on August 18, 2015 (the "County Resolution"). The District received authorization at an election held on November 6, 2012, by at least two-thirds of the votes cast by eligible voters in the District, to authorize the issuance of \$41,000,000 maximum principal amount of general obligation bonds of the District (the "2012 Authorization"). See "THE BONDS – Authority for Issuance" herein.

The Refunding Bonds are issued in accordance with the statutory authority set forth in Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code and other applicable law and pursuant to the resolution (Resolution No. 2016-03), adopted by the District Board on July 14, 2015 (the "Refunding Resolution" and together with the Series B Resolution and the County Resolution, the "Resolution" or "Resolutions"). The District received authorization at an election held on June 7, 2005, by at least two-thirds of the votes cast by eligible voters in the District, to authorize the issuance of \$250,000,000 maximum principal amount of general obligation bonds of the District (the "2005 Authorization"). The Refunding Bonds are being issued to advance refund a portion of the District's outstanding General Obligation Bonds, 2005 Election, Series B (the "2005 Bonds") which were issued pursuant to State law and the 2005 Authorization. See "THE BONDS – Authority for Issuance" herein.

### **Sources of Payment for the Bonds**

The Bonds are general obligation bonds of the District, payable solely from *ad valorem* property taxes levied and collected by the Counties pursuant to law. The Boards of Supervisors of the Counties are obligated to annually levy *ad valorem* taxes for the payment of the principal of and interest on the Bonds upon all taxable property within the District subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates). ). Although the Counties are obligated to levy an *ad valorem* tax for the payment of the Bonds of each Series and the Series B Bonds are issued by the County of Riverside on behalf of the District, the Bonds of each Series are not a debt of the Counties. See "THE BONDS – Security" herein.

Of the aggregate assessed value of property in the District, approximately 97% of such assessed valuation relates to property located within the County and approximately 3% of such assessed valuation relates to property located within Imperial County.

## **Purpose of Issue**

The Series B Bonds are being issued to (i) [confirm: finance short-term technology improvements] of the District, (ii) fund a debt service fund to pay interest partially through February 1, 2016,\* and pay certain costs of issuance the Series B Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” and “APPLICATION OF PROCEEDS OF BONDS” herein.

The Refunding Bonds are being issued to (i) advance refund a portion of the 2005 Bonds maturing [August 1, 20\_\_, and August 1, 2031] (the “Refunded Bonds”), and (ii) pay certain costs of issuing the Refunding Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” and “APPLICATION OF PROCEEDS OF BONDS” herein.

## **Description of the Bonds**

The Bonds of each Series mature on August 1 in the years indicated on the inside cover page hereof. Interest on the Bonds of each Series is payable semiannually on February 1 and August 1 of each year, commencing on February 1, 2016.

Registration. The Bonds will be issued in fully-registered form only, registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), and will be available to actual purchasers of the Bonds (the “Beneficial Owners”) in the denominations set forth on the cover page hereof, under the book-entry-only system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See THE BONDS – Book-Entry-Only System” and APPENDIX G – “BOOK-ENTRY SYSTEM.” 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 applicable Resolution. See “THE BONDS – Registration, Transfer and Exchange of Bonds.”

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

Redemption. The Bonds are subject to optional redemption and the [Tax-Exempt Series B Bonds] are subject to mandatory sinking fund redemption. See “THE BONDS – Redemption.”

## **Municipal Bond Insurance**

The District has applied for municipal bond insurance for the scheduled payment of principal and interest on each Series of the Bonds when due which, if purchased, would be issued concurrently with the delivery of the Bonds.

## **Potential Bond Insurer**

If municipal bond insurance for all or a portion of the Bonds is obtained, in the event of a default in the payment of principal or interest on the insured portion of a Series of the Bonds, when all or some becomes due, any Owner of a Bond may have a claim under the applicable insurance policy (the “Insurance Policy”) provided by a bond insurer (the “Bond Insurer”) secured in connection with the Bonds. Any such Insurance Policy will not insure against redemption premium, if any, with respect to the corresponding Series of the Bonds. In the event that the Bond Insurer is unable to make payment of principal or interest on the corresponding Series of the Bonds as such payments become due under such a Insurance Policy, such Series of the Bonds will be payable solely as otherwise described herein. In the

---

\*Preliminary, subject to change.

event that any such Bond Insurer becomes obligated to make payments on the Bonds, no assurance can be given that such event would not adversely affect the market price of the applicable Series of the Bonds or the marketability (liquidity) of such Series of the Bonds.

### **Tax Matters**

In the opinion of Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel (“Bond Counsel”), subject, however to certain qualifications described herein, under existing laws, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Tax-Exempt Series B Bonds and the Refunding Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (“Code”). In the further opinion of Bond Counsel, interest on the Tax-Exempt Series B Bonds and the Refunding Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, Bond Counsel observes that such interest is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation’s alternative minimum tax liabilities. In the further opinion of Bond Counsel, interest on the Tax-Exempt Series B Bonds, the Taxable Series B Bonds and the Refunding Bonds is exempt from State of California personal income taxation. Bond Counsel expresses no opinion regarding or concerning any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. For additional detail, please see “TAX MATTERS” herein.

### **Offering and Delivery of the Bonds**

The Bonds are offered when, as and if issued, subject to the approval as to their legality by Bowie, Arneson, Wiles & Giannone, Bond Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about September \_\_, 2015.

### **Continuing Disclosure**

The District will covenant for the benefit of bondowners 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 compliance with S.E.C. Rule 15c2-12(b)(5). The specific nature of the information to be made available and of the notices of listed events is summarized under “OTHER LEGAL MATTERS – Continuing Disclosure” and as set forth in APPENDIX E – “FORMS OF CONTINUING DISCLOSURE CERTIFICATES.”

### **Professionals Involved in the Bond Offering**

Several professional firms have provided services to the District with respect to the sale and delivery of the Bonds. Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel, will deliver its legal opinions in substantially the forms set forth in Appendix D. McFarlin & Anderson LLP, Laguna Hills, California, has served as disclosure counsel to the District with respect to the Bonds. Bowie, Arneson, Wiles & Giannone, Newport Beach, California, is acting as counsel to the District on matters related to the Bonds. Fieldman Rolapp & Associates is acting as Financial Adviser. Norton Rose Fulbright US LLP, Los Angeles, California, is acting as counsel to the Underwriter. U.S. Bank National Association will act as Paying Agent and Escrow Agent for the Bonds. Causey Demgen & Moore P.C., Denver, Colorado, is acting as Verification Agent (defined herein) for the Refunded Bonds. The payment of fees and expenses of such firms with respect to the Bonds is contingent on the sale and delivery of the Bonds. The District’s financial statements for the Fiscal Year ending June 30, 2014, which are included as Appendix B, have been audited by Vavrinek, Trine, Day & Co., LLP, Certified Public Accountants, Rancho Cucamonga, 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 Superintendent of the Coachella Valley Unified School District, 87225 Church Street, Thermal, California 92274, telephone number (760) 848-1162. There may be a charge for copying, mailing and handling.

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 of such documents, statutes and constitutional provisions.

The information from sources other than the District set forth herein has been obtained from 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.

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 Exchange Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. 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 BONDS

### Authority for Issuance

The Series B Bonds are authorized to be issued by the County, on behalf of the District, pursuant to provisions of the California Government Code Sections 53506 *et seq.* and, to the extent applicable, Education Code Sections 15100 *et seq.* and other applicable law and pursuant to the applicable Resolution. At an election held on November 6, 2012, the District received the 2012 Authorization. On May 9, 2013, the District issued its Series A Bonds in the aggregate principal amount of \$20,225,000. \$20,775,000 of the 2012 Authorization currently remains unissued. After the Series B Bonds are issued, \$ \_\_\_\_\_\* of the 2012 Authorization will remain authorized but unissued.

The Refunding Bonds are issued in accordance with the statutory authority set forth in Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code and other applicable law and pursuant to the Refunding Resolution. At an election held on June 7, 2005, the District received the 2005 Authorization. On September 7, 2005, the District issued its 2005 Series A Bonds in the aggregate principal amount of \$49,998,180 (the "2005 Series A Bonds"). On February 22, 2007, the District issued its 2005 Series B Bonds in the aggregate principal amount of \$30,000,000 (the "2005 Series B Bonds"). On May 26, 2010, the District issued its General Obligation Bonds, 2005 Election, Series C in the aggregate principal amount of \$24,990,463 (the "2005 Series C Bonds"). On July 12, 2012, the District issued its General Obligation Bonds, 2005 Election, Series D in the aggregate principal amount of \$54,999,882 (the "2005 Series D Bonds"). \$90,011,475 of the 2005 Authorization currently remains unissued. On February 13, 2014, the District issued its 2014 General Obligation Refunding Bonds, in the aggregate principal amount of \$38,145,000 (the "2014 Refunding Bonds"), to redeem most of the then-outstanding 2005 Series A Bonds. On August 7, 2014, the District issued its General Obligation Refunding Bonds, Series B in the aggregate principal amount of \$17,455,000 to advance refund a portion of the District's outstanding 2005 Series A Bonds and a portion of the District's outstanding 2005 Series B Bonds. The Refunding Bonds are being issued to refund a portion of the ourstanding 2005 Series B Bonds.

### Security

The Bonds of each Series are general obligations of the District, payable solely from the proceeds of *ad valorem* property taxes. The Boards of Supervisors of the Counties are empowered and are obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount, for the payment of the principal of and interest on each Series of the Bonds, upon all property subject to taxation by the District (except certain personal property which is taxable at limited rates). Such taxes, when collected, shall be deposited and kept separate and apart in the funds established and held by the Treasurer and designated as the "Coachella Valley Unified School District General Obligation Bonds, 2012 Election, Series B Bonds Debt Service Fund" and as the "Coachella Valley Unified School District 2015 General Obligation Refunding Bonds Debt Service Fund" (each a "Debt Service Fund" and together the "Debt Service Funds"). Each Debt Service Funds shall be used by the County for the payment of the principal of and interest on the corresponding Series of the Bonds when due, and for no other purpose. Although the Counties are obligated to levy an *ad valorem* tax for the payment of the Bonds, and the County will hold the Debt Service Fund, the Bonds are not a debt of the Counties. See "TAX BASE FOR REPAYMENT OF BONDS" herein.

The moneys in the Debt Service Fund, to the extent necessary to pay the principal of, interest on and redemption premium, if any, on the Bonds as the same become due and payable, shall be transferred by the County to the Paying Agent. The Paying Agent will in turn remit the funds to DTC for remittance

\*Preliminary, subject to change.

of such principal of, interest on, and redemption premium, if any on the Bonds, as applicable, to its Participants (as defined herein) for subsequent disbursement to the Beneficial Owners of the Bonds. Interest earnings on the investment of moneys held in each Debt Service Fund shall be retained in the corresponding Debt Service Fund and used by the District to pay principal of and interest on the corresponding Series of the Bonds when due (subject to compliance with applicable federal tax code requirements).

The rate of the annual *ad valorem* taxes levied by the Counties 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 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, disruption in financial markets that may reduce the availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified educational, 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, wildfire, flood, drought or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the respective annual tax rates. For further information regarding the District's assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see APPENDIX A – "INFORMATION RELATING TO THE COACHELLA VALLEY UNIFIED SCHOOL DISTRICT'S OPERATIONS AND BUDGET – CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution" and "TAX BASE FOR REPAYMENT OF BONDS" herein.

### **Description of the Bonds; Payment**

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 DTC. Beneficial Owners will not receive physical certificates representing their interests in the Bonds.

Payment of principal of and interest on any Bonds, shall be payable at maturity upon surrender at the office of the Paying Agent as designated by the Paying Agent to the District in writing. The principal of and interest on the Bonds shall be payable in lawful money of the United States of America.

Interest on the Bonds accrues from their date of issuance and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2016 (each an "Interest Payment Date"). Interest on the Bonds shall be computed on the basis of a 360-day year of twelve 30-day months. Each Bond shall be issued in denominations of \$5,000 or integral multiples thereof and bear interest from the Interest Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16<sup>th</sup> day of the month next preceding any Interest Payment Date to the Interest Payment Date, inclusive, in which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on or before January 15, 2015, in which event it shall bear interest from their date of issuance; provide, however, that if at the time of authentication of any Bond, interest is then in default on outstanding Bonds, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Interest payments on any Bond shall be paid on each Interest Payment Date by check mailed by first class mail to the person on whose name the Bond is registered, and to that person's address appearing on the Bond Register as of the close of business on the 15<sup>th</sup> day of the month immediately preceding such Interest Payment Date whether or not such day is a business day (each a "Record Date") immediately preceding such payment date. An owner of an aggregate principal amount of Bonds of \$1,000,000 or



more may request, in writing, prior to the close of business on the Record Date preceding each Interest Payment Date, to the Paying Agent that such owner be paid interest by wire transfer to the bank within the United States of America and account number on file with the Paying Agent as of the Record Date. Payments of principal and redemption premiums, if any, with respect to the Bonds shall be payable at maturity or redemption upon surrender at the office of the Paying Agent as designated by the Paying Agent to the District in writing. The principal of and interest on the Bonds shall be payable in lawful money of the United States of America.

See the maturity schedule on the inside cover page hereof and "DEBT SERVICE SCHEDULE."

### **Book-Entry-Only System**

The Depository Trust Company (defined above as "DTC"), 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 through the facilities of DTC. Principal of, premium, if any, on the Bonds of each Series and payment of interest on the Bonds of each Series is payable by the Paying Agent to DTC. DTC is responsible for disbursing such payments to the Beneficial Owners in accordance with the DTC book-entry-only system. See APPENDIX G – "BOOK-ENTRY SYSTEM."

### **Paying Agent**

Pursuant to the Resolutions, the District has appointed U.S. Bank National Association as the initial authenticating agent, bond registrar, transfer agent and paying agent (collectively, the "Paying Agent") for the Bonds. As long as DTC is the registered owner of the Bonds and DTC's book-entry method is used for the Bonds, the Paying Agent will send any notice of redemption or other notices to Owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the redemption of any Bonds called for redemption or of any other action covered by such notice.

The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof. The Bonds are obligations of the District. No part of any fund of the Counties is pledged or obligated to the payment of the Bonds.

The Paying Agent, the District, the Counties and the Underwriter of the Bonds shall have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records related to beneficial ownership, of interests in the Bonds.

### **Redemption\***

#### ***Optional Redemption***

The Tax-Exempt Series B Bonds maturing on or before August 1, 20\_\_ are not subject to optional redemption prior to maturity. The Tax-Exempt Series B Bonds maturing on or after August 1, 20\_\_, or any date thereafter, are subject to redemption prior to their respective stated maturity dates at the option of

---

\* Preliminary, subject to change.

the District, in whole or in part among maturities on such basis as shall be designated by the District and by lot within a maturity on any date, on or after August 1, 20\_\_, and may be redeemed prior to the maturity thereof by payment of a redemption price equal to the principal amount of the Tax-Exempt Series B Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

The Taxable Series B Bonds maturing on or before August 1, 20\_\_ are not subject to optional redemption prior to maturity. The Taxable Bonds maturing on or after August 1, 20\_\_, or any date thereafter, are subject to redemption prior to their respective stated maturity dates at the option of the District, in whole or in part among maturities on such basis as shall be designated by the District and by lot within a maturity on any date, on or after August 1, 20\_\_, and may be redeemed prior to the maturity thereof by payment of a redemption price equal to the principal amount of the Taxable Series B Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

The Refunding Bonds maturing on or before August 1, 20\_\_, are not subject to optional redemption prior to their fixed maturity dates. The Refunding Bonds maturing on or after August 1, 20\_\_, or any date thereafter, are subject to redemption prior to their respective stated maturity dates at the option of the District, in whole or in part among maturities on such basis as shall be designated by the District and by lot within a maturity on any date, on or after August 1, 20\_\_, and may be redeemed prior to the maturity thereof by payment of a redemption price equal to the principal amount of the Refunding Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium.

***Mandatory Sinking Fund Redemption***

The [Tax-Exempt] Series B Bonds maturing on August 1, 20\_\_, shall be subject to mandatory sinking fund redemption, in part, on August 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium.

Mandatory Redemption Dates	Principal Amount
August 1, 20__	\$
August 1, 20__	
August 1, 20__	
August 1, 20__ (maturity)	

***Purchase In Lieu of Redemption***

In lieu of, or partially in lieu of, any mandatory sinking fund redemption of [Tax-Exempt] Series B Bonds, moneys in the corresponding Debt Service Fund may be used to purchase the Outstanding [Tax-Exempt] Series B Bonds that were to be redeemed with such funds in the manner provided in the applicable Resolution. Purchases of Outstanding [Tax-Exempt] Series B Bonds may be made by the District or the Treasurer through the Paying Agent prior to the selection of [Tax-Exempt] Series B Bonds for redemption at public or private sale as and when and at such prices as the District may in its discretion determine but only at prices (including brokerage or other expenses) not more than par plus accrued interest. Any accrued interest payable upon the purchase of [Tax-Exempt] Series B Bonds may be paid from the corresponding Debt Service Fund for payment of interest on the next following Interest Payment Date.

## **Selection of Bonds for Redemption**

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

## **Notice of Redemption**

The Paying Agent shall give notice (a "Redemption Notice") of the redemption of the Bonds of the applicable Series. Such Redemption Notice shall specify: (a) the Bonds of such Series or designated portions thereof (in the case of redemption of the Bonds of a Series in part but not in whole) which are to be redeemed, (b) if less than all of the then outstanding Bonds of a Series are to be called for redemption, the numbers (or state that all Bonds of such Series between two stated numbers both inclusive have been called for redemption) and CUSIP® numbers, if any, of the Bonds of such Series to be redeemed; (c) the date of notice and the date of redemption; (d) the place or places where the redemption will be made; and (e) descriptive information regarding the Bonds of such Series and the specific Bonds of such Series to be redeemed, including the dated date, interest rate and stated maturity date of each. Such notice shall further state that on the specified date there shall become due and payable upon each Bond to be redeemed, the portion of the Principal Amount of such Bonds to be redeemed, together with interest accrued, to the date of redemption, and redemption premium, if any, and that from and after such date interest with respect thereto shall cease to accrue, as applicable.

Notice of redemption of the Bonds of a Series shall be mailed by the Paying Agent first-class, postage prepaid, to the respective Owners of any Bonds of such Series designated for redemption at their address appearing on the Bond Register required to be kept by the Paying Agent, and to a securities depository and to a national information service, in every case at least 20 days, but not more than 45 days prior to the designated redemption date. Any such redemption, or notice of such redemption shall be subject to the provisions regarding "Contingent Redemption; Rescission of Redemption" described below.

Neither failure to receive or failure to send such Redemption Notice nor any defect in any Redemption Notice so given shall affect the sufficiency of the proceedings for the redemption of such Bonds or the cessation of accrual of interest represented thereby from and after the redemption date.

## **Contingent Redemption; Rescission of Redemption**

Any Redemption Notice may specify that redemption of the Bonds of a Series designated for redemption on the specified date will be subject to the receipt by the District of moneys sufficient to cause such redemption (and will specify the proposed source of such moneys), and the District, the Counties and the Paying Agent will not have any liability to the Owners of any Bonds of such Series, or any other party, as a result of the District's failure to redeem the Bonds of such Series designated for redemption as a result of insufficient moneys therefor.

Additionally, the District may rescind any optional redemption of the Bonds of a Series, and notice thereof, for any reason on any date prior to the date fixed for such redemption by causing written notice of the rescission to be given to the Owners of the Bonds of such Series so called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the Owner of any Bond of notice of such rescission shall not be a

condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission. Neither the District, the County nor the Paying Agent will have any liability to the Owners of any Bonds of a Series, or any other party, as a result of the District's decision to rescind a redemption of any Bonds of such Series pursuant to the provisions of the applicable Resolution.

### **Partial Redemption of Bonds**

Upon the surrender of any Bond of a Series redeemed in part only, the Paying Agent shall authenticate and deliver to the registered owner thereof a new Bond or Bonds of such Series of like tenor and maturity and of authorized denominations equal in principal amount to the unredeemed portion of the Bond surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such Owner, and the District shall be released and discharged thereupon from all liability to the extent of such payment.

### **Effect of Notice of Redemption**

Notice having been given pursuant to the applicable Resolution, and the moneys for the redemption (including the interest to the applicable date of redemption) having been set aside in the corresponding Debt Service Fund, the Bonds of such Series to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Bonds of a Series to be redeemed as provided in the applicable Resolution, together with interest to such redemption date, shall be available therefor on such redemption date, and if notice of redemption thereof shall have been given pursuant to the applicable Resolution, then from and after such redemption date, interest with respect to the Bonds of such Series to be redeemed shall cease to accrue and become payable. All money held for the redemption of Bonds of the applicable Series shall be held in trust for the account of the registered Owners of the Bonds of the applicable Series to be redeemed.

All Bonds of a Series paid at maturity or redeemed prior to maturity pursuant to the applicable Resolution shall be cancelled upon surrender thereof and be delivered to or upon the order of the County and the District. All or any portion of a Bond purchased by the District shall be cancelled by the Paying Agent.

### **Defeasance**

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

- a. Cash. By irrevocably depositing with a bank or trust company in escrow an amount of cash which, together with amounts then on deposit in the corresponding Debt Service Fund, is sufficient to pay all Bonds of the applicable Series outstanding and designated for defeasance, including all principal and interest; or
- b. Defeasance Securities. By irrevocably depositing with a bank or trust company in escrow, noncallable Defeasance Securities (as defined below) together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon and moneys then on deposit in the Debt Service Fund for the corresponding Series of the Bonds together with the interest to accrue thereon, be fully sufficient to pay and discharge all Bonds of the applicable Series outstanding and designated

for defeasance (including all principal and interest represented thereby and prepayment premiums, if any), at or before their maturity date;

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

Defeasance Securities shall mean direct and general obligations of the United States of America (including State and Local Government Series), or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including (in the case of direct and general obligations of the United States of America) evidence of direct ownership or proportionate interests in future interest or principal payments of such obligations. In the case of investments in such proportionate interests, such proportionate interests shall be limited to circumstances wherein: (a) a bank or trust company acts as custodian and holds the underlying Defeasance Securities; (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 Defeasance Securities; and (c) the underlying Defeasance Securities 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 the highest then-prevailing United States Treasury securities rate.

### **Registration, Transfer and Exchange of Bonds**

So long as any of the Bonds of a Series remain outstanding, if the book-entry only system is no longer in effect, the District will cause the Paying Agent to maintain and keep at its principal trust office all books and records necessary for the registration, exchange and transfer of certificated the Bonds of the applicable Series as provided in the applicable Resolution (the "Bond Register"). Subject to the provisions of the applicable Resolution, the person in whose name a Bond is registered on the Bond Register shall be regarded as the absolute owner of that Bond for all purposes of the applicable Resolution. Payment of or on account of the principal of and premium, if any, and interest on any Bond shall be made only to or upon the order of that person; neither the District, the County nor the Paying Agent shall be affected by any notice to the contrary, but the registration may be changed as provided in the applicable Resolution. All such payments shall be valid and effectual to satisfy and discharge the District's liability upon the Bonds, including interest, to the extent of the amount or amounts so paid.

*In the event that the book-entry system as described above is no longer used with respect to the Bonds of a Series, the following provisions will govern the transfer and exchange of the Bonds of such Series.*

Any Bond of a Series may be exchanged for Bonds of such Series of like tenor, maturity and principal amount upon presentation and surrender at the principal corporate trust 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. Any Bond may, in accordance with its terms (but only if the District determines no longer to maintain the book-entry-only status of the Bonds of such Series, DTC determines to discontinue providing such services and no successor securities depository is named or DTC requests the District to deliver certificated securities to particular DTC Participants) be transferred, upon the Bond Register by the registered owner, in person or by his or her

duly authorized attorney, upon surrender of such Bond for cancellation at the office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed. Upon exchange or transfer, the Paying Agent shall register, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the registered owner, in the aggregate principal amount of the Bond surrendered and bearing or accruing interest at the same rate and maturing on the same date.

In all cases of exchanged or transferred Bonds of a Series, the District shall sign and the Paying Agent shall authenticate and deliver Bonds of the applicable Series in accordance with the provisions of the applicable Resolution. All fees and costs of transfer shall be paid by the requesting party. Those charges may be required to be paid before the procedure is begun for the exchange or transfer. All Bonds of a Series issued upon any exchange or transfer shall be valid obligations of the District, evidencing the same debt, and entitled to the same security and benefit under the applicable Resolution as the Bonds of the applicable Series surrendered upon that exchange or transfer.

Any Bond surrendered to the Paying Agent for payment, retirement, exchange, replacement or transfer shall be canceled by the Paying Agent. The District may at any time deliver to the Paying Agent for cancellation any previously authenticated and delivered Bonds of a Series that the District may have acquired in any manner whatsoever, and those Bonds shall be promptly canceled by the Paying Agent. Written reports of the surrender and cancellation of Bonds of a Series shall be made to the District by the Paying Agent and updated annually. The canceled Bonds shall be destroyed by the Paying Agent in accordance with its procedures as confirmed in writing to the District.

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

**ESTIMATED SOURCES AND USES OF FUNDS**

The proceeds of the Tax-Exempt Series B Bonds are expected to be applied as follows:

<b>Sources of Funds</b>	
Principal Amount of Tax-Exempt Series B Bonds	\$
Original Issue Premium	_____
Total Sources	\$
<b>Uses of Funds</b>	
Building Fund	\$
Debt Service Fund <sup>(1)</sup>	_____
Costs of Issuance <sup>(2)</sup>	_____
Total Uses	\$

The proceeds of the Taxable Series B Bonds are expected to be applied as follows:

<b>Sources of Funds</b>	
Principal Amount of Taxable Series B Bonds	\$
Original Issue Premium	_____
Total Sources	\$
<b>Uses of Funds</b>	
Building Fund	\$
Debt Service Fund <sup>(1)</sup>	_____
Costs of Issuance <sup>(2)</sup>	_____
Total Uses	\$

The proceeds of the Refunding Bonds are expected to be applied as follows:

<b>Sources of Funds</b>	
Principal Amount of Refunding Bonds	\$
Original Issue Premium	_____
Total Sources	\$
<b>Uses of Funds</b>	
Escrow Fund <sup>(1)</sup>	\$
Costs of Issuance <sup>(2)</sup>	_____
Total Uses	\$

<sup>(1)</sup> See "APPLICATION OF PROCEEDS OF BONDS – Refunding Plan."

<sup>(2)</sup> Includes, among other things, the fees and expenses of Bond Counsel, Disclosure Counsel, the Paying Agent, District consultants, Underwriter's discount, the rating fees, bond insurance premium, if any, the cost of printing the preliminary and final Official Statements and other costs associated with issuing, selling and delivering the Bonds.

**DEBT SERVICE SCHEDULE**

The following table shows the debt service schedule with respect to the Tax-Exempt Series B Bonds.

<b>Year Ending August 1</b>	<b>Principal Payment</b>	<b>Interest Payment</b>	<b>Total Annual Debt Service</b>
2016	\$	\$	\$
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
20__	\$	\$	\$

The following table shows the debt service schedule with respect to the Taxable Series B Bonds.

<b>Year Ending August 1</b>	<b>Principal Payment</b>	<b>Interest Payment</b>	<b>Total Annual Debt Service</b>
2016	\$	\$	\$
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
20__	\$	\$	\$



The following table shows the debt service schedule with respect to the Refunding Bonds.

<b>Year Ending August 1</b>	<b>Principal Payment</b>	<b>Interest Payment</b>	<b>Total Annual Debt Service</b>
2016	\$	\$	\$
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
20			
	\$	\$	\$

## **APPLICATION OF PROCEEDS OF BONDS**

### **Series B Bonds Building Fund and Accounts**

A portion of the proceeds from the sale of the Series B Bonds received by the District shall be paid to the County to the credit of the fund created and established by the County known as the "Coachella Valley Unified School District General Obligation Bonds, 2012 Election, Series B Bonds Building Fund" (the "Building Fund") and shall be kept separate and distinct from all other District and County funds. Proceeds of the Taxable Series B Bonds, shall be paid to the County to the credit of the "Taxable Bonds Building Account" within the Building Fund. Proceeds of the Series B Bonds shall be used solely for authorized purposes which relate to finance the construction of new facilities and renovation and improvement at existing schools (including the purchase of portable learning technology devices), which may include the furnishing and equipping of school facilities or the acquisition or lease of real property for schools or to the payment of costs of issuance of the Series B Bonds. Series B Bond proceeds may be used to reimburse the District for eligible costs [confirm: but Series B Bond proceeds are not expected to be applied to any reimbursements at this time]. The District intends to use the net construction proceeds of the Series B Bonds as described above in "INTRODUCTION – Purpose of Issue." Any excess proceeds of the Series B Bonds not needed for the authorized purposes for which the Series B Bonds are being issued shall be transferred to Series B Bonds Debt Service Fund and applied to the payment of principal of and interest on the Series B Bonds.

[The net construction proceeds of the Taxable Series B Bonds shall be deposited into a separate account of the Building Fund, designated as the "Taxable Bonds Building Account" and shall be held, invested and accounted for separately from other funds and accounts established and held under the County Resolution]. If, after payment in full of the Series B Bonds, there remain excess proceeds, any such excess amounts shall be transferred to the general fund of the District. Interest earned on the investment of moneys held in the Building Fund shall be retained in the Building Fund.

### **Debt Service Funds**

Any premium received by the County or the District from the sale of the Series B Bonds, as well as tax revenues collected by the Counties pursuant to the County Resolution, and Section 15260 *et seq.* of the Education Code, shall be deposited and kept separate and apart in the corresponding Debt Service Fund and shall be used only for payment of principal of and interest on the Series B Bonds.

### **The Refunding Plan**

The net proceeds of the Refunding Bonds will be transferred to U.S. Bank National Association (the "Escrow Agent") for deposit in an escrow fund to be established under an Escrow Agreement, dated as of the Closing Date (the "Escrow Agreement"), by and between the District and the Escrow Agent. The Refunded Bonds consist of the 2005 Series B Bonds maturing August 1, 2031, in the aggregate principal amount of \$11,000,000.

The Escrow Agent will invest the net proceeds of the Bonds in the "Escrow Investments" specified under the Escrow Agreement that mature no later than August 1, 2017, with respect to the Refunded Bonds. The Escrow Agent will invest the net proceeds of the Refunding Bonds in certain federal securities as specified in the Escrow Agreement. These funds will be sufficient to pay (i) the interest on the Refunded Bonds to and including August 1, 2017, with respect to the Refunded Bonds, and (ii) the redemption price of the Refunded Bonds on August 1, 2017, with respect to the Refunded Bonds.

Sufficiency of the deposits in the escrow fund for those purposes will be verified by Causey Demgen & Moore P.C., Denver, Colorado. See “VERIFICATION OF MATHEMATICAL ACCURACY” below. Assuming the accuracy of Causey Demgen & Moore P.C.’s computations, as a result of the deposit and application of funds as provided in the Escrow Agreement, the Refunded Bonds will be defeased under the provisions of the resolution under which they were issued, as of the date of issuance of the Refunded Bonds.

The current interest 2005 Series B Bonds maturing August 1, 2016, and August 1, 2017, are not being refunded and will remain outstanding.

***Other Uses of Bonds Proceeds.*** The remaining proceeds of the Bonds will be used to pay the Underwriter’s discount, bond insurance premium, if any, and certain costs of issuance associated with the Refunding Bonds.

### **Permitted Investments**

The Riverside County Treasurer is authorized to invest all proceeds of taxes for payment of the Bonds in Riverside County’s Treasurer’s Pooled Investment Fund (or other investment pools of the County into which the District may lawfully invest its funds). Upon the written direction of the District, the Riverside County Treasurer may invest proceeds of taxes collected for payment of the Bonds in any investment permitted by law, including, but not limited to investment agreements which comply with the requirements of each rating agency then rating the Bonds necessary in order to maintain the then-current rating on the Bonds or in the Local Agency Investment Fund established by the State Treasurer.

See APPENDIX F – “COUNTY OF RIVERSIDE TREASURER’S POOLED INVESTMENT FUND.”

### **TAX BASE FOR REPAYMENT 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 Counties 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**

The collection of property taxes is significant to the District and the Owners of the Bonds in two respects. First, each County Board of Supervisors will levy and collect *ad valorem* taxes on all taxable parcels within the District within such County which are pledged specifically to the repayment of the Bonds. Second, the general *ad valorem* property tax levy levied in accordance with Article XIII A of the California Constitution and its implementing legislation is taken into account in connection with the State’s Local Control Funding Formula (“LCFF”) which determines the amount of funding received by the District from the State to operate the District’s educational programs. The LCFF replaces revenue limit and most categorical program funding previously used to determine the amount of funding received by the District from the State with the LCFF which consists primarily of base, supplemental and concentration funding formulas that focus resources based on a school district’s student demographic. See APPENDIX A – “INFORMATION RELATING TO THE COACHELLA VALLEY UNIFIED SCHOOL DISTRICT’S OPERATIONS AND BUDGET – State Funding to School Districts; Restructuring the K-12 Funding System” and “ – Local Control Funding Formula” and “ – EFFECT OF STATE BUDGET ON REVENUES – 2014-15 State Budget” below. As described below, the general *ad*

*valorem* property tax levy and the additional *ad valorem* property tax levy pledged to repay the Bonds of each Series will be collected on the annual tax bills distributed by the Counties to the owners of parcels within the boundaries of the District.

***Method of Property Taxation.*** Beginning in Fiscal Year 1978-79, Article XIII A and its implementing legislation permitted each county to levy and collect all property taxes (except for levies to support prior voter approved indebtedness) and prescribed the way in which levies on county-wide property values were to be shared with local taxing entities within each county. All property is assessed using “full cash value” as defined by Article XIII A of the State Constitution. State law, however, provides exemptions from *ad valorem* property taxation for certain classes of property, such as churches, colleges, non-profit hospitals and charitable institutions.

For purposes of allocating a county’s 1% base property tax levy, future assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, up to 2% inflation) will be allocated on the basis of “situs” among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of “base” sources from the tax rate area. Each year’s growth allocation becomes part of each agency’s allocation in the following year. The availability of revenue from growth in the tax bases of such entities may be affected by the existence of redevelopment agencies (including their successor agencies) which, under certain circumstances, may be entitled to sources resulting from the increase in certain property values. State law exempts \$7,000 of the assessed valuation of an owner-occupied principal residence. This exemption does not result in any loss of revenue to local agencies since an amount equivalent to the taxes that would have been payable on such exempt values is reimbursed by the State.

***Ad Valorem Property Taxation.*** Taxes are levied by the respective Counties for each fiscal year on taxable real and personal property in the District which is situated in the respective Counties as of the preceding January 1. The valuation of secured property is established as of January 1 and is subsequently equalized in August. 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 applicable County Assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.” Boats and airplanes are examples of unsecured property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of delinquent taxes and the delinquency penalty, plus costs and redemption penalty of one and one-half percent 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 applicable County Treasurer.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll and an additional penalty of one and one-half percent per month begins to accrue on November 1 and a lien may be recorded against the assessee. The taxing authority has four ways of collecting delinquent unsecured personal property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county clerk and county recorder’s office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements or possessory interests belonging or assessed to the assessee.

Future assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and 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. The availability of revenue from growth in tax bases to such entities may be affected by the establishment of redevelopment agencies or similar entities which, under certain circumstances, may be entitled to revenues resulting from the increase in certain property values.

### **Assessed Valuations**

The assessed valuation of property in the District is established by the respective County's Assessors, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIII A of the California Constitution. Prior to 1981-82, assessed valuations were reported at 25% of the full value of property. For a discussion of how properties currently are assessed, see "APPENDIX A – INFORMATION RELATING TO THE COACHELLA VALLEY UNIFIED SCHOOL DISTRICT'S OPERATIONS AND BUDGET."

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

Property within the District has a total assessed valuation for Fiscal Year 2014-15 of \$8,293,467,798. The following tables represent a six-year history of assessed valuations in the District.

TABLE 1

**ASSESSED VALUATIONS**  
**Fiscal Years 2010-11 through 2014-15**  
**Coachella Valley Unified School District**

<u>Riverside County Portion</u>				Total Before <u>Rdv. Increment</u>
<u>Year</u>	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	
2010-11	\$7,432,820,977	\$1,891,781	\$167,051,927	\$7,601,764,685
2011-12	7,058,836,878	1,891,781	151,934,858	7,212,663,517
2012-13	7,053,068,507	1,417,431	147,987,360	7,202,473,298
2013-14	7,333,776,207	1,417,431	135,506,923	7,470,700,561
2014-15	7,903,549,201	1,417,431	138,880,958	8,043,847,590

<u>Imperial County Portion</u>				Total Before <u>Rdv. Increment</u>
<u>Year</u>	<u>Local Secured</u>	<u>Utility<sup>(1)</sup></u>	<u>Unsecured</u>	
2010-11	\$273,690,571	\$0	\$7,988,075	\$281,678,646
2011-12	248,910,974	0	4,877,456	253,788,430
2012-13	246,218,585	0	5,184,939	251,403,524
2013-14	243,899,116	0	4,225,399	248,124,515
2014-15	242,835,255	0	6,784,953	249,620,208

<u>Total District</u>				Total Before <u>Rdv. Increment</u>
<u>Year</u>	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	
2010-11	\$7,706,511,548	\$1,891,781	\$175,040,002	\$7,883,443,331
2011-12	7,307,747,852	1,891,781	156,812,314	7,466,451,947
2012-13	7,299,287,092	1,417,431	153,172,299	7,453,876,822
2013-14	7,577,675,323	1,417,431	139,732,322	7,718,825,076
2014-15	8,146,384,456	1,417,431	145,665,911	8,293,467,798

<sup>(1)</sup> There is no utility property in the Imperial County portion of the District.

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, flood, drought or toxic contamination, could cause a reduction in the assessed value of taxable property within the District. Any such reduction would result in a corresponding increase in the annual tax rate levied by the Counties to pay the debt service with respect to the Bonds. With respect to droughts specifically, the State of California is currently facing water shortfalls, and on January 17, 2014, the Governor declared a state of drought emergency, calling on Californians to conserve water. As part of his declaration, the Governor directed State officials to assist agricultural producers and communities that may be economically impacted by dry conditions. Thereafter, the California State Water Resources Control Board (the “Water Board”) issued a statewide notice of water shortages and potential future curtailment of water right diversions. On April 1, 2015, the Governor issued an executive order mandating certain conservation measures including a requirement that the Water Board impose restrictions to achieve a statewide 25%

reduction in urban water usage through February 28, 2016. The District cannot predict or make any representations regarding the effects that the current drought has had, or, if it should continue, may have on the value of taxable property within the District, or to what extent the drought could cause disruptions to economic activity within the boundaries of the District. See “INTRODUCTION – Sources of Payment for the Bonds” and “THE BONDS – Security” herein.

The assessed valuation of property in the District is established by the respective County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the “full value” of the property, as defined in Article XIII A of the California Constitution. Prior to 1981-82, assessed valuations were reported at 25% of the full value of property. For a discussion of how properties currently are assessed, see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS” in Appendix A herein.

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

**Assessed Valuation and Parcels by Land Use**

The following table is a per parcel analysis of the District’s secured assessed valuation for Fiscal Year 2014-15 by land use.

**TABLE 2**  
**SECURED ASSESSED VALUATION AND PARCELS BY LAND USE**  
**Fiscal Year 2014-15**  
**Coachella Valley Unified School District**

	2014-15 Assessed Valuation <sup>(1)</sup>	% of Total	No. of Parcels	% of Total
<b>Non-Residential:</b>				
Agricultural/Rural	\$ 565,450,764	6.94%	2,194	4.75%
Commercial/Recreational	533,339,768	6.55	783	1.70
Vacant Commercial	119,701,418	1.47	960	2.08
Industrial	164,516,369	2.02	219	0.47
Institutional/Social/Religious	4,198,472	0.05	118	0.26
Other Vacant/Desert Parcels	<u>205,181,884</u>	<u>2.52</u>	<u>13,620</u>	<u>29.51</u>
Subtotal Non-Residential	\$1,592,388,675	19.55%	17,894	38.77%
<b>Residential:</b>				
Single Family Residence	\$4,919,626,645	60.39%	14,468	31.35%
Condominium/Townhouse	469,699,347	5.77	1,401	3.04
Mobile Home	57,518,790	0.71	144	0.31
Mobile Home Park	5,796,902	0.07	74	0.16
2+ Residential Units	357,736,895	4.39	260	0.56
Vacant Residential	<u>743,617,202</u>	<u>9.13</u>	<u>11,915</u>	<u>25.81</u>
Subtotal Residential	\$6,553,995,781	80.45%	28,262	61.23%
<b>Total</b>	<b>\$8,146,384,456</b>	<b>100.00%</b>	<b>46,156</b>	<b>100.00%</b>

<sup>(1)</sup> Local Secured Assessed Valuation, excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

**Assessed Valuation of Single Family Homes**

The following table is a per parcel analysis of the assessed valuation of single-family homes within the District, in terms of their Fiscal Year 2014-15 assessed valuation.

**TABLE 3**

**ASSESSED VALUATION OF SINGLE FAMILY HOMES  
Fiscal Year 2014-15  
Coachella Valley Unified School District**

	No. of <u>Parcels</u>	2014-15 <u>Assessed Valuation</u>	Average <u>Assessed Valuation</u>	Median <u>Assessed Valuation</u>
Single Family Residential	14,468	\$4,919,626,645	\$340,035	\$157,000

  

<u>2014-15 Assessed Valuation</u>	<u>No. of Parcels<sup>(1)</sup></u>	<u>% of Total</u>	<u>Cumulative % of Total</u>	<u>Total Valuation</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>
\$0 - \$49,999	1,019	7.043%	7.043%	\$ 38,172,901	0.776%	0.776%
\$50,000 - \$99,999	2,794	19.312	26.355	209,979,472	4.268	5.044
\$100,000 - \$149,999	2,924	20.210	46.565	367,323,837	7.466	12.511
\$150,000 - \$199,999	2,118	14.639	61.204	361,050,915	7.339	19.850
\$200,000 - \$249,999	566	3.912	65.116	125,226,709	2.545	22.395
\$250,000 - \$299,999	359	2.481	67.597	98,081,771	1.994	24.389
\$300,000 - \$349,999	422	2.917	70.514	136,397,477	2.773	27.161
\$350,000 - \$399,999	362	2.502	73.016	136,332,784	2.771	29.932
\$400,000 - \$449,999	389	2.689	75.705	166,411,125	3.383	33.315
\$450,000 - \$499,999	371	2.564	78.269	176,177,071	3.581	36.896
\$500,000 - \$549,999	338	2.336	80.605	177,533,375	3.609	40.505
\$550,000 - \$599,999	330	2.281	82.886	188,798,460	3.838	44.343
\$600,000 - \$649,999	359	2.481	85.368	224,041,218	4.554	48.897
\$650,000 - \$699,999	289	1.998	87.365	194,068,905	3.945	52.841
\$700,000 - \$749,999	241	1.666	89.031	174,565,475	3.548	56.390
\$750,000 - \$799,999	165	1.140	90.171	128,067,572	2.603	58.993
\$800,000 - \$849,999	168	1.161	91.333	138,399,826	2.813	61.806
\$850,000 - \$899,999	129	0.892	92.224	113,377,754	2.305	64.111
\$900,000 - \$949,999	105	0.726	92.950	96,938,950	1.970	66.081
\$950,000 - \$999,999	96	0.664	93.613	93,201,092	1.894	67.976
\$1,000,000 and greater	924	6.387	100.000	1,575,479,956	32.024	100.000
Total	14,468	100.000%		\$4,919,626,645	100.000%	

<sup>(1)</sup>Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.

Source: California Municipal Statistics, Inc.



The following table shows the assessed valuations by jurisdiction in Fiscal Year 2014-15 in the District.

**TABLE 4**

**ASSESSED VALUATION BY JURISDICTION<sup>(1)</sup>**  
**Fiscal Year 2014-15**  
**Coachella Valley Unified School District**

<u>Jurisdiction:</u>	<u>Assessed Valuation in District</u>	<u>% of District</u>	<u>Assessed Valuation of Jurisdiction</u>	<u>% of Jurisdiction in District</u>
City of Coachella	\$1,371,445,385	16.54%	\$1,470,374,818	93.27%
City of Indio	801,329,383	9.66	6,736,088,434	11.90
City of La Quinta	4,406,769,299	53.14	11,428,511,593	38.56
Unincorporated Riverside County	1,464,303,523	17.66	34,589,271,495	4.23
Unincorporated Imperial County	<u>249,620,208</u>	<u>3.01</u>	5,106,864,421	4.89
Total District	\$8,293,467,798	100.00%		
 <u>Summary by County:</u>				
Riverside County	\$8,043,847,590	96.99%	\$225,770,065,829	3.56%
Imperial County	<u>249,620,208</u>	<u>3.01</u>	11,075,492,191	2.25
Total District	\$8,293,467,798	100.00%		

<sup>(1)</sup> Before deduction of redevelopment incremental valuation.

Source: California Municipal Statistics, Inc.

## Largest Property Owners

The following table shows the 20 largest owners of taxable property in the District as determined by secured assessed valuation in Fiscal Year 2014-15:

**TABLE 5**

**LARGEST LOCAL SECURED PROPERTY OWNERS  
COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

**Largest 2014-15 Local Secured Taxpayers**

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2014-15 Assessed Valuation</u>	<u>% of Total<sup>(1)</sup></u>
1.	Anthony Vineyards Inc.	Industrial and Agricultural	\$ 61,485,033	0.75%
2.	TD Desert Development	Commercial	56,666,631	0.70
3.	East of Madison	Country Club and Residential	56,189,272	0.69
4.	Coral Option I	Residential Development	51,489,325	0.63
5.	Red Globes Properties	Agricultural	48,281,397	0.59
6.	Colmac Energy Inc.	Industrial	43,815,873	0.54
7.	Coachella Holdco	Polo Club and Festival Grounds	32,549,828	0.40
8.	LQR Golf	Golf Course and Resort	31,921,622	0.39
9.	Michael Bozick	Agricultural	31,865,301	0.39
10.	Soco	Commercial	30,586,166	0.38
11.	Sunrise Desert Partners	Agricultural	27,990,342	0.34
12.	Armtec Defense Products Co.	Industrial	26,712,245	0.33
13.	Nadador	Resort/Timeshare	25,747,082	0.32
14.	Crown Hill Ranches Inc.	Agricultural	24,206,511	0.30
15.	JTM Land Co.	Race Track	23,059,149	0.28
16.	NWK4 Inc.	Agricultural	22,993,667	0.28
17.	La Quinta MB Welling Ltd.	Apartments	20,379,906	0.25
18.	Smoketree Apartments 288	Apartments	18,702,199	0.23
19.	Nicholas L. Bozick	Agricultural	18,030,343	0.22
20.	Crystal Organic Farms	Agricultural	<u>17,942,911</u>	<u>0.22</u>
			\$670,614,803	8.23%

<sup>(1)</sup>Fiscal Year 2014-15 Local Secured Assessed Valuation: \$8,146,384,456.

Source: California Municipal Statistics, Inc.

## Appeals and Adjustments of Assessed Valuations

Under State law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, 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 such 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” in Appendix A 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.

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

### **Alternative Method of Tax Distribution – “Teeter Plan”**

The Counties have each implemented an alternative method for the distribution of secured property taxes to local agencies, known as the “Teeter Plan.” The Teeter Plan provisions are now set forth in Sections 4701 to 4717 of the California Revenue and Taxation Code. Upon adoption and implementation of this method by a county board of supervisors, local agencies for which the county acts as “bank” and certain other public agencies and taxing areas located in the county receive annually the full amount of their share of property taxes on the secured roll, including delinquent property taxes which have yet to be collected. While a county benefits from the penalties associated with these delinquent taxes when they are paid, the Teeter Plan provides participating local agencies with stable cash flow and the elimination of collection risk.

To implement a Teeter Plan, the board of supervisors of a county generally must elect to do so by July 15 of the fiscal year in which it is to apply. As a separate election, a county may elect to have the Teeter Plan procedures also apply to assessments on the secured roll. The Boards of Supervisors of the Counties adopted the Teeter Plan on June 29, 1993. The Counties’ Teeter Plans apply to the District and to the Bonds.

The *ad valorem* property tax to be levied to pay the principal of and interest on the Bonds is subject to the Teeter Plan. The District will receive 100% of the *ad valorem* property tax levied to pay the Bonds irrespective of actual delinquencies in the collection of the tax by the Counties.

Once adopted, a county’s Teeter Plan will remain in effect in perpetuity unless the board of supervisors orders its discontinuance or unless prior to the commencement of a fiscal year a petition for discontinuance is received and joined in by resolutions of the governing bodies of not less than two-thirds of the participating districts in the county. An electing county may, however, opt to discontinue the Teeter Plan with respect to any levying agency in the county if the board of supervisors, by action taken not later than July 15 of a fiscal year, elects to discontinue the procedure with respect to such levying agency and the rate of secured tax delinquencies in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll by that agency. The Counties have never discontinued the Teeter Plan with respect to any levying agency.

Upon making a Teeter Plan election, a county must initially provide a participating local agency with 95% of the estimated amount of the then-accumulated tax delinquencies (excluding penalties) for that agency. In the case of the initial year distribution of assessments (if a county has elected to include assessments), 100% of the assessment delinquencies (excluding penalties) are to be apportioned to the participating local agency which levied the assessment. After the initial distribution, each participating local agency receives annually 100% of the secured property tax levies to which it is otherwise entitled, regardless of whether the county has actually collected the levies.

If any tax or assessment which was distributed to a Teeter Plan participant is subsequently changed by correction, cancellation or refund, a pro rata adjustment for the amount of the change is made on the records of the treasurer and auditor of the county. Such adjustment for a decrease in the tax or assessment is treated by the county as an interest-free offset against future advances of tax levies under the Teeter Plan.

### **Tax Levies, Collections and Delinquencies**

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the District as of the preceding January 1. A supplemental tax is levied when property changes hands or new construction is completed which produces additional revenue.

A 10% penalty attaches to any delinquent payment for secured roll taxes. In addition, property on the secured roll with respect to which taxes are delinquent becomes tax-defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty (i.e., interest) to the time of redemption and a redemption fee. If taxes are unpaid for a period of five years or more, the property is subject to auction sale by the Counties.

In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, an additional penalty of 1.5% per month begins to accrue beginning November 1 of the fiscal year, and a lien is recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on specific property of the taxpayer; (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 taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Beginning in 1978-79, Proposition 13 and its implementing legislation provided for each county to levy and collect all property taxes, and prescribed how levies on county-wide property values (except for levies to support prior voter-approved indebtedness) are to be shared with local taxing entities within each county. The following table shows secured *ad valorem* taxes for the payment of bonded indebtedness of the District, and amounts delinquent as of June 30, for Fiscal Years 2009-10 through 2013-14:

**TABLE 6**  
**SUMMARY OF SECURED TAX CHARGES AND DELINQUENCIES**  
**Fiscal Years 2009-10 through 2013-14**  
**Coachella Valley Unified School District**

<u>Fiscal Year</u>	<u>Secured Tax Charge<sup>(1)</sup></u>	<u>Amount Delinquent June 30</u>	<u>% Delinquent June 30</u>
2009-10	\$45,787,842.92	\$477,684.26	8.25%
2010-11	6,854,503.08	387,467.90	5.65
2011-12	5,220,696.01	214,060.50	4.10
2012-13	5,576,917.53	150,147.04	2.69
2013-14	10,800,128.94	182,672.66	1.69

<sup>(1)</sup> General obligation bond debt service levy only.

Source: California Municipal Statistics, Inc.

**Tax Rates**

The State Constitution permits the levy of an *ad valorem* tax on taxable property not to exceed 1% of the full cash value of the property, and State law requires the full 1% tax to be levied. The levy of special *ad valorem* taxes in excess of the 1% levy is permitted as necessary to provide for debt service payments on school general obligation bonds and other voter-approved indebtedness.

The table below provides historical total *ad valorem* tax rates levied by all taxing entities in a typical tax rate area (TRA 20-160) (Riverside County Portion)<sup>(1)</sup> within the District from Fiscal Year 2010-11 to Fiscal Year 2014-15.

**TABLE 7**  
**SUMMARY OF AD VALOREM TAX RATES**  
**Fiscal Years 2010-11 through 2014-15**  
**Coachella Valley Unified School District**

	<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%
Desert Community College District	.01995	.01995	.01995	.01995	.02325
Coachella Valley Unified School District	.09332	.07487	.07968	.14919	.14919
Coachella Valley Water District I.D. 55	.00600	-	-	-	-
Coachella Valley Water District	<u>.08000</u>	<u>.08000</u>	<u>.08000</u>	<u>.10000</u>	<u>.10000</u>
Total	1.19927%	1.17482%	1.17963%	1.26914%	1.27244%

(1) Fiscal Year 2014-15 assessed valuation of TRA 20-160 is \$1,112,467.832 which is 13.41% of the District's total assessed valuation.

Source: California Municipal Statistics, Inc.

## **Direct and Overlapping Bonded Debt**

Set forth below is a direct and overlapping debt report as of July 1, 2015 (the “Debt Report”) with respect to the District prepared by California Municipal Statistics, Inc. The Debt Report is included for general information purposes only. Neither the District nor the Underwriter have 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 contents of the Debt Report are as follows: (1) the first column indicates the public agencies which have outstanding debt as of the date of the Debt Report and whose territory overlaps the District; (2) the second column shows the percentage of the assessed valuation of the overlapping public agency identified in column 1 which is represented by property located within the District; and (3) the third column is an apportionment of the dollar amount of each public agency’s outstanding debt (which amount is not shown in the table) to property in the District, as determined by multiplying the total outstanding debt of each agency by the percentage of the District’s assessed valuation represented in column 2.

**TABLE 8**

**STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT  
COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

2014-15 Assessed Valuation: \$8,293,467,798

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 7/1/15</u>
Desert Community College District	12.185%	\$ 37,605,285
<b>Coachella Valley Unified School District</b>	<b>100.</b>	<b>178,113,759</b> <sup>(1)</sup>
Pioneers Memorial Healthcare District	7.028	917,154
Desert Recreation and Park District Reassessment District No. 01-1	8.154	72,163
Coachella Valley Water District, Assessment District Nos. 32 and 33	100.	866,528
City of Indio Assessment District No. 2001-1	29.320	<u>797,504</u>
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$218,372,393</b>
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	3.563%	\$34,274,353
Riverside County Pension Obligation Bonds	3.563	11,418,346
Riverside County Board of Education Certificates of Participation	3.563	65,381
Imperial County Certificates of Participation	2.254	213,116
Imperial County Pension Obligation Bonds	2.254	1,015,540
<b>Coachella Valley Unified School District General Fund Obligations</b>	<b>100.</b>	<b>42,435,000</b>
City of Indio Certificates of Participation	11.896	4,662,042
City of La Quinta General Fund Obligations	38.559	927,344
Desert Recreation and Park District Certificates of Participation	18.688	<u>308,775</u>
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$95,319,897</b>
Less: Riverside County supported obligations		<u>269,541</u>
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$95,050,356</b>
 <u>OVERLAPPING TAX INCREMENT DEBT:</u>		
Coachella Redevelopment Agency	91.597-92.293%	\$ 30,870,757
La Quinta Redevelopment Agency	14.927	31,013,082
Riverside County Redevelopment Agency	17.627-79.952	<u>139,482,923</u>
<b>TOTAL OVERLAPPING TAX INCREMENT DEBT</b>		<b>\$201,366,762</b>
 <b>GROSS COMBINED TOTAL DEBT</b>		<b>\$515,059,052</b> <sup>(2)</sup>
<b>NET COMBINED TOTAL DEBT</b>		<b>\$514,789,511</b>

(1) Excludes issue to be sold.

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

Ratios to 2014-15 Assessed Valuation:

<b>Direct Debt (\$178,113,759)</b> .....	<b>2.15%</b>
Total Direct and Overlapping Tax and Assessment Debt .....	2.63%
<b>Combined Direct Debt (\$220,548,759)</b> .....	<b>2.66%</b>
Gross Combined Total Debt.....	6.21%
Net Combined Total Debt .....	6.21%

Ratio to Redevelopment Incremental Valuation (\$3,583,262,575):

Total Overlapping Tax Increment Debt .....	5.62%
--	-------

Source: California Municipal Statistics, Inc.

## TAX MATTERS

### Opinion of Bond Counsel

In the opinion of Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel, subject to certain qualifications described herein, under existing laws, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Tax-Exempt Series B Bonds and the Refunding Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. In the further opinion of Bond Counsel, interest on the Tax-Exempt Series B Bonds and the Refunding Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, Bond Counsel observes that such interest is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liabilities.

The opinions of Bond Counsel set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Tax-Exempt Series B Bonds and Refunding Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Tax-Exempt Series B Bonds and Refunding Bonds.

In the further opinion of Bond Counsel, interest on the Tax-Exempt Series B Bonds, the Taxable Series B Bonds and the Refunding Bonds is exempt from State of California personal income taxation.

Bond Counsel expresses no opinion regarding or concerning any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

See APPENDIX D — "PROPOSED FORMS OF OPINIONS OF BOND COUNSEL" for the proposed form of opinion of Bond Counsel.

Bond Counsel's engagement with respect to the Bonds of each Series ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners of the Bonds of a Series regarding the tax-exempt status of the Tax-Exempt Series B Bonds or the Refunding Bonds in the event of an audit examination by the Internal Revenue Service. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners of the Tax-Exempt Series B Bonds and Refunding Bonds, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of Internal Revenue Service positions with which the District legitimately disagrees may not be practicable. Any action of the Internal Revenue Service, including but not limited to selection of the Tax-Exempt Series B Bonds or the Refunding Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Tax-Exempt Series B Bonds or the Refunding Bonds, and may cause the District or the Beneficial Owners to incur significant expense.



## **Original Issue Discount; Premium Bonds**

The initial public offering price of the Bonds of each Series in some cases is less than the amount payable with respect to such Bonds of such Series at maturity. An amount not less than the difference between the initial public offering price of a Bond and the amount payable at the maturity of such Bond constitutes original issue discount. Original issue discount on a tax-exempt obligation, such as the Bonds of a Series, accrues on a compounded basis. The amount of original issue discount that accrues to the owner of a Bond issued with original issue discount will be excludable from such owner's gross income and will increase the owner's adjusted basis in such Bond potentially affecting the amount of gain or loss realized upon the owner's sale or other disposition of such Bond. The amount of original issue discount that accrues in each year is not included as a tax preference for purposes of calculating alternative minimum taxable income and may therefore affect a taxpayer's alternative minimum tax liability. Consequently, taxpayers owning the Bonds issued with original issue discount should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability although the taxpayer has not received cash attributable to such original issue discount in such year.

Purchasers should consult their personal tax advisors with respect to the determination for federal income tax purposes of the amount of original issue discount properly accruable with respect to the Bonds, other federal income tax consequences of owning tax-exempt or taxable obligations with original issue discount and any state and local consequences of owning the Bonds.

The Bonds purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However a purchaser's basis in a Premium Bond, and under Treasury Regulations, the amount of tax exempt interest received will be reduced by the amount of amortizable bond premium properly allocable to such purchaser. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

## **Impact of Legislative Proposals, Clarifications of the Code and Court Decisions on Tax Exemption**

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Tax-Exempt Series B Bonds or the Refunding Bonds to be subject, directly or indirectly, to federal income taxation or the interest on the Tax-Exempt Series B Bonds, the Taxable Series B Bonds or the Refunding Bonds to be subject to or exempted from state income taxation, or otherwise prevent Owners of the Bonds from realizing the full current benefit of the tax status of such interest.

The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, liquidity of or marketability of, the Bonds of a Series. In recent years, legislative changes were 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 Tax-Exempt Series B Bonds or Refunding Bonds. Prospective purchasers of the Tax-Exempt Series B Bonds or Refunding Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation as to which Bond Counsel expresses no opinion. As discussed in this Official Statement, under the above caption " – Opinion of Bond Counsel," interest on the Tax-Exempt Series B Bonds or the Refunding Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Tax-Exempt Series B Bonds or the Refunding Bonds were issued as a result of future acts or omissions of the Community Facilities

District in violation of its covenants in the applicable Resolution. Should such an event of taxability occur, the Tax-Exempt Series B Bonds and the Refunding Bonds are not subject to special redemption or acceleration and will remain outstanding until maturity or until redeemed under one of the other redemption provisions contained in the applicable Resolution.

### **Internal Revenue Service Audits of Tax-Exempt Securities Issues**

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing or examination of tax-exempt bond issues, including both random and targeted audits. It is possible that the Tax-Exempt Series B Bonds or the Refunding Bonds will be selected for audit or examination by the IRS. It is also possible that the market value of such Tax-Exempt Series B Bonds or the Refunding Bonds might be affected as a result of such an audit of such Tax-Exempt Series B Bonds or the Refunding Bonds (or by an audit of similar bonds or securities).

### **Information Reporting and Backup Withholding**

Information reporting requirements apply to interest (including original issue discount) paid after March 31, 2007, on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing Bonds of a Series through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Tax-Exempt Series B Bonds or the Refunding Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

## **OTHER LEGAL MATTERS**

### **Continuing Disclosure**

The District has covenanted for the benefit of registered owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than nine months following the end of the District's Fiscal Year (so long as the District's Fiscal Year ends on June 30), commencing with the report for the 2014-15 Fiscal Year (which will be due not later than April 1, 2016), and to provide notices of the occurrence of certain listed events. The Annual Report will be filed by the District with the Municipal Securities Information Repository ("MSRB") through the Electronic Municipal Market Access System ("EMMA") in an electronic format and accompanied by identifying information as prescribed by the MSRB. Any notice of a listed event will be filed by the District with the MSRB through the EMMA System. The specific nature of the information to be made available and to be contained in the notices of listed events is set forth in

APPENDIX E – “FORMS OF CONTINUING DISCLOSURE CERTIFICATES.” These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the “Rule”).

***District Prior Disclosure Compliance.*** A review of the District’s prior disclosure undertakings and its prior disclosure filings since [August 15], 2015 indicates the District did not fully comply in all respects with its prior continuing disclosure undertakings under the Rule. Identification of the below described events does not constitute a representation by the District that the late filings were material. For example, (1) certain annual reports and certain audited financial statements with respect to Fiscal Years 2009-10 through 2011-12 were not timely filed, (2) certain annual reports for Fiscal Years 2009-10 through 2012-13 did not include all content required by the applicable disclosure undertaking, and (3) certain notices of listed events relating to changes in the ratings of certain of the District’s then outstanding obligations were not timely filed. The District has filed the annual reports and audited financial statements which were not timely filed, has filed addendums and additional information relating to annual reports to provide information not included in the annual reports filed, and has filed listed event notices that were not timely filed in connection with rating changes on its obligations. The District believes that it is currently in material compliance with all of its continuing disclosure undertakings and the District has hired an outside consultant to facilitate preparation and filing of disclosure reports and notices of listed events in the future.

### **Legality for Investment in California**

Under provisions of the California Financial Code, the Bonds are legal investments for commercial banks in California 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 California Government Code, are eligible for security for deposits of public moneys in California.

### **Absence of Material Litigation**

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate or certificates to that effect will be executed by the District 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* taxes or contesting the District’s ability to issue and retire the Bonds.

## **RATINGS**

The District has applied for an Insurance Policy for the scheduled payment of principal of and interest on the Bonds when due which, if purchased, would be issued concurrently with the delivery of the Bonds. If the Insurance Policy is acquired, Moody’s Investors Service, Inc. (“Moody’s”), will assign ratings to the Bonds with the understanding that, upon delivery of Bonds, the Insurance Policy will be issued by the Bond Insurer. Absent the Insurance Policy, Moody’s is expected to assign a rating of “\_\_\_” (\_\_\_) to the Bonds. The rating agency may have obtained and considered information and material which has not been included in this Official Statement. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. Some information provided to the rating agencies by the District may not appear in this Official Statement. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. For example, on July 7, 2014, at the same time as Moody’s assigned an A2 rating to the Bonds, Moody’s downgraded the underlying ratings of the District’s currently

outstanding general obligation bonds to A2 from A1. Any downward revision or withdrawal of ratings may have an adverse effect on the market price for the Bonds.

**Rating Downgrades of Municipal Bond Insurers.** In the past, Moody's, S&P and Fitch Ratings (the "Rating Agencies") have each downgraded the claims-paying ability and financial strength of various bond insurance companies. Additional downgrades or negative changes in the rating outlook are possible. In addition, recent events in the credit markets have had a substantial negative effect on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims paying ability of such potential Insurer. Neither the District nor the Underwriter have made an independent investigation into the claims paying ability of such potential Insurer and no assurance or representation regarding the financial strength or projected financial strength thereof can be given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay the principal of and interest on the Bonds and the claims paying ability of potential Insurers, particularly over the life of the investment.

### UNDERWRITING

The Bonds were purchased by RBC Capital Markets, LLC, as Underwriter (the "Underwriter"). The Underwriter has agreed to purchase the Tax-Exempt Series B Bonds at a price of \$ \_\_\_\_\_, which is equal to the principal amount of the Tax-Exempt Series B Bonds, plus net original issue premium in the amount of \$ \_\_\_\_\_, and less an Underwriter's discount of \$ \_\_\_\_\_. The Underwriter has agreed to purchase the Taxable Series B Bonds at a price of \$ \_\_\_\_\_, which is equal to the principal amount of the Taxable Bonds, plus net original issue premium in the amount of \$ \_\_\_\_\_, and less an Underwriter's discount of \$ \_\_\_\_\_. The Underwriter has agreed to purchase the Refunding Bonds at a price of \$ \_\_\_\_\_, which is equal to the principal amount of the Taxable Bonds, plus net original issue premium in the amount of \$ \_\_\_\_\_, and less an Underwriter's discount of \$ \_\_\_\_\_. The Bond Purchase Agreement relating to 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 page hereof. The offering prices may be changed from time to time by the Underwriter.

### VERIFICATION OF MATHEMATICAL ACCURACY

The sufficiency of the amounts on deposit in the Escrow Fund, together with realizable interest and earnings thereon, to refund the Refunded Bonds, as described above, will be verified by Causey Demgen & Moore P.C., as the verification agent (the "Verification Agent"). Upon the issuance of the Bonds, the Verification Agent will deliver a report on the mathematical accuracy of certain computations contained in schedules provided to them on behalf of the District relating to the sufficiency of the amounts deposited under the Escrow Agreement to pay, when due, the principal, whether at maturity or upon prior prepayment, interest and prepayment premium requirements of the Refunded Bonds.

**ADDITIONAL INFORMATION**

All data contained herein regarding the District 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 here, in light of the circumstances under which they were made, not misleading.

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

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**

By \_\_\_\_\_  
Dr. Derwin S. (Darryl) Adams,  
Superintendent of the Coachella Valley  
Unified School District

## APPENDIX A

### INFORMATION RELATING TO THE COACHELLA VALLEY UNIFIED SCHOOL DISTRICT'S OPERATIONS AND BUDGET

*Principal of and interest on the Bonds is payable from the proceeds of an ad valorem tax levied by the Counties for the payment thereof. (See "THE BONDS – Security" herein.) Articles XIII A, XIII B, XIII C and XIII D of the Constitution, Propositions 39, 98, 111 and 218, 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 Counties to levy taxes and of 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 Counties to levy taxes for payment of the Bonds. The tax levied by the Counties 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.*

#### THE DISTRICT

*The information in this section concerning the Coachella Valley Unified School District (the "District") 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 and interest on the Bonds is payable from the general fund of the District. The Bonds are payable from the proceeds of an ad valorem tax required to be levied by the Counties on taxable property within the District in an amount sufficient for the payment thereof. See "THE BONDS – Security" herein.*

#### General Information

The District is a unified school district providing elementary and secondary levels of education. Established in 1973, the District currently operates fourteen K-6 schools, three 7-8 schools, one 7-12 high school, two 9-12 high schools, one continuation high school, one adult education extension program, one Early Head Start program, nine Head Start programs, three part-day State Preschools and ten full-day State Preschools. The District encompasses approximately 1,220 square miles, with most of its territory within Riverside County (the "County") and a small portion within Imperial County (together with the County, the "Counties"). The District serves the cities of Coachella, La Quinta, Thermal, Mecca, Oasis, North Shores, Indio and Salton City. For Fiscal Year 2014-15, the District's average daily attendance ("ADA") was 17,906 students and for Fiscal Year 2015-16, the District's ADA is projected to be 18,005 students, and taxable property within the District has a Fiscal Year 2014-15 assessed valuation of \$8,293,467,798.<sup>1</sup>

#### Administration

The District is governed by a seven-member Board of Trustees (the "Board"), each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between three and four 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. Darryl S. Adams is the current District Superintendent. Current members of the Board, together with their offices and the dates their current terms expire, are listed below:

---

<sup>1</sup> Source: Riverside and Imperial Counties.

**BOARD OF TRUSTEES**  
**Coachella Valley Unified School District**

<u>Name</u>	<u>Office</u>	<u>Current Term Expires</u>
Maria G. Machuca	President	December 2016
Lowell Kamper	Vice President	December 2016
Meagan Caress	Clerk	December 2018
Manuel Jarvis-Martinez	Member	December 2016
Joe Murillo	Member	December 2016
Joey Acuña, Jr.	Member	December 2018
Blanca Hall	Member	December 2018

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

***Dr. Darryl S. Adams, Superintendent.*** Dr. Adams was appointed as Superintendent of the District in 2010. Dr. Adams has previously held the positions of music teacher, band director, middle school assistant principal, high school assistant principal, high school principal, director of human resources, and assistant superintendent of human resources. Additionally, he was recognized as a Teacher of the Year in Los Angeles County. Dr. Adams received a doctoral degree from Azusa Pacific University, a Master’s Degree in Education Administration from California State University and a Bachelor’s Degree in Music Education from the University of Memphis.

***Gregory J. Fromm, Assistant Superintendent, Business and Finance.*** Mr. Gregory Fromm was hired by the District in October 2010. Mr. Fromm has previously held the positions of physical education teacher, college football coach, assistant principal, middle school and alternative high school principal, Director of Students Services and Executive Director of School Support. Mr. Fromm received a Masters of Arts in Educational Leadership from California State University at San Bernardino, Masters of Science in Physical Education from Canisius College and a Bachelors of Arts in Social Sciences from the State University of New York at Buffalo.

**State Funding to School Districts; Restructuring the K-12 Funding System**

***General.*** The District’s operating income consist primarily of two components: a state portion funded from the State’s general fund and a locally generated portion derived from the District’s share of the 1% local *ad valorem* property tax authorized by the State Constitution. California school districts receive a significant portion of their funding from State appropriations. As a result, changes in State revenues may affect appropriations made by the Legislature to school districts.

***Aggregate State Education Fund; Proposition 98*** On November 8, 1988, California voters approved Proposition 98, a combined initiative constitutional amendment and statute called the “Classroom Instructional Improvement and Accountability Act” (the “Accountability Act”). Certain provisions of the Accountability Act, have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State’s appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as “K-14 school districts”) at a level equal to the greater of (a) the same percentage of State general fund revenues as the percentage appropriated to such districts in Fiscal Year 1986-87, or (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 current level of guaranteed funding pursuant to Proposition 98 is approximately 35% of the State general fund.

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

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 budget in a different way than is proposed in the Governor's Budget. In any event, it is possible that the Accountability Act could place increasing pressure on the State's budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIII B spending limit would restrain the State's ability to fund such other programs by raising taxes. (See APPENDIX A "INFORMATION RELATING TO THE COACHELLA VALLEY UNIFIED SCHOOL DISTRICT'S OPERATIONS AND BUDGET – EFFECT OF STATE BUDGET ON REVENUES" and "– DISTRICT FINANCIAL INFORMATION" below.)

**Local Control Funding Formula.** The State Budget for Fiscal Year 2013-14 contained a new school funding allocation system (the "Local Control Funding Formula" or "LCFF" hereafter). State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97") was enacted to establish a new system for funding State school districts, charter schools and county offices of education by the implementation of the Local Control Funding Formula. Subsequently, AB 97 was amended and clarified by Senate Bill 91 (Stats. 2013, Chapter 49). Under the former system, the Proposition 98 funding was allocated in such a way that approximately two-thirds of the revenues received by school districts was allocated based on complex historical formulas (known as "revenue limit" funds), and approximately one-third of the revenues received by school districts was derived through numerous "categorical programs," such as for summer school textbooks, staff development, gifted and talented students, and counselors for middle and high schools. The Local Control Funding Formula replaces revenue limit and most categorical program funding. The State budget provided funding commencing in Fiscal Year 2013-14 to begin implementing the new formulas. Under the prior funding system, school districts received different per-pupil funding rates based on historical factors and varying participation in the categorical programs. The new system provides a more uniform base per-pupil rate for each of several grade levels. The base rates are augmented by several funding supplements for (1) students needing additional services, defined as English learners, students from lower income families, and foster youth; (2) school districts with high concentrations of English learners and lower income families; and (3) high school students. The new funding system requires school districts to develop local plans describing how the school district intends to educate its students. Full implementation of the LCFF is estimated to take approximately eight years.

With revenues based on per-pupil rates, as augmented by the funding supplements, changes in enrollment will cause a school district to gain or lose operating revenues, without necessarily permitting the school district to make adjustments in fixed operating costs. Enrollment can fluctuate due to factors such as population growth or decline, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes.



Because the District’s legal minimum funding level is not expected to be met from local property taxes alone, the District budgeted receipt of general operating funds from the State in Fiscal Year 2014-15 and Fiscal Year 2015-16. The District projects receipt of approximately \$148.8 million in local control funding from the State in Fiscal Year 2014-15 and \$176.9 million in local control funding from the State in Fiscal Year 2015-16. The District also projects receipt of approximately \$20.2 million of other State unrestricted categorical funding in Fiscal Year 2014-15 and approximately \$8.2 million of other State unrestricted categorical funding in Fiscal Year 2015-16. Total State funding accounts for approximately 84% of the District’s overall revenues. As a result, decrease or deferrals in State revenues, or in State legislative appropriations made to fund education may significantly affect District operations

**Average Daily Attendance**

As indicated above, commencing with the Fiscal Year 2013-14, the State budget restructures the manner in which the State allocates funding for K-12 education using the Local Control Funding Formula. Under the prior funding system, school districts received different per-pupil funding rates based on historical factors and varying participation in categorical programs. Table 1 shows the District’s average daily attendance (A.D.A.), enrollment, A.D.A base revenue limit and deficit revenue limit per A.D.A./LCFF revenues for 2007-08 through 2012-13 under the historical funding program and for 2013-14 and estimated 2014-15 under the Local Control Funding Formula.

**TABLE 1**  
**AVERAGE DAILY ATTENDANCE, REVENUE LIMIT AND ENROLLMENT**  
**Fiscal Years 2007-08 through 2014-15**  
**Coachella Valley Unified School District**

<u>Fiscal Year</u>	<u>Average Daily Attendance<sup>(1)</sup></u>	<u>Change</u>	<u>ADA Base Revenue Limit<sup>(2)</sup></u>	<u>Deficit Revenue Limit Per ADA/LCFF Revenues<sup>(2)</sup></u>	<u>Enrollment<sup>(3)</sup></u>
2007-08	17,436	—	\$5,790.67	\$5,790.60	18,203
2008-09	17,463	27	6,119.67	5,639.64	18,256
2009-10	17,386	(17)	6,381.67	5,210.31	18,186
2010-11	17,495	110	6,356.67	5,214.82	18,464
2011-12	17,550	67	6,499.67	5,160.61	18,409
2012-13	17,784	241	6,711.67	5,216.85	18,720
2013-14	17,313	91	7,658.75	10,484.50 <sup>(4)</sup>	18,850
2014-15	17,797	(49)	7,724.00	10,574.25 <sup>(5)</sup>	18,878

<sup>(1)</sup> 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.

<sup>(2)</sup> 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).

<sup>(3)</sup> Enrollment as of October report submitted to the California Basic Educational Data System (“CBEDS”) in each school year.

<sup>(4)</sup> LCFF Revenue estimates shown commencing Fiscal Year 2013-14.

<sup>(5)</sup> Budgeted.

Source: Coachella Valley Unified School District.

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 2013-14 to 2015-16.

**TABLE 2**  
**LOCAL CONTROL FUNDING FORMULA**  
**ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE**  
**Fiscal Year 2013-14 to 2014-15**  
**Coachella Valley Unified School District**

Fiscal Year	Average Daily Attendance <sup>(1)</sup>					Enrollment	
	K-3	4-6	7-8	9-12	Total ADA	Total Enrollment	% of EL/LI Enrollment <sup>(2)</sup>
2013-14	6,202	4,329.58	2,684.41	4,629.35	17,797.34	18,452	92%
2014-15 <sup>(3)</sup>	6,069	4,522.00	2,733.00	4,682.00	18,666.00	18,666	96%
2015-16 <sup>(4)</sup>	6,069	4,522.00	2,733.00	4,682.00	18,666.00	18,666	96%

<sup>(1)</sup> ADA is 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.

<sup>(2)</sup> As of October report submitted to the California Basic Educational Data System (CBEDS). For purposes of calculating Supplemental and Concentration Grants, a school district's Fiscal Year 2013-14 percentage of unduplicated EL/LI students will be expressed solely as a percentage of its Fiscal Year 2013-14 total enrollment. For Fiscal Year 2014-15, the percentage of unduplicated EL/LI enrollment will be based on the two-year average of EL/LI enrollment in Fiscal Years 2013-14 and 2014-15. Beginning in Fiscal Year 2015-16, a school district's percentage of unduplicated EL/LI students will be based on a rolling average of such district's EL/LI enrollment for the then-current fiscal year and the two immediately preceding fiscal years.

<sup>(3)</sup> Actual.

<sup>(4)</sup> Budgeted.

Source: Coachella Valley Unified School District.

Revenue limit calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among California school districts.

**Labor Relations**

In the fall of 1974, the State Legislature enacted a public school employee collective bargaining law known as the Rodda Act, which became effective in stages in 1976. The law provides that employees are to be divided into appropriate bargaining units which are to be represented by an exclusive bargaining agent.

As of July 2015, the District employed 935.6 full-time equivalent certificated professionals as well as 735.55 full-time equivalent classified employees and 118.60 management staff. District employees, except for management and some part-time employees, are represented by two employee bargaining units as follows:

**TABLE 3**

**LABOR BARGAINING UNITS  
Coachella Valley Unified School District**

<u>Labor Organization</u>	<u>Number of Employees In Organization</u>	<u>Contract Expiration Date</u>
Coachella Valley Teachers Association	937	June 30, 2015
California School Employees Association	810	June 30, 2015 <sup>(1)</sup>

<sup>(1)</sup> A vote on a contract extension by District employees represented by the California School Employees Association was ratified by the members on May 28, 2015.

Source: Coachella Valley Unified School District.

**Retirement Programs**

The District participates in the State of California Teachers' Retirement System ("STRS"). This plan covers 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. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. The District is currently required by such statutes to contribute 8.25% of eligible salary expenditures, while participants contribute 8% of their respective salaries. The State also contributes to STRS, currently in an amount equal to 3.041% of teacher payroll. The State's contribution reflects a base contribution of 2.017% and a supplemental contribution of 1.024% that will vary from year-to-year based on statutory criteria.

The District's contribution to STRS was \$5,953,126 for Fiscal Year 2010-11, \$5,874,778 for Fiscal Year 2011-12 and \$6,171,712 for Fiscal Year 2012-13. The District has budgeted \$6,443,051 as its contribution to STRS in Fiscal Year 2013-14 and \$7,762,149 as its contribution to STRS in Fiscal Year 2014-15. In order to receive STRS benefits, an employee must be at least 55 years old and have provided five years of service to California public schools.

The District also participates in the State of California Public Employees' Retirement System ("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, with the Public Employees' Retirement Laws. School districts are currently required to contribute to PERS at an actuarially determined rate, which was 11.442% of eligible salary expenditures for Fiscal Year 2013-14 and 11.442% of eligible salary expenditures for Fiscal Year 2014-15, while participants enrolled in PERS prior to the Implementation Date (defined herein) contribute 7% of their respective salaries for Fiscal Year 2013-14 and 7% of their respective salaries for Fiscal Year 2014-15. Participants enrolled after the Implementation Date contribute at an actuarially determined rate, which is 6% of their respective salary for Fiscal Year 2013-14 and 6% of their respective salary for Fiscal Year 2014-15. See " - Governor's Pension Reform" herein.

The District's contribution to PERS was \$2,891,616 for Fiscal Year 2011-12, \$3,264,600 for Fiscal Year 2012-13 and \$3,228,667 for Fiscal Year 2013-14. The District has budgeted \$3,845,909 as its contribution to PERS in Fiscal Year 2014-15 and \$4,308,350 as its contribution to PERS in Fiscal Year 2015-16.

Contribution rates to these two retirement systems vary annually depending on changes in actuarial assumptions and other factors, such as changes in retirement benefits. The contribution rates are based on state-wide rates set by the STRS and PERS retirement boards. STRS has a substantial state-wide unfunded liability. Since this liability has not been broken down by each school district, it is impossible to determine the District's share.

Interested persons may review the STRS website for details regarding its programs – <http://www.calstrs.com> (this reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement). The following information has been obtained from the information published by STRS and is believed to be reliable but is not guaranteed as to accuracy or completeness. The governing board of STRS adopts a valuation of its defined benefit plan and its defined benefit supplemental plan each year. Due to the financial market declines which occurred during the Fiscal Year 2008-09 period, STRS investments lost substantial value at that time. STRS used an averaging process that recognizes gains and losses over a three-year period, as a result of which the fund is still being affected by losses incurred during the market downturn. Recent years have seen positive investment returns. The valuation for the period ending June 30, 2013, identified the level of funding for the STRS defined benefit program at 66.9% of full funding, with an estimated actuarial obligation of \$222.7 billion, an actuarial valuation of assets of \$148.6 billion and unfunded actuarial obligations of \$73.67 billion. In recent years, historical unfunded actuarial obligations for the defined benefit plan have ranged from being over funded in the late 1990's to the 66.9% of full funding estimated in the June 30, 2013 valuation. Contributions to STRS are generally fixed by State law.

The 2014-15 State Budget included a plan of shared responsibility among the State, school districts and teachers. The first year's increased contributions from all three entities are estimated in the 2014-15 State Budget at \$275 million. The contributions are proposed to increase in subsequent years, reaching more than \$5 billion annually. The 2014-15 State Budget indicates that total contributions currently equal 19.3% of teacher payroll and were estimated to rise to 35.7%. This increase, is estimated in the 2014-15 State Budget to eliminate the unfunded liability by approximately 2046.

Interested persons may review the PERS website for details regarding its programs – <http://www.calpers.ca.gov> (this reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement). The following information has been obtained from the information published by PERS and is believed to be reliable but is not guaranteed as to accuracy or completeness. The governing board of the PERS adopts a valuation of its defined benefit plan each year. Due to the financial market declines which occurred during the Fiscal Year 2008-09 period, PERS investments lost substantial value at that time. In December 2009, the PERS Board adopted changes to its asset smoothing method in order to phase in over a three-year period the impact of the 24% investment loss experience by PERS in Fiscal Year 2008-09. Recent years have seen positive investment returns. The valuation for the period ending June 30, 2013, identified the level of funding for the PERS defined benefit program for schools at 80.5% of full funding. PERS website does not provide an estimate of the actuarial obligations, of the estimated actuarial valuation of assets or of the estimated unfunded actuarial obligations. PERS has adopted policies regarding contribution rates for the various plans and such plans are subject to modification as the PERS governing board determines how to address the unfunded actuarial obligations. At its April 17, 2013 meeting, the Board approved a change to the CalPERS amortization and smoothing policies. Beginning with the June 30, 2014, valuation, the newly adopted direct smoothing method will be used to set the 2015-16 rates for the State and Schools defined benefit plans. Under this new direct rate smoothing method, all gains and losses will be paid over a fixed 30-year period with the increases or decreases in the rate spread over a 5-year period. On February 20, 2014, the PERS governing board adopted new assumptions regarding the longer life expectancy of state retirees. The impact of these assumptions will be \$1 billion phased in over three years. The costs in Fiscal Year 2014-15 will be \$430 million (\$254 million is a State General Fund).

## **Governor's Pension Reform**

On August 28, 2012, Governor Brown and the State Legislature reached agreement on a new law that reforms pensions for State and local government employees. AB 340, which was signed into law on September 12, 2012, established the California Public Employees' Pension Reform Act of 2012 ("PEPRA") which governs pensions for public employers and public pension plans on and after January 1, 2013 (the "Implementation Date"). For new employees, PEPRA, among other things, caps pensionable salaries at the Social Security contribution and wage base, which is \$110,100 for 2012, or 120% of that amount for employees not covered by Social Security, increases the retirement age by two years or more for all new public employees while adjusting the retirement formulas, requires state employees to pay at least half of their pension costs, and also requires the calculation of benefits on regular, recurring pay to stop income spiking. For all employees, changes required by PEPRA include the prohibition of retroactive pension increases, pension holidays and purchases of service credit. PEPRA applies to all State and local public retirement systems, including county and school district retirement systems. PEPRA only exempts the University of California system and charter cities and counties whose pension plans are not governed by State law. Although the District anticipates that PEPRA would not increase the District's future pension obligations, the District is unable to determine the extent of any impact PEPRA would have on the District's pension obligations at this time. Additionally, the District cannot predict if PEPRA will be challenged in court and, if so, whether any challenge would be successful.

## **GASB 67 and 68**

On June 25, 2012, the Governmental Accounting Standards Board (GASB) voted to approve two new standards that aimed to improve the accounting and financial reporting of public employee pensions by state and local governments. Statement No. 67, Financial Reporting for Pension Plans, revised existing guidance for the financial reports of most pension plans. Statement No. 68, Accounting and Financial Reporting for Pensions, revised and established new financial reporting requirements for most governments that provide their employees with pension benefits.

Statement 67 replaces the requirements of Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans and Statement 50, Pension Disclosures as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. Statement 67 builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year required supplementary information schedules.

Statement 68 replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information.

The provisions in Statement 67 are effective for financial statements for periods beginning after June 15, 2013. The provisions in Statement 68 are effective for fiscal years beginning after June 15, 2014.

**Alternate Retirement Program**

As established by Federal law, all public sector employees who are not members of their employer’s existing retirement systems (STRS or PERS) must be covered by social security or an alternative plan. The District has elected to use Accumulation Program of Part-Time and Limited-Service Employees (“APPLE”) Plan as its alternative plan. The District contributes 3.75% of an employee’s gross earnings and an employee is required to contribute 3.75% of his or her gross earnings to the pension plan. During Fiscal Year 2012-13, the District’s required and actual contributions for the APPLE Plan amounted to \$73,042, which constituted 3.75% of its current year covered payroll. The District contributed \$76,398 for Fiscal Year 2013-14 and budgeted a contribution of \$22,636 for Fiscal Year 2015-16 and a contribution of \$108,839 for Fiscal Year 2014-15.

**Supplemental Early Retirement Plan**

The District has offered supplemental early retirement plans (“SERP”) to its certificated and classified employees as part of the union contracts since 1984. Eligible employees are provided an annuity to supplement the retirement benefits such employees are entitled to receive through their respective retirement systems. As of June 30, 2014, 154 employees who have retired after 2003 had elected to receive these annuities, as purchased from United of Omaha and Pacific Life Insurance. The annuities offered to the employees are paid over a five-year period. As of June 30, 2014, the future annuity payments were as follows:

Year Ending <u>June 30</u>	<u>Total Payments</u>
2015	1,423,795
2016	469,599
2017	131,130
2018	<u>0.00</u>
Total	<u>\$2,024,524</u>

*Source: Coachella Valley Unified School District.*

**Other Postemployment Benefits**

*Plan Benefits.* The Postemployment Benefits Plan (the “Plan”) is a single-employer defined benefit health care program administered by the District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. As of June 30, 2015, membership of the Plan consisted of 126 retirees and beneficiaries currently receiving benefits and 1,693 active Plan members.

*Funding Policy.* The contribution requirements of the Plan members and the District are established and amended by the District, its bargaining units and unrepresented groups on an annual basis. The District’s contribution is currently based on a projected pay-as-you-go basis to cover the cost of benefits for current retirees. For Fiscal Year 2012-13, the District contributed \$2,916,354 to the Plan, all of which was used for current premiums. For Fiscal Year 2013-14, the District contributed \$2,958,111 to the Plan, all of which was used for current premiums. For Fiscal Year 2014-15, the District has projected

a contribution to the Plan of \$2,220,914, all of which is expected to be used to pay current premiums. For Fiscal Year 2015-16, the District has projected a contribution to the Plan of \$2,280,463, all of which is expected to be used to pay current premiums.

*Accrued Liability.* The District has implemented Governmental Accounting Standards Board (“GASB”) Statement No. 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 accrued liability in connection with post-employment benefits provided by the Plan. The most recent of these studies, prepared by Total Compensations Systems, Inc., and dated January 8, 2015, concluded the District’s total unfunded actuarial accrued liability (the “UAAL”) for such benefits, as of January 1, 2015, was \$20,767,166, and that the District’s annual required contribution (“ARC”) in respect of such benefits was \$6,275,242. The ARC is composed of the value of future benefits earned by current employees during each fiscal year (the “Normal Cost”) and the amount necessary to amortize the UAAL. Collectively, the ARC is the amount that would be necessary to fund both the Normal Cost and the UAAL in accordance with GASB Statements Nos. 43 and 45.

As of June 30, 2014, the District recognized a net, long-term obligation (the “Net OPEB Obligation”) with respect to Plan benefits of \$8,252,159, based on its contributions towards the actuarially-determined ARC. See “APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Note 10” attached hereto.

### **Risk Management**

The District is exposed to various risks related to torts, theft, damage and destruction of assets, errors and omissions, personal injuries and natural disasters. The District participated in the Riverside Schools’ Insurance Authority (“RSIA”) public entity risk pool for property and liability insurance coverage in Fiscal Year 2014-15. Settled claims have not exceeded the insured coverage in any of the past three years, and there has not been a significant reduction in coverage from the prior year. During Fiscal Year 2013-14, the District made a payment of \$966,153 to RSIA for services received. During Fiscal Year 2014-15, the District made a payment of \$1,048,873 to RSIA for services received. During Fiscal Year 2015-16, the District budgeted a payment of \$1,000,000 to RSIA for services received.

The District participated in the Riverside Schools Risk Management Authority (“RSRMA”) public entity risk pool in Fiscal Year 2014-15 for workers’ compensation coverage. The workers’ compensation experience of the participating districts in the RSRMA risk pool is calculated and applied to a common premium rate, and participation in RSRMA is limited to local educational agencies that can meet RSRMA selection criteria. During Fiscal Year 2013-14, the District made a payment of \$4,065,645 to RSRMA for services received. During Fiscal Year 2014-15, the District made a payment of \$5,449,599 to RSRMA for services received. During Fiscal Year 2015-16, the District budgeted a payment of \$5,835,915 to RSRMA for services received.

Additionally, the District purchases medical insurance from commercial insurance companies; dental and vision benefits are self-insured by the District. The District records an estimated liability for dental and vision claims against the District. Such claims liabilities are based on estimates of the ultimate cost of reported claims.

See also “APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT – Notes 11 and 14” attached hereto.

## **Charter Schools**

Charter schools are largely independent schools operating as part of the public school system created pursuant to Part 26.8 (beginning with Section 47600) of Division 4 of Title 2 of the State Education Code (the “Charter School Law”). A charter school is usually created or organized by a group of teachers, parents and community leaders, or a community-based organization, and may be approved by an existing local public school district, a county board of education or the State Board of Education.

A charter school is generally exempt from the laws governing school districts, except where specifically noted in the law. The Charter School Law acknowledges that among its intended purposes are: (i) to provide parents and students with expanded choices in the types of educational opportunities that are available within the public school system; (ii) to hold schools accountable for meeting measurable pupil outcomes and provide schools a way to shift from a rule-based to a performance-based system of accountability; and (iii) to provide competition within the public school system to stimulate improvements in all public schools.

The District approved a petition to establish an independent charter school within the boundaries of the District: NOVA Academy Charter School, which opened in Fiscal Year 2009-10 (“NOVA”). Approximately 199 students are estimated to be enrolled in NOVA in Fiscal Year 2014-15. Additionally, Imagine School, a County-operated charter school located within the boundaries of the District, opened in Fiscal Year 2013-14 (“Imagine”), with approximately 192 students estimated to be enrolled in Fiscal Year 2014-15. The District currently has no information about Imagine’s enrollment, and can provide no representation as to future enrollment or transfers of students from the District to Imagine.

The District can make no representations as to whether additional charter schools will be established within the boundaries of the District, the amount of any future transfers of students from the District to charters schools and the corresponding financing impact on the District.

## **EFFECT OF STATE BUDGET ON REVENUES**

*The information in this section concerning the State budget and State finances 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 the general fund of the District. The Bonds of each Series are payable from the proceeds of an ad valorem tax required to be levied by the Counties in an amount sufficient for the payment of the Bonds. See “THE BONDS – Security” herein.*

Most public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55% of their operating revenues from various State sources. Prior to implementation in Fiscal Year 2013-14 of the Local Control Funding Formula, the primary source of funding for school districts is the revenue limit, which is a combination of State funds and local property taxes (see “ – DISTRICT FINANCIAL INFORMATION – State Funding of Education” below). Under the Local Control Funding Formula, State funds typically make up the majority of a district’s revenue limit, as was the case under the previous revenue limit funding. In the past, school districts also received substantial funding from the State for various categorical programs. Commencing with Fiscal Year 2008-09, various mandates and restrictions on local school districts were removed, allowing flexibility to spend funding for 42 categorical programs as school districts wished. These flexibility provisions were extended for seven years, 2008-09 through 2014-15 by Education Code Section 42605. Revenues received by the District from all State sources accounted for approximately 73% of total general fund revenues in Fiscal Year 2012-13, for



approximately 83% of total general fund revenues in Fiscal Year 2013-14 and approximately 85% of total general fund revenues in Fiscal Year 2014-15 and is estimated to account for approximately 85% of total general fund revenues in Fiscal Year 2015-16.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures, the condition of the State economy (which affects total revenue available to the State general fund) and the annual State budget process. As a result of the slow State and United States of America economies, the State in recent years experienced serious budgetary shortfalls. The effect of the State revenue shortfalls on the local or State economy or on the demand for, or value of, the property within the District cannot be predicted.

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

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

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

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by temporarily deferring apportionments of Proposition 98 funds one fiscal year to the next, by permanently deferring the year end apportionment from June 30 to July 2; by suspending Proposition 98, as the State did in 2004-05; and by proposing to amend the Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

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

**Ballot Propositions.** On November 2, 2010, voters approved Propositions 22, 25 and 26. Proposition 22 prohibits State legislators from using existing funds allocated to local government, public safety and transportation. Proposition 25 lowers the vote threshold for lawmakers to pass the State budget from two-thirds to a simple majority. Proposition 26 requires a two-thirds affirmative vote in the State Legislature and local governments to pass many fees, levies, charges and tax revenue allocations that under previous rules could be enacted by a simple majority vote.

**Education Provisions of the California State Budget.** Following the enactment of Proposition 25 on November 2, 2010, the Governor is required by the State Constitution to propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted by a majority vote of each house of the Legislature no later than June 15. Prior to enactment of Proposition 25, the final budget was required to be approved by a 2/3rds majority vote of each house of the Legislature and the June 15 deadline was routinely breached. For example, prior to enactment of Proposition 25, the State Budget approval occurred as late as September 23, 2008, for the Fiscal Year 2008-09 State Budget and October 8, 2010 for the Fiscal Year 2010-11 State Budget, the latest budget approval in State history. The budget becomes law upon the signature of the Governor, who retains veto power over specific items of expenditure. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. State income tax, sales tax, and other receipts can fluctuate significantly from year to year depending on economic conditions in the State and the nation. Because funding for K-12 education is closely related to overall State income, funding levels can also vary significantly from year to year, even in the absence of significant education policy changes. The District cannot predict how State income or State education funding will vary over the entire term to maturity of the Bonds, and the District takes no responsibility for informing Owners of the Bonds as to any such annual fluctuations.

When the State budget is not adopted on time, basic appropriations and the categorical funding portion of each school district's State funding are affected differently. Under the rule of *White v. Davis* (also referred to as *Jarvis v. Connell*), a State Court of Appeal decision reached in 2002, there is no constitutional mandate for appropriations to school districts without an adopted budget or emergency appropriation, and funds for State programs cannot be disbursed by the State Controller until that time, unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the Constitution (such as appropriations for salaries of elected state officers), or (iii) mandated by federal law (such as payments to State workers at no more than minimum wage). The State Controller has consistently stated that basic State funding for schools is continuously appropriated by statute, but that special and categorical funds may not be appropriated without an adopted budget. The State Controller has posted guidance as to what can and cannot be paid during a budget impasse at its website [www.sco.ca.gov](http://www.sco.ca.gov). Neither the District nor the Underwriter take responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by reference. Should the Legislature fail to pass the budget or emergency appropriation before the start of any fiscal year, the District might experience delays in

receiving certain expected revenues.

Information about the State budgeting process, the State Budget and State spending for education is available at various State-maintained websites, including (i) the State's website <http://www.ebudget.ca.gov> (this reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement), where recent official statements for State bonds are posted, (ii) the California State Treasurer's Internet home page <http://www.treasurer.ca.gov> (this reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement) which includes the State's audited financial statements, various State of California Official Statements, many of which contain a summary of the current State Budget, past State Budgets, and the impact of those budgets on school districts in the State, the State's Rule 15c2-12 filings for State bond issues, financial information which includes an overview of the State economy and government, State finances, State indebtedness, litigation and discussion of the State budget and its impact on school districts, (iii) the California Department of Finance's internet home page <http://www.dof.ca.gov/budget> (this reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement) which includes the text of the budget and information regarding the State budget, and (iv) the State Legislative Analyst's Office ("LAO") <http://www.lao.ca.gov.com> (this reference is for convenience of reference only and not considered to be incorporated as part of this Official Statement) which prepares analyses and reports regarding the proposed and adopted State budgets. *The State has not entered into any contractual commitment with the District, the Underwriter or the Owners of the Bonds to provide State budget information to the District or the Owners of the Bonds. Although the State sources of information listed above are believed to be reliable, neither the District nor the Underwriter assumes any responsibility for the accuracy of the State budget information set forth or referred to therein.*

**2014-15 State Budget.** On June 20, 2014, the Governor signed the State Budget approved by the State Legislature on June 15, 2014 (the "2014-15 State Budget"). The 2014-15 State Budget assumes, for Fiscal Year 2013-14, total general fund revenues of \$102.2 billion, and total expenditures of \$100.7 billion. The State was projected to end Fiscal Year 2013-14 with a general fund surplus of \$2.9 billion. For Fiscal Year 2014-15, the 2014-15 State Budget assumes total general fund revenues of \$105.5 billion and authorizes expenditures of \$108 billion. The 2014-15 State Budget also authorizes a deposit of \$1.6 billion to the Budget Stabilization Account/Rainy Day Fund (the "Rainy Day Fund") (discussed below). The State is projected to end Fiscal Year 2014-15 with a \$1.4 billion general fund surplus. The 2014-15 State Budget reduces more than \$10 billion of the State's debt by paying down the deferral of payments to schools by \$5 billion, paying off the State's Economic Recovery Bonds, repaying various special fund loans and funding \$100 million in mandate claims owed to local governments. The 2014-15 State Budget also includes a plan of shared responsibility among the State, school districts and teachers to shore up the State's teacher pension system with contributions increasing to reach more than \$5 billion annually, projected to eliminate the system's unfunded liability by 2046. In addition, a constitutional amendment placed on the November 4, 2014, ballot to establish the Rainy Day Fund was approved by the voters and requires deposits into the Rainy Day Fund whenever capital gains revenues rise to more than 8% of general fund tax revenues. In addition, 1.5% of annual general fund revenues is to be set aside each year with a maximum fund size set at 10% of general fund revenues. The Rainy Day Fund also include a Proposition 98 reserve, whereby spikes in funding would be saved for future years to even out school spending and thereby minimize future cuts. This Proposition 98 reserve makes no changes to the Proposition 98 calculations.

Except as otherwise noted, the following information is drawn from the State Department of Finance's summary of the 2014-15 State Budget. Additional information regarding the 2014-15 State Budget is available from the State Department of Finance at [www.dof.ca.gov](http://www.dof.ca.gov) but such information is not incorporated herein by reference.

With respect to K-12 funding, the 2014-15 State Budget includes total funding of \$76.6 billion (\$45.3 billion general fund and \$31.3 billion other funds) for all K-12 education programs, including Proposition 98 funding of \$60.9 billion for Fiscal Year 2014-15, an increase of \$5.6 billion over the 2013 Budget Act level. When combined with increases of \$4.4 billion in Fiscal Years 2012-13 and 2013-14, the 2014-15 State Budget provides a \$10 billion increase in K-12 education funding and an increase in Proposition 98 funding for K-12 education by more than \$12 billion from Fiscal Year 2011-12 to Fiscal Year 2014-15, representing an increase of more than \$1,900 per student.

Significant features of the 2014-15 State Budget affecting K-12 school districts include:

- Local Control Funding Formula — An increase of \$4.75 billion Proposition 98 General Fund to continue the State's transition to the LCFF, closing the remaining funding implementation gap by more than 29%.
- K-12 Deferrals — Repayment of approximately \$4.7 billion Proposition 98 General Fund for K-12 expenses that had been deferred from one year to the next during the recent recession, leaving an outstanding balance of less than \$900 million in K-12 deferrals. The 2014-15 State Budget includes a trigger mechanism that will appropriate any additional funding resources attributable to Fiscal Years 2013-14 and 2014-15 subsequent to the enactment of the Budget for the purpose of retiring the remaining deferral balance.
- Independent Study — Streamlining the existing independent study program, reducing administrative burdens and freeing up time for teachers to spend on student instruction and support, while making it easier for schools to offer and expand instructional opportunities available to students through non-classroom based instruction.
- K-12 Mandates — An increase of \$400.5 million in one-time Proposition 98 General Fund to reimburse K-12 local educational agencies for the costs of state-mandated programs to make a significant down payment on outstanding mandate debt while providing school districts, county offices of education, and charter schools with discretionary resources to support critical investments such as Common Core implementation.
- K-12 High-Speed Internet Access — An increase of \$26.7 million in one-time Proposition 98 General Fund for the K-12 High Speed Network to provide technical assistance and grants to local educational agencies to address the technology requirements necessary for Common Core implementation.
- Career Technical Education Pathways Program — An increase of \$250 million in one-time Proposition 98 General Fund to support a second cohort of competitive grants for participating K-14 local educational agencies. Established in the 2013 Budget Act, the Career Pathways Trust Program provides grant awards to improve career technical programs and linkages between employers, schools, and community colleges.
- Child Care — \$57 million general fund and \$30 million Proposition 98 General Fund for 500 slots for the Alternative Payment program, 1,000 slots for General Child Care, 7,500 part-day State Preschool slots, and 7,500 part-day wrap around care slots. The 2014-15 State Budget also specifies that an additional 4,000 part-day State Preschool slots and 4,000 part-day wrap-around care slots will be provided in Fiscal Year 2015-16.

Included in the 2014-15 State Budget trailer bills is a provision which caps the amount of money school districts may set aside for economic crises if state-level reserves reach certain levels if the State electorate approves the Rainy Day Fund.

**2015-16 Adopted State Budget.** On June 15, 2015, the California Legislature passed the 2015-16 Budget Act (Assembly Bill 93), and four trailer bills by majority vote in accordance with Proposition 25 enacted in 2010, in order to meet the constitutional deadline for the Legislature to approve a budget. The Budget Act was sent to the Governor to sign, but the Governor retained the ability to veto particular spending line items in the Budget Act.

On June 26, 2015, Governor Brown approved the 2015-16 Budget Act (the “2015-16 Budget”), projecting total funding of \$140.1 billion (31.9 billion General Fund and \$108.2 billion other funds) with only minimal vetoed line items. The 2014-15 Budget is balanced and projects paying down more than \$1.2 billion of budgetary debt from past years, including paying the remaining \$1 billion in deferrals of payments to schools, paying the last payment on the \$15 billion of Economic Recovery Bonds used to cover budget deficits as far back as 2002, repaying various special fund loans, and repaying local governments the final mandate reimbursements for activities completed in 2004 or earlier and reduce outstanding mandate liabilities owed to school districts and community college districts by \$3.8 billion. The budget estimates \$3.5 billion in the State’s Budget Stabilization Account, also known as the State’s rainy day fund by the end of the year. Temporary revenues provided by the passage of Proposition 30 (Sales and Income Tax Revenue Increase approved by State voters at an election held on November 8, 2011) and spending cuts have allowed for continued economic growth in the State.

**Future Budget Impacts.** The State Budget will be affected by national and State economic conditions and other factors. The District cannot predict what impact the 2015-16 State Budget will have on its finances and operations, or what actions will be taken in the future by the State Legislature and the Governor to deal with changing State revenues and expenditures. From Fiscal Year 2001-02 through Fiscal Year 2010-11, the Governor and the State Legislature came within several weeks of meeting the statutory deadline for approval of the State Budget only three times, but since enactment of Proposition 25 on November 2, 2010, the Governor and the State Legislature have met the statutory deadline for approval of the State Budget in each subsequent fiscal year.

**Litigation Regarding State Budgetary Provisions; Redevelopment Litigation.** On July 18, 2011, the California Redevelopment Association, the League of California Cities, and the Cities of Union City and San Jose filed petition for a writ of mandate in *California Redevelopment Association et al. v. Ana Matosantos et al.* (“Matosantos”) with the Supreme Court of California alleging that ABx1 26 and ABx1 27 violate the California Constitution, as amended by Proposition 22 (the Local Taxpayer, Public Safety and Transportation Protection Act, approved by the voters of the State on November 2, 2010, hereafter referred to as “Proposition 22”). The petitioners alleged, among other things, that ABx1 26 and ABx1 27 seek to illegally divert tax increment revenue from redevelopment agencies by threatening such agencies with dissolution if payments are not made to support the State’s obligation to fund education. The petition was accompanied by an application for a stay seeking to delay implementation of the provisions of ABx1 26 and ABx1 27 until the claims were adjudicated.

On December 29, 2011, the California Supreme Court issued its ruling in *Matosantos*. The Court upheld ABx1 26, the bill that dissolves all redevelopment agencies and directs the resolution of their activities. However, it found that ABx1 27, which allows redevelopment agencies to avoid elimination by making certain payments to offset state budget expenses, is unconstitutional. As a result, all redevelopment agencies were required to dissolve and transfer their assets and liabilities to “successor agencies” that will wind down the redevelopment agencies’ affairs. Based on the decision, all redevelopment agencies were dissolved as of February 1, 2012.

Tax increment revenues that would have been directed to redevelopment agencies will be distributed to make “Pass-Through Payments” to local agencies that they would have received under prior law and to successor agencies for retirement of the redevelopment agencies’ debts and for limited administrative costs. The remaining revenues will be distributed as property tax revenues to cities, counties, school districts, community college districts and special districts. The District cannot predict whether, or to what extent, the elimination of redevelopment agencies will affect the Pass-Through Payments or whether amounts received will be offset against other funds the State would otherwise have paid to the District. See “THE BONDS – Security.”

The District entered into agreements with several redevelopment agencies formed pursuant the California Community Redevelopment Law (Health and Safety Code Sections 33000 et seq.) (generally, “Redevelopment Agencies”), pursuant to which the District has, in the past, received “pass-through” tax increment revenues (the “Redevelopment Revenues”). The District has projected the receipt of \$164,325, \$789,217 and \$2,575,480 in Redevelopment Revenues with respect to agreements entered into in the past with La Quinta, Coachella and Riverside County redevelopment agencies in Fiscal Year 2014-15 and the District has projected the receipt of \$120,000, \$680,000 and \$2,546,162 in Redevelopment Revenues with respect to agreements entered into in the past with La Quinta, Coachella and Riverside County redevelopment agencies in Fiscal Year 2015-16.

The District, however, can make no representations that Redevelopment Revenues will continue to be received by the District in amounts consistent with prior years, or as currently projected, particularly in light of the recently enacted legislation eliminating redevelopment agencies.

## **DISTRICT FINANCIAL INFORMATION**

*The information in this section concerning the operations of the District and the District’s general fund finances 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 and interest on the Bonds is payable from the general fund of the District. The Bonds are payable from the proceeds of an ad valorem tax required to be levied by the Counties in an amount sufficient for the payment thereof. See “THE BONDS – Security” herein.*

### **Accounting Practices**

The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts. Significant accounting policies followed by the District are explained in Note 1 to the District’s audited financial statements for the Fiscal Year ending June 30, 2014, which are included as APPENDIX B.

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

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

### **Financial Statements**

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General Fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements for the District for the Fiscal Year ending June 30, 2014, and prior fiscal years are on file with the District and available for public inspection at the office of the Superintendent of the Coachella Valley Unified School District, 87225 Church Street, Thermal, California 92274, telephone number (760) 399-5137. The audited financial statements for the year ended June 30, 2014, are included in Appendix B hereto.

Vavrinek, Trine, Day & Co., LLP, Certified Public Accountants, the auditor, has not been requested to consent to the use or to the inclusion of its reports in this Official Statement and they have neither audited nor reviewed this Official Statement. The District is required by law to adopt its audited financial statements after a public meeting to be conducted no later than January 31, following the close of each fiscal year.

### **The District Cannot Predict Variations in State Education Funding in the Future**

The District cannot predict how State income or State education funding will vary over the term to maturity of the Bonds, and the District takes no responsibility for informing owners of the Bonds as to actions the State Legislature or Governor may take affecting the current year's budget after its adoption. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of proposed and adopted budgets may be found at the website of the Department of Finance, [www.dof.ca.gov](http://www.dof.ca.gov), under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at [www.lao.ca.gov](http://www.lao.ca.gov). In addition, various State of California official statements, many of which contain a summary of the current and past State budgets and the impact of those budgets on school districts in the State, may be found at the website of the State Treasurer, [www.treasurer.ca.gov](http://www.treasurer.ca.gov). The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

To the extent negatively impacted by actions taken by the Governor and the State Legislature to address changing State revenues generally or by State revenues available for education specifically, the District may need to develop and implement different or additional budgetary adjustments to contend with its projected deficit spending over the next two fiscal years. See " – District Budget Process and County Review" below.

The following table reflects information from the District's audited financial statements for Fiscal Years 2010-11, 2011-12, 2012-13 and 2013-14.

**TABLE 4**  
**AUDITED FINANCIAL STATEMENTS**  
**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**  
**BALANCE SHEET – GENERAL FUND**

	<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>
<b>ASSETS</b>				
Deposits and investments	\$5,167,401	\$3,420,967	\$398,086	\$5,083,802
Receivables <sup>(1)</sup>	32,673,521	48,709,338	28,056,206	25,420,374
Due from other funds	919,599	812,745	997,623	813,370
Prepaid expenditures	0	0	68,760	0
Stores inventories	<u>81,654</u>	<u>98,782</u>	<u>52,856</u>	<u>33,948</u>
<b>Total Assets</b>	<b>\$38,842,175</b>	<b>\$53,041,832</b>	<b>\$29,573,531</b>	<b>\$31,351,494</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$2,964,943	\$7,319,736	\$3,932,936	\$8,564,270
Due to other funds <sup>(2)</sup>	5,461,454	15,743,333	7,644,748	5,497,388
Deferred revenue	<u>3,029,828</u>	<u>389,750</u>	<u>411,841</u>	<u>107,177</u>
<b>Total Liabilities</b>	<b>\$11,456,225</b>	<b>\$23,452,819</b>	<b>\$11,989,525</b>	<b>\$14,168,835</b>
<b>Fund Balances:</b>				
Nonspendable	\$131,654	\$148,782	\$171,616	\$83,948
Restricted	9,003,961	8,969,465	6,372,762	11,389,331
Assigned	243,657	0	0	29,096
Unassigned	18,006,678	20,470,766	11,039,628	5,680,284
Reserved for:				
Revolving cash	0	0	0	0
Stores inventories	0	0	0	0
Prepaid expenses	0	0	0	0
Restricted programs	0	0	0	0
Unreserved:				
Designated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Fund Balance</b>	<b>\$27,385,950</b>	<b>\$29,589,013</b>	<b>\$17,584,006</b>	<b>\$17,182,659</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$38,842,175</b>	<b>\$53,041,832</b>	<b>\$29,573,531</b>	<b>\$31,351,494</b>

- (1) Since 2002, the State has engaged in the practice of deferring certain apportionments to school districts in order to manage the State's cash flow. In recent years this practice included deferring certain apportionments from one fiscal year to the next. Legislation enacted with respect to Fiscal Years 2011-12 and 2012-13 provided for additional inter-fiscal year deferrals. With the economy improving, the State cut back on the amount of deferrals in Fiscal Year 2012-13.
- (2) Loans from other funds (Fund 21 and Fund 40) increased in Fiscal Year 2011-12 to offset deferrals from the State. As the State deferrals decreased, the loans in Fiscal Year 2012-13 decreased.

Source: Coachella Valley Unified School District.



*Comparative Financial Statements.* The following table reflects the District's general fund revenues, expenditures and changes in fund balance for Fiscal Years 2009-10 through 2013-14. Excerpts from the District's audited financial statements for Fiscal Year 2013-14 are included as Appendix B hereto.

**TABLE 5**

**AUDITED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**Fiscal Years 2009-10 through 2013-14**  
**Coachella Valley Unified School District**

<b>REVENUES</b>	Audited <u>2009-10</u>	Audited <u>2010-11<sup>(1)</sup></u>	Audited <u>2011-12<sup>(1)</sup></u>	Audited <u>2012-13</u>	Audited <u>2013-14<sup>(1)</sup></u>
Revenue Limit Sources	\$87,476,524	\$93,157,256	\$93,767,151	\$95,035,408	\$125,062,428
Federal Sources	22,218,823	28,682,170	24,698,638	19,684,093	19,452,335
Other State Sources	41,414,635	37,542,172	38,928,791	39,123,274	23,992,758
Other Local Sources	<u>10,185,259</u>	<u>10,486,196</u>	<u>9,493,935</u>	<u>9,923,365</u>	<u>8,968,952</u>
<b>Total Revenues</b>	161,295,241	169,867,794	166,888,515	163,766,140	177,476,473
<b>EXPENDITURES:</b>					
Instruction	101,813,135	101,716,554	105,306,256	111,601,026	113,530,235
Instruction-Related Activities:					
Supervision of instruction	3,608,027	3,406,378	3,279,466	3,543,256	3,250,355
Instructional library, media and technology	258,429	196,775	213,174	228,523	234,203
School site administration	16,953,391	17,643,149	15,379,719	15,905,865	15,316,033
Pupil Services:					
Home-to-school transportation	7,579,416	7,791,186	8,034,167	9,721,235	8,691,324
All other pupil services	6,501,714	6,251,656	5,980,495	6,648,995	6,938,959
General Administration:					
Data processing	1,948,406	1,781,803	2,056,286	3,111,616	2,294,337
All other general administration	6,724,328	7,541,333	7,363,035	7,449,402	7,525,785
Plant Services	16,450,492	14,661,304	14,853,415	15,454,056	15,767,854
Facility Acquisition and Construction	3,814,164	616,807	5,005	38,238	1,480,300
Ancillary Services	--	--	--	--	--
Capital Outlay	--	--	--	--	--
Other Outgo	657,161	401,288	366,915	562,204	1,086,155
Debt Service:					
Principal	166,023	99,173	102,139	--	--
Interest and Other	<u>13,054</u>	<u>6,019</u>	<u>8,313</u>	<u>--</u>	<u>--</u>
<b>Total Expenditures</b>	166,487,740	162,113,425	162,948,385	174,264,416	176,115,540
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(5,192,499)	7,754,369	3,940,130	(10,498,276)	1,360,933
<b>Other Financing Sources (Uses):</b>					
Transfers out	(2,534,731)	(1,717,104)	(1,737,067)	(1,506,731)	(1,762,280)
Other sources	--	--	--	--	--
<b>Net Financing Sources (Uses)</b>	(2,534,731)	(1,717,104)	(1,737,067)	(1,506,731)	(1,762,280)
<b>NET CHANGE IN FUND BALANCES</b>	(7,727,230)	6,037,265	2,203,063	(12,005,007)	(401,347)
<b>Fund Balance, Beginning</b>	<u>29,075,915</u>	<u>21,348,685</u>	<u>27,385,950</u>	<u>29,589,013</u>	<u>17,584,006</u>
<b>Fund Balance, Ending</b>	<u>\$21,348,685</u>	<u>\$27,385,950</u>	<u>\$29,589,013</u>	<u>\$17,584,006</u>	<u>\$17,182,659</u>

<sup>(1)</sup> For a comparison of budgeted and audited actual results for Fiscal Years 2011-12 through 2013-14 and budgeted and projected totals for Fiscal Year 2014-15 in object-oriented format, please see "– Budget Process – General Fund Budget" herein.

Source: Coachella Valley Unified School District.

## **Budget Process**

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 Assembly Bill 1200 ("AB 1200"), which became State law on October 14, 1991. Portions of AB 1200 are summarized below.

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent of schools (as described in AB 1200) within five days of adoption or by July 1, whichever occurs first. A school district may be on either a dual or single budget cycle. The dual budget option requires a revised and readopted budget by September 1 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.

For both dual and single budgets submitted on July 1, the county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, will determine if the budget allows the District to meet its current obligations and will determine if the budget is consistent with a financial plan that will enable the District to meet its multi-year financial commitments. On or before August 15, the county superintendent will approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The school 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 school district for public inspection. The law does not provide for conditional approvals; budgets must be either approved or disapproved. The school district is then required to revise the budget, hold a public hearing thereon, adopt the revised budget and file with the county superintendent no later than September 8. No later than September 22, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budgets have been disapproved.

Each dual budget option district and each single and dual budget option district whose budget has been disapproved must revise and readopt its budget by September 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than October 8, will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to 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.

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

to any school district that will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or subsequent two fiscal years. A school district that receives a qualified or negative certification may not issue tax and revenue anticipation notes or certificates of participation without approval by the county superintendent.

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. The District self-certified “qualified,” and the County concurred, for all interim reports from the second interim report in Fiscal Year 2009-10 through the first interim report in Fiscal Year 2013-14, with the exception of the second interim report in Fiscal Year 2010-11. For the second interim report in Fiscal Year 2010-11, the District self-certified “positive,” and the County changed the District’s certification to “qualified.” For all other interim reports, including the second interim for Fiscal Years 2013-14 and 2014-15, the District was certified “positive.”

The District has projected positive ending fund balances in Fiscal Years 2014-15 through 2016-17 in its Fiscal Year 2014-15 second interim report based on the State’s current plan to fully implement the LCFF by Fiscal Year 2020-21. Full implementation of the LCFF is expected to occur over a period of several years, during which an annual transition adjustment will be calculated for each 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. For a complete discussion of the LCFF implementation plan, see “DISTRICT FINANCIAL INFORMATION – Current State Education Funding – Local Control Funding Formula” herein. However, in the absence of either the full implementation of the LCFF as currently projected by the State or a reduction of general fund expenditures, there can be no assurances that the District will have positive ending fund balances in future years.

### **General Fund Budget**

The District’s General Fund budgets (audited or budgeted, as applicable) for the Fiscal Years ending June 30, 2013, through June 30, 2016, are set forth below:

TABLE 6

GENERAL FUND BUDGETING  
Fiscal Years 2012-13 through 2014-15 Audited Actuals and Fiscal Year 2015-16 Adopted Budget  
Coachella Valley Unified School District

	2012-13		2013-14		2014-15		2015-16
	Budget <sup>(1)(2)</sup>	Audited Actual <sup>(1)(2)</sup>	Budget <sup>(1)</sup>	Audited Actual <sup>(3)</sup>	Budget <sup>(1)</sup>	Projected Actual <sup>(3)</sup>	Adopted Budget <sup>(3)</sup>
<b>REVENUES</b>							
LCFF/Revenue Limit Sources <sup>(4)</sup>	\$93,151,906	\$95,035,408	\$95,225,407	\$124,152,531	\$143,274,529	\$146,891,837	\$176,035,191
Federal Sources	22,080,014	19,684,093	22,739,058	21,551,502	18,692,027	23,736,291	26,461,345
Other State Sources	34,473,562	39,123,274	36,163,022	20,916,505	15,095,224	20,213,396	8,236,614
Other Local Sources	8,038,343	9,923,365	7,507,402	8,097,098	1,385,964	2,192,803	1,400,000
Other Transfers	--	--	--	--	6,215,646	5,731,859	5,731,859
<b>TOTAL REVENUES</b>	<b>\$157,743,825</b>	<b>\$163,766,140</b>	<b>\$161,634,889</b>	<b>\$174,717,636</b>	<b>\$184,663,390</b>	<b>\$198,766,186</b>	<b>\$217,865,009</b>
<b>EXPENDITURES</b>							
Current							
Certificated Salaries	76,168,618	75,200,162	75,379,824	75,731,970	81,161,929	83,214,287	89,233,729
Classified Salaries	24,335,222	25,776,531	25,420,923	26,100,797	28,835,278	31,968,012	32,235,438
Employee Benefits	41,803,517	45,625,578	44,331,321	43,592,525	48,184,664	48,524,290	53,311,645
Books & Supplies	11,494,693	9,131,818	12,548,363	9,849,837	13,396,360	12,397,344	13,988,751
Services & Operating Expenditures	17,971,165	17,692,228	17,860,695	21,883,061	16,107,358	19,421,887	21,597,046
Capital Outlay	--	820,665	100,994	553,280	21,232	164,079	1,623,680
Other Outgo	(156,477)	17,434	696,942	569,173	600,000	1,330,000	1,300,000
Indirect/Direct Support Costs	--	--	(703,796)	--	(732,132)	(754,343)	(696,636)
<b>TOTAL EXPENDITURES</b> <sup>(2)</sup>	<b>\$171,616,738</b>	<b>\$174,264,416</b>	<b>\$175,635,266</b>	<b>\$178,280,643</b>	<b>\$187,574,689</b>	<b>\$196,265,556</b>	<b>\$212,593,653</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(13,872,913)</b>	<b>(10,498,276)</b>	<b>(14,000,377)</b>	<b>(3,563,007)</b>	<b>(2,911,299)</b>	<b>2,500,630</b>	<b>5,271,356</b>
<b>OTHER FINANCING SOURCES/(USES)</b>							
Transfers Out	(1,472,560)	(1,506,731)	(750,000)	(1,297,279)	(959,169)	(1,521,475)	(1,349,095)
Contributions & Other Sources	0	0	0	0	0	0	0
<b>TOTAL OTHER FINANCING SOURCES/(USES)</b>	<b>(1,472,560)</b>	<b>(1,506,731)</b>	<b>(750,000)</b>	<b>(1,297,279)</b>	<b>(959,169)</b>	<b>(1,521,475)</b>	<b>(1,349,095)</b>
<b>NET INCREASE (DECREASE) IN FUND BALANCE</b>	<b>(15,345,473)</b>	<b>(12,005,007)</b>	<b>(14,750,377)</b>	<b>(4,860,286)</b>	<b>(3,870,468)</b>	<b>979,155</b>	<b>3,922,261</b>
Fund Balance - Beginning	29,589,013	29,589,013	15,177,402 <sup>(5)(6)</sup>	17,584,006 <sup>(6)</sup>	12,723,720	17,182,659	18,161,815
Audit Adjustments	0	0	0	0	0	0	0
Adjusted Beginning Balance	29,589,013	29,589,013	15,177,402	17,584,006	12,723,720	17,182,659	18,161,815
<b>Fund Balance - Ending</b>	<b>\$14,243,540</b>	<b>\$17,584,006</b>	<b>\$427,025</b>	<b>\$12,723,720</b>	<b>\$8,853,251</b>	<b>\$18,161,814</b>	<b>\$22,084,076</b>

<sup>(1)</sup>From the Comprehensive Audited Financial Statements of the District for Fiscal Years 2011-12 through 2013-14. For audited results for Fiscal Years 2011-12 through 2013-14 in the revised reporting format, see " - Comparative Financial Statements" herein.

<sup>(2)</sup>For Fiscal Year 2013-14, on behalf payments of \$3,945,698 are included in the audited actual revenues and expenditures, but have not been included in the budgeted amounts.

<sup>(3)</sup>From the District's Fiscal Year 2013-14 Annual Financial Report, approved by the Board on January 13, 2015. Since the impact of the LCFF on the District's State revenue sources was unknown at the time of preparation of the District's 2013-14 Adopted Budget, the 2013-14 Adopted Budget reflects expected State revenue limit funding prior to the implementation of the LCFF as the nearest available approximation of expected funding. Projected Totals for Fiscal Year 2013-14 assume full LCFF funding. See " - Current State Education Funding - Local Control Funding Formula" herein. The District has initiated a fiscal recovery plan which the District expects to result in approximately \$1.3 million in expense reductions for Fiscal Year 2013-14.

<sup>(4)</sup>Beginning with the First Interim Report for Fiscal Year 2013-14, this category of funds is coded as "LCFF/Revenue Limit Sources."

<sup>(5)</sup>The beginning fund balance for Fiscal Year 2013-14 is different from the audited ending fund balance for Fiscal Year 2012-13 due to an audit adjustment made after the close of Fiscal Year 2012-13.

<sup>(6)</sup>Reflects actual Fiscal Year 2013-14 ending fund balance, as shown in the District's Fiscal Year 2013-14 Audited Actuals.

## State Funding of Education

California school districts receive a significant portion of their funding from State appropriations. As a result, changes in State revenues may affect appropriations made by the Legislature to school districts.

Until implementation of the Local Control Funding Formula, annual State apportionments of basic and equalization aid to school districts were computed based on a revenue limit per unit of A.D.A. Revenue limit calculations were adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among California school districts. See, "THE DISTRICT – Allocation of State Funding to School Districts; Restructuring the K-12 Funding System – Average Daily Attendance" and the table in that section titled, "Average Daily Attendance, Revenue Limit and Enrollment Fiscal Years 2007-08 to 2014-15," above.

The School District was a revenue limit district. For a discussion of legal limitations on the ability of the School District to raise revenues through local property taxes, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below.

## Current State Education Funding

**Local Control Funding Formula.** The State Constitution requires that from all State revenues there will be funds set aside to be allocated by the State for support of the public school system and public institutions of higher education. As discussed below, school districts in the State receive a significant portion of their funding from these State allocations. **Bond proceeds from voter approved bond measures, such as the measure approved by District voters at the election held on June 7, 2005, and the *ad valorem* taxes levied to pay them are separately accounted for from District operating revenues.**

The general operating income of school districts in California is comprised of two major components: a State portion funded from the State's general fund, a local portion derived from the District's share of the 1% local *ad valorem* tax authorized by the State Constitution. School districts may also be eligible for special categorical and grant funding from State and federal government programs.

As part of the 2013-14 State Budget, State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97") was enacted to establish a new system for funding State school districts, charter schools and county offices of education by the implementation of the Local Control Funding Formula or LCFF. This formula replaced the 40-year revenue limit funding system for determining State apportionments and the majority of categorical programs. See " — Prior State Funding of Education" above. Subsequently, AB 97 was amended and clarified by Senate Bill 91 (Stats. 2013, Chapter 49). The LCFF consists primarily of base, supplemental and concentration funding formulas that focus resources based on a school district student demographic. Each school district and charter school will receive a per pupil base grant used to support the basic costs of instruction and operations. The implementation of the LCFF is to occur over a period of several years. Beginning in Fiscal Year 2013-14, an annual transition adjustment is to be calculated for each individual school district, equal to such district's proportionate share of appropriations included in the State Budget. The Governor's Department of Finance estimates the LCFF funding targets could be achieved in eight years, with LCFF being fully implemented by 2020-21. "DISTRICT FINANCIAL INFORMATION – Current State Education Funding – Local Control Funding Formula" herein.

The LCFF includes the following components:

- An average base grant for each local education agency equivalent to \$8,101 per unit of ADA (by the end of the implementation period). This amount includes an adjustment of 10.4% to the base grant to support lowering class sizes in grades K-3, and an adjustment of 2.6% to reflect the cost of operating career technical education programs in high schools. It should be noted that the authorizing LCFF statute, AB 97, provides for a differentiated base grant amount according to four different grade spans: K-3, 4-6, 7-8, and 9-12. Unless otherwise collectively bargained for, following full implementation of the LCFF, school districts must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site by the target year so as to continue receiving its adjustment to the K-3 base grant.
- A 20% supplemental grant for students classified as English learners (“EL”), those eligible to receive a free or reduced price meal (“FRPM”) and foster youth, to reflect increased costs associated with educating those students. These supplemental grants are only attributed to each eligible student once, and the total student population eligible for the additional funding is known as an “unduplicated count.”
- An additional concentration grant equal to 50% of a local education agency’s base grant, based on the number of unduplicated EL, FRPM and foster youth served by the local agency that comprise more than 55% of the school district’s or charter school’s total enrollment. The District’s eligible student percent for supplemental grants is 92% and is projected to reach the 55% threshold for concentration grants.

Of the more than \$25 billion in funding to be invested through the LCFF over the next eight years, the vast majority of new funding will be provided for base grants. Specifically, of every dollar invested through the LCFF, 84 cents will go to base grants, 10 cents will go to supplemental grants, and 6 cents will go to concentration grants. Under the 2013-14 State Budget, the target average base grant is \$7,643, which is an increase of \$2,375 from the prior year’s average revenue limit. 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. 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% cost of living adjustment in Fiscal Years 2014-15 through 2020-21, and restoration of categorical funding to pre-recession levels. The sum of a school district’s adjusted base, supplemental and concentration grants will be multiplied by such district’s Second Principal Apportionment (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 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 the individual district’s share of applicable local property taxes allocations. Most school districts receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues in a particular year may significantly affect appropriations made by the State Legislature to school districts.

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

A summary of the target LCFF funding amounts for California school districts and charter schools based on grade levels and targeted students classified as English learners, those eligible to receive a free or reduced price meal, foster youth, or any combination of these factors (“unduplicated” count) is shown below:

**TABLE 7**

**CALIFORNIA SCHOOL DISTRICTS AND CHARTER SCHOOLS  
GRADE SPAN FUNDING AT FULL LCFF IMPLEMENTATION  
LOCAL CONTROL TARGET FUNDING FORMULA 2014-15**

<u>Grade Levels</u>	<u>Base Grants</u>	<u>Grade Span Adjustments</u>	<u>Supplemental Grant<sup>(1)</sup></u>	<u>Concentration Grant</u>	<u>Total per ADA</u>
TK-3	\$7,011	\$729	\$1,548	\$3,870	\$13,158
4-6	7,116	—	1,423	3,558	12,097
7-8	7,328	—	1,466	3,664	12,458
9-12	8,491	221	1,742	4,356	14,181

<sup>(1)</sup> Based on the District’s percent of eligible students of 92%.  
Source: California Department of Education

Beginning July 1, 2014, school districts are required to develop a three-year Local Control and Accountability Plan (each, a “LCAP”). County Superintendent of Schools and the State Superintendent of Public Instruction will review and provide support to the districts and county offices of education under their jurisdiction. In addition, the Fiscal Year 2013-14 State Budget created the California Collaborative for Education Excellence (the “Collaborative”) to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. The State Superintendent of Public Instruction may direct the Collaborative to provide additional assistance to any district, county office, or charter school. For those entities that continue to struggle in meeting their goals, and when the Collaborative indicates that additional intervention is needed, the State Superintendent of Public Instruction has authority to make changes to the district or county office’s local plan. For charter schools, the charter authorizer will be required to consider revocation of a charter if the Collaborative finds that the inadequate performance is so persistent and acute as to warrant revocation. The State will continue to measure student achievement through statewide assessments, produce an Academic Performance Index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

**LCFF and the District.** The District’s Fiscal Year 2013-14 revised budget reflects increased revenues of approximately \$17.1 million under the new LCFF. Base funds received may be spent on a District-wide basis. The District must also identify specific services and expenditures for the targeted students. Based on current data, the District would need to provide a 15% for services to those targeted students. The District is aware of certain risks associated with the LCFF, including future State budget challenges in the event of an economic recession and the impact of Proposition 30 revenues after the temporary sales and income taxes expire at the end of 2016 and 2018, respectively. See “EFFECT OF STATE BUDGET ON REVENUES” herein.

Actual funding in Fiscal Year 2013-14 and subsequent years is based on the difference between the District’s funding floor and its LCFF target (the LCFF gap). For Fiscal Year 2013-14, the District

received approximately \$116.9 million in its funding floor amount plus a portion of its LCFF gap, which was equivalent to approximately \$9.1 million. Total Fiscal Year 2013-14 revenues, including federal, other local and other revenues was approximately \$173.5 million. At the time of the Fiscal Year 2013-14 budget adoption of the LCFF statute, the State Department of Finance estimated that the portion of the gap that would be funded would be 11.78% in Fiscal Year 2013-14, 16.49% in Fiscal Year 2014-15, and 18.69% in Fiscal Year 2015-16. As part of the 2015-16 State Budget, the Department of Finance has revised its projections and increased the gap funding provided to 29.97% in Fiscal Year 2014-15, 51.52% in Fiscal Year 2015-16, and a projected 33.5% in Fiscal Year 2016-17. These higher LCFF gap funding percentages could result in the LCFF targets being reached in a more consistent pace. Each Fiscal Year thereafter, the District’s funding amount will be based on recalculation of its LCFF target and its funding floor including any prior year transition funding converted to a per-ADA value and then adjusted for current year ADA. As LCFF continues to be implemented, the District’s base and supplemental grant funding will increase in an effort to bring the District’s total funding to its overall LCFF target. This increased funding will provide additional resources for the District to invest in academic, programmatic and operational purposes, while providing a more positive fiscal outlook. The District does not qualify for concentration grant funding.

The following table sets forth the District’s projected ADA for Fiscal Years 2013-14 through 2016-17, the District’s projected target LCFF funding amounts at full implementation (which represents a combined total of base grant, K-3 class size reduction and grades 9-12 adjustments, supplemental grant funding, each calculated by grade span), projected annual LCFF allocation and gap funding for Fiscal Years 2013-14 through 2016-17. Note the data assumes an unduplicated count of EL, FRPM and foster youth of 92% of enrollment for each of the Fiscal Years, based on current unduplicated counts which are projected to remain stable.

**TABLE 8**

**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT  
LOCAL CONTROL FUNDING FORMULA PROJECTIONS  
Fiscal Years 2013-14 through 2016-17<sup>(1)</sup>**

<b>Fiscal Year</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
<b>ADA</b>	17,942.84	18,113.03	18,113.03	18,113.03
<b>COLA</b>	1.57%	0.85%	1.02%	1.6%
<b>Total LCFF Target in Million</b>	192.8	199.90	201.9	205.1
<b>Total LCFF Revenue in Million</b>	125.9	148.80	176.9	87.5

<sup>(1)</sup> Preliminary and projected figures for Fiscal Years 2013-14 through 2016-17. For purposes of calculating supplemental and concentration grants, a school district’s Fiscal Year 2013-14 percentage of unduplicated EL, FRPM, and foster youth students will be expressed solely as a percentage of its Fiscal Year 2013-14 total enrollment. For Fiscal Year 2014-15, the percentage of unduplicated EL, FRPM, and foster youth enrollment will be based on the two-year average of EL, FRPM, and foster youth enrollment in Fiscal Years 2013-14 and 2014-15. Beginning in Fiscal Year 2015-16, a school district’s percentage of unduplicated EL, FRPM and foster youth students will be based on a rolling average of such school district’s EL, FRPM, and foster youth enrollment for the then-current Fiscal Year and the two immediately preceding Fiscal Years. This table assumes 92% of District enrollment is comprised of unduplicated EL, FRPM, and foster youth students for each of the Fiscal Years listed, based on October 2, 2013, certified CALPADS. ADA as of the second principal reporting period (P-2 ADA).

Source: The District.

**Revenue Sources**

The District generally categorizes its general fund revenues into four sources: (1) revenue limit sources (consisting of a mix of State and local revenues), (2) federal revenues, (3) other State revenues and (4) other local revenues. Each of these revenue sources is described below.



Revenue Limit Sources. Since Fiscal Year 1973-74 through Fiscal Year 2012-13, State school districts operated under general purpose revenue limits established by the State Legislature. In general, the base revenue limits were calculated for each school district by multiplying (1) the A.D.A. for each district by (2) a base revenue limit per unit of A.D.A. The base revenue limit calculations were adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all State school districts of the same type. The base revenue limit was then adjusted by the State deficit factor. Commencing in Fiscal Year 2013-14, the State is implementing a new funding system, referred to as “Local Control Funding Formula.” See “DISTRICT FINANCIAL INFORMATION – Current State Education Funding – Local Control Funding Formula” herein.

Enrollment can fluctuate due to factors such as population growth or decline, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes. Losses in enrollment will cause a school district to lose operating revenues, without necessarily permitting the school district to make adjustments in fixed operating costs.

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

Beginning in Fiscal Year 1978-79, Proposition 13 and its implementing legislation provided for each county to levy and collect all property taxes (except for levies to support prior voter-approved indebtedness), and prescribed how levies on county-wide property values were to be shared with local taxing entities within each county. Property taxes collected by the Counties which are used to pay the principal of and interest, on the general obligation bonds do not constitute local property taxes for purposes of being applied toward the District’s local control funding limit.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under the Educational Consolidation and Improvement Act, and specialized programs such as Drug Free Schools, Education for Economic Security, and the free and reduced lunch program. The federal revenues, most of which are restricted, comprised approximately 12% of general fund revenues in 2013-14, 12% of general fund revenues in 2014-15 and are budgeted to equal approximately 12% of such revenues in 2015-16.

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

These other State revenues are primarily restricted revenues funding items such as the Special Education Master Plan, School Improvement Program, Economic Impact Aid, Class Size Reduction Program, home-to-school transportation, instructional materials and mentor teachers. Other State revenues, including State Lottery Revenue, comprised approximately 12% of general fund revenues in 2013-14 and are budgeted to equal approximately 8% of such revenues in 2014-15. On February 20, 2009, Governor Schwarzenegger signed a 17-month budget that included categorical flexibility provisions that allowed sweeping of categorical ending fund balances to the unrestricted general fund to be used for any education purpose. Additionally, Senate Bill X3 (SBX3) authorized the reclassification of thirty-nine previously restricted categorical programs to unrestricted funds. Since the funds are unrestricted, program or funding requirements, as otherwise provided in statute, regulation, or budget act provisional language associated with the funding, are not in effect; therefore, the District may choose to use these funds for any educational purpose. These flexibility provisions have been extended for seven years, 2008-09 through 2014-15 by Education Code Section 42605.

Other State revenues include the California State Lottery (the “Lottery”), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research. Lottery revenues comprised a nominal amount (less than 2%) of general fund revenues in 2013-14 and are budgeted to equal approximately the same amount of such revenues in 2014-15.

**Other Local Revenues.** In addition to property taxes, the District receives additional local revenues from items such as leases and rentals, interest earnings, transportation fees, interagency services, and other local sources. Other local revenues comprised approximately .8% of general fund revenues in 2013-14, .8% of general fund revenues in 2014-15 and are budgeted to equal approximately .8% of general fund revenues in 2015-16.

**Other Funding Sources**

**Other Sources.** The federal government provides funding for several school district programs, including specialized programs such as No Child Left Behind, special education programs and programs under the Educational Consolidation and Improvement Act. In addition, a small part of a school district’s budget is from local sources other than property taxes, including but not limited to interest income, leases and rentals, educational foundations, donations and sales of property.

**Developer Fees.** The following table shows a nine-year history of developer fees collected on residential and commercial development within the District.

**TABLE 9  
DEVELOPER FEE COLLECTIONS  
Fiscal Years 2006-07 through 2014-15  
Coachella Valley Unified School District**

<u>Fiscal Year</u>	<u>Total Collections</u>
2006-07	\$6,251,286
2007-08	3,352,576
2008-09	1,285,349
2009-10	650,392
2010-11	857,928
2011-12	946,150
2012-13	1,087,023
2013-14 <sup>(1)</sup>	1,741,074
2014-15 <sup>(2)</sup>	1,924,348

(1) Estimated.  
(2) Projected.

Source: Coachella Valley Unified School District.

**Redevelopment Revenue.** The District entered into agreements with several redevelopment agencies formed pursuant to the California Community Redevelopment Law (Health and Safety Code Sections 33000 *et seq.*) (generally, “Redevelopment Agencies”), pursuant to which the District has, in the past, received “pass-through” tax increment revenues (the “Redevelopment Revenues”). The District has projected the receipt of \$164,325, \$789,212 and \$2,575,480 in Redevelopment Revenues with respect to agreements entered into in the past with La Quinta, Coachella and Riverside County redevelopment agencies in Fiscal Year 2014-15.

The District, however, can make no representations that Redevelopment Revenues will continue to be received by the District in amounts consistent with prior years, or as currently projected, particularly in light of the recently enacted legislation eliminating redevelopment agencies. See “DISTRICT FINANCIAL INFORMATION – Current State Education Funding – Local Control Funding Formula” and “ – Litigation Regarding State Budgetary Provisions; Redevelopment Litigation” and “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 1A and Proposition 22” herein. Further, the District can make no representations about the potential impact of litigation regarding such legislation. The Bonds, however, are not payable from such revenue. The Bonds are payable solely from the proceeds of an *ad valorem* tax required to be levied by the Counties in an amount sufficient for the payment thereof. See “INTRODUCTION – Sources of Payment for the Bonds” and “THE BONDS – Security” herein.

**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, equal to at least \$250,000 in any year, unless the oversight board reduces such amount for any fiscal year or a lesser amount is agreed to by the Successor Agency; then, fourth tax revenues in the Trust Fund in excess of such amounts, if any, will be allocated as residual distributions to

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

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

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

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

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

***District Debt Structure***

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

***Long-Term Debt.*** For information regarding overlapping bonded debt, see “TAX BASE FOR REPAYMENT OF BONDS – Direct and Overlapping Bonded Debt” and Note 8 in APPENDIX B – “AUDITED FINANCIAL STATEMENTS OF THE DISTRICT.”

***Certificates of Participation.*** On April 3, 2003, the District executed and delivered its 2003 Certificates of Participation (School Financing Project) in an aggregate principal amount of \$15,500,000 (the “April 2003 Certificates”), the net proceeds of which were used to finance the construction and renovation of school facilities and advance refund certain of the District’s 1991 Certificates of Participation.

On November 20, 2003, the District executed and delivered its 2003 Certificates of Participation (East Coachella School Facilities Project) in an aggregate principal amount of \$3,500,000 (the “November 2003 Certificates”), the net proceeds of which were used to finance the construction of school facilities. On September 6, 2013, the District entered into the 2013 Refunding Lease (as defined herein), the proceeds of which were used to currently refund the outstanding April 2003 Certificates and November 2003 Certificates. No April 2003 Certificates or November 2003 Certificates remain outstanding. See “ – Capital Leases” herein.

On April 12, 2006, the District executed and delivered its Certificates of Participation (2006 School Financing Project) in an aggregate principal amount of \$14,485,000 (the “2006 Certificates”), the net proceeds of which were used to finance the acquisition of real property of a school site and provide funds for the construction, reconstruction modernization, rehabilitation and improvement of existing school facilities of the District. On July 5, 2011, the District entered into the 2011 Refunding Lease, the proceeds of which were used to currently refund the District’s outstanding 2006 Certificates. No 2006 Certificates remain outstanding. See “ – Capital Leases” herein.

On January 9, 2007, the District executed and delivered its 2006B Certificates of Participation (School Facilities Project) in an aggregate principal amount of \$23,500,000 (the “2006B Certificates”), the proceeds of which were used to finance the construction, reconstruction, expansion, modernization, and improvement of existing school facilities. The following table summarizes the future annual lease payment requirements of the District with respect to the 2006B Certificates. If market conditions remain favorable, the District anticipates refunding the 2006B Certificates.

**TABLE 10**

**2006B CERTIFICATES ANNUAL PAYMENTS  
Coachella Valley Unified School District**

<u>Year Ending June 30</u>	<u>Annual Lease Payments</u>
2015	\$975,745.83
2016	977,500.00
2017	975,900.00
2018	984,200.00
2019	1,284,350.00
2020	1,481,325.00
2021	1,533,650.00
2022	1,561,550.00
2023	1,622,050.00
2024	1,682,250.00
2025	1,688,750.00
2026	1,381,175.00
2027	1,394,175.00
2028	1,526,550.00
2029	1,609,412.50
2030	1,626,175.00
2031	1,664,825.00
2032	2,768,637.50
2033	2,499,200.00
2034	2,566,800.00
2035	654,100.00
2036	672,700.00
2037	<u>2,718,300.00</u>
Total	<u>\$35,849,320.83</u>

*Source: Coachella Valley Unified School District.*

**Lease Refinancing.** On July 5, 2011, the District entered into a lease agreement with Banc of America Public Capital Corporation in the aggregate principal amount of \$12,830,000 (the “2011 Refunding Lease”), the proceeds of which were used to currently refund the District’s outstanding 2006 Certificates. The following table summarizes future payment requirements of the District with respect to the 2011 Refunding Lease:

**TABLE 11**

**2011 REFUNDING LEASE ANNUAL PAYMENTS  
Coachella Valley Unified School District**

<u>Year Ending June 30</u>	<u>Annual Lease Payments</u>
2015	\$1,052,000
2016	1,053,125
2017	1,048,125
2018-22	5,241,500
2023-26	<u>8,485,250</u>
Total	<u>\$16,880,000</u>

*Source: Coachella Valley Unified School District.*

On September 6, 2013, the District entered into a lease agreement with Public Property Financing Corporation of California in the aggregate principal amount of \$9,475,000, the proceeds of which were used to currently refund the outstanding April 2003 Certificates and November 2003 Certificates. The following table summarizes the future payment requirements of the District with respect to the 2013 Refunding Lease:

**TABLE 12**

**2013 REFUNDING LEASE ANNUAL PAYMENTS  
Coachella Valley Unified School District**

<u>Year Ending September 1</u>	<u>Annual Lease Payments</u>
2014	\$191,144.97
2015	628,232.50
2016	711,301.25
2017	770,842.50
2018	1,184,697.00
2019	708,760.00
2020	594,235.00
2021	640,540.00
2022	703,940.00
2023	749,331.25
2024	752,855.00
2025	750,445.00
2026	752,101.25
2027	752,720.00
2028	747,405.00
2029	751,052.50
2030	748,558.75
2031	749,923.75
2032	<u>745,147.50</u>
Total	<u>\$13,633,233.72</u>

*Source: Coachella Valley Unified School District.*



**Capital Leases.** The District leases various equipment items under lease agreements (the “Capital Leases”) that provide for title to pass to the District upon execution of a bargain purchase option. Future minimum lease payments with respect to these Capital Leases as of June 30, 2014 are shown in Note 8 in APPENDIX B – “AUDITED FINANCIAL STATEMENTS OF THE DISTRICT.”

**General Obligation Bonds.** The District received authorization at an election held on March 4, 1997, by at least two-thirds of the votes cast by eligible voters in the District, to authorize the issuance of \$20,000,000 maximum principal amount of general obligation bonds of the District (the “1997 Authorization”). On August 19, 1997, the District issued its General Obligation Bonds, 1997 Election, Series A (Bank Qualified) in the aggregate principal amount of \$10,000,000 (the “1997 Series A Bonds”). On September 2, 1998, the District issued its General Obligation Bonds, 1997 Election, Series B in the aggregate principal amount of \$9,999,277.95 (the “1997 Series B Bonds”). On May 26, 2010, the District issued its 2010 General Obligation Refunding Bonds in the aggregate principal amount of \$6,560,000, the proceeds of which were used to currently refund a portion of the then-outstanding 1997 Series A Bonds (the “2010 Refunding Bonds”). There are currently no 1997 Series A Bonds outstanding. \$722.05 of the 1997 Authorization remains unissued.

The District received authorization at an election held on June 7, 2005, by at least two-thirds of the votes cast by eligible voters in the District, to authorize the issuance of \$250,000,000 maximum principal amount of general obligation bonds of the District (the “2005 Authorization”). On September 7, 2005, the District issued its 2005 Series A Bonds in the aggregate principal amount of \$49,998,180. On February 22, 2007, the District issued its General Obligation Bonds, 2005 Election, Series B in the aggregate principal amount of \$30,000,000 (the “2005 Series B Bonds”). On May 26, 2010, the District issued its General Obligation Bonds, 2005 Election, Series C in the aggregate principal amount of \$24,990,463 (the “2005 Series C Bonds”). On July 12, 2012, the District issued its General Obligation Bonds, 2005 Election, Series D in the aggregate principal amount of \$54,999,882 (the “2005 Series D Bonds”). On February 13, 2014, the District issued its 2014 General Obligation Refunding Bonds, in the aggregate principal amount of \$38,145,000 (the “2014 Refunding Bonds”), to redeem most of the then-outstanding 2005 Series A Bonds. \$90,011,475 of the 2005 Authorization remains unissued.

The District received authorization at an election held on November 6, 2012, by at least 55% of the votes cast by eligible voters within the District, to authorize the issuance of \$41,000,000 maximum principal amount of general obligation bonds of the District (the “2012 Authorization”). On May 9, 2013, the District issued its General Obligation Bonds, 2012 Election, Series A (Federally Taxable) in the aggregate principal amount of \$20,255,000 (the “2012 Series A Bonds”). \$20,745,000 of the 2012 Authorization remains unissued.

The table on the following page displays the annual debt service requirements of the District for all of its outstanding general obligation bonds (assuming no optional redemptions) prior to issuance of the Bonds.

**TABLE 13**  
**TOTAL OUTSTANDING BONDED DEBT**  
**Coachella Valley Unified School District**

Year Ending August 1	The 1997 Authorization				The 2005 Authorization				2014 Gen. Obl.		2015 Gen. Obl.
	1997 Series B Bonds	2010 Refunding Bonds	2005 Series A Bonds	2005 Series B Bonds <sup>(1)</sup>	2005 Series C Bonds	2005 Series D Bonds	2014 Gen. Obl. Series A	2014 Gen. Obl. Series B	2015 Gen. Obl. Ref. Bonds	2015 Gen. Obl. Ref. Bonds	
2014	\$1,075,000.00	\$705,987.50	\$1,341,250.00	\$813,750.00	--	\$2,794,875.00	\$943,465.00	--	\$	\$	
2015	1,150,000.00	707,100.00	1,706,250.00	905,750.00	--	2,448,125.00	1,718,325.00	816,100.21	816,100.21		
2016	1,250,000.00	706,500.00	--	993,750.00	--	2,036,125.00	3,784,125.00	811,237.50	811,237.50		
2017	1,350,000.00	710,100.00	--	1,048,750.00	--	2,036,125.00	3,855,725.00	814,537.50	814,537.50		
2018	1,450,000.00	717,700.00	--	550,000.00	--	2,311,125.00	3,840,925.00	1,362,737.50	1,362,737.50		
2019	1,555,000.00	719,100.00	--	550,000.00	--	2,562,875.00	3,822,925.00	1,429,937.50	1,429,937.50		
2020	1,670,000.00	716,425.00	--	550,000.00	--	2,906,475.00	3,851,725.00	1,371,137.50	1,371,137.50		
2021	1,785,000.00	722,625.00	--	550,000.00	--	3,020,475.00	3,824,525.00	1,676,637.50	1,676,637.50		
2022	1,900,000.00	520,625.00	--	550,000.00	--	3,128,475.00	3,990,325.00	1,650,137.50	1,650,137.50		
2023	2,775,000.00	--	--	550,000.00	--	3,728,475.00	3,840,125.00	1,602,387.50	1,602,387.50		
2024	--	--	--	550,000.00	\$1,800,000.00	2,183,475.00	3,790,875.00	1,909,387.50	1,909,387.50		
2025	--	--	--	550,000.00	2,000,000.00	2,320,187.50	3,830,125.00	1,938,387.50	1,938,387.50		
2026	--	--	--	550,000.00	2,000,000.00	2,361,687.50	3,869,875.00	2,297,387.50	2,297,387.50		
2027	--	--	--	550,000.00	2,400,000.00	2,440,762.50	3,844,625.00	2,298,737.50	2,298,737.50		
2028	--	--	--	3,000,000.00	2,500,000.00	2,495,825.00	3,852,625.00	246,375.00	246,375.00		
2029	--	--	--	3,102,500.00	2,700,000.00	2,696,762.50	--	4,084,625.00	4,084,625.00		
2030	--	--	3,000,000.00	3,143,750.00	3,000,000.00	2,912,762.50	--	1,174,725.00	1,174,725.00		
2031	--	--	--	3,176,250.00	6,000,000.00	4,653,762.50	--	--	--		
2032	--	--	--	--	8,000,000.00	6,383,362.50	--	--	--		
2033	--	--	--	--	8,400,000.00	6,498,250.00	--	--	--		
2034	--	--	--	--	9,000,000.00	6,496,250.00	--	--	--		
2035	--	--	--	--	9,500,000.00	6,616,750.00	--	--	--		
2036	--	--	--	--	10,000,000.00	6,763,000.00	--	--	--		
2037	--	--	--	--	10,000,000.00	7,407,750.00	--	--	--		
2038	--	--	--	--	10,500,000.00	7,400,000.00	--	--	--		
2039	--	--	--	--	10,500,000.00	7,800,000.00	--	--	--		
2040	--	--	--	--	11,000,000.00	7,800,000.00	--	--	--		
2041	--	--	--	--	11,000,912.94	8,500,000.00	--	--	--		
2042	--	--	--	--	11,006,532.14	8,500,000.00	--	--	--		
2043	--	--	--	--	12,000,000.00	8,500,000.00	--	--	--		
<b>Total</b>	<b>\$15,960,000.00</b>	<b>\$6,226,162.50</b>	<b>\$6,047,500.00</b>	<b>\$21,684,500.00</b>	<b>\$143,307,445.08</b>	<b>\$137,703,737.50</b>	<b>\$52,660,315.00</b>	<b>25,484,475.21</b>	<b>25,484,475.21</b>		

<sup>(1)</sup> Excludes debt service on the Refunded Bonds which were refinanced with proceeds of the Bonds.  
Source: Coachella Valley Unified School District.

**TABLE 13 (Continued)**  
**TOTAL OUTSTANDING BONDED DEBT**  
**Coachella Valley Unified School District**

2012 Series A <u>Bonds</u>	The 2012 Authorization		Total Annual <u>Debt Service</u>
	Tax-Exempt Series B <u>Bonds</u>	Taxable Series B <u>Bonds</u>	
\$1,774,865.78	\$	\$	
2,207,042.40			
2,227,594.46			
2,276,838.20			
2,318,093.20			
1,317,534.46			
1,381,254.80			
1,430,955.80			
1,500,282.30			
1,538,775.30			
1,612,996.30			
1,675,489.40			
1,752,527.30			
1,823,200.80			
1,897,509.90			
--			
--			
--			
--			
--			
--			
--			
--			
--			
--			
--			
--			
--			
--			
<u>\$26,734,960.40</u>			

## CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

*Principal of and interest, on the Bonds are payable from the proceeds of an ad valorem tax levied by the Counties for the payment thereof. (See "THE BONDS – Security" in the body of the Official Statement.) Articles XIII A, XIII B, XIII C and XIII D of the California Constitution, Propositions 39, 98, 111, and 218, 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 Counties to levy taxes and of 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 Counties to levy taxes for payment of the Bonds. The tax levied by the Counties 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

On June 6, 1978, California voters approved Proposition 13 ("Proposition 13"), which added Article XIII A to the California Constitution ("Article XIII A"). Article XIII A, as amended, limits the amount of any *ad valorem* taxes on real property to 1% of the "full cash value," and provides that such tax shall be collected by the counties and apportioned according to State law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to *ad valorem* taxes levied to pay interest and redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness for the acquisition or improvement of real property which had been approved on or after July 1, 1978, by two-thirds or more of the votes cast by the voters voting on the proposition, or (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district voting on the proposition, but only if certain accountability measures are included in the proposition as provided by Proposition 39. The tax for payment of the Bonds falls within the exception for bonds approved by a 55% vote.

Article XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year until new construction or a change of ownership occurs.

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

### 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 relevant county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

That portion of annual property tax revenues generated by increases in assessed valuations within each tax rate area within a county, subject to redevelopment agency or successor agency claims on tax increment, if any, and subject to changes in organizations, if any, of affected jurisdictions, is allocated to each jurisdiction within the tax rate area in the same proportion that the total property tax revenue from the tax rate area for the prior year was allocated to such jurisdictions.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment of 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 is shown at 100% of assessed value on the tax rolls. Consequently, the tax rate is expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

### **Inflationary Adjustment of Assessed Valuation**

As described above, the assessed value of a property may be increased at a rate not to exceed 2% per year to account for inflation. Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property, adjusted for inflation) at an annual rate higher than 2%, depending on the assessor's measure of the restoration of value of the damaged property. On December 27, 2001, the Orange County Superior Court, in *County of Orange v. Orange County Assessment Appeals Board No. 3*, held that where a home's taxable value did not increase for two years, due to a flat real estate market, the Orange County assessor violated the 2% inflation adjustment provision of Article XIII A, when the assessor tried to "recapture" the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in most California counties, including the Counties, use a similar methodology in raising the taxable values of property beyond 2% in a single year. The State Board of Equalization has approved this methodology for increasing assessed values. On appeal, the Appellate Court held that the trial court erred in ruling that assessments are always limited to no more than 2% of the previous year's assessment. On May 10, 2004, a petition for review was filed with the California Supreme Court. The petition was denied by the California Supreme Court. As a result of this litigation, the "recapture" provision described above may continue to be employed in determining the full cash value of property for property tax purposes.

### **Taxation of State-Assessed Utility Property**

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

Changes in the California electric utility industry structure and in the way in which components of the industry are regulated and owned, including the sale of electric generation assets to largely unregulated, non-utility companies, may affect how utility assets are assessed in the future, 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 or 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. Because the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as aid under the State's school financing formula.

### **Article XIII B of the California Constitution**

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

In the event the District receives any proceeds of taxes in excess of the allowable limit in any fiscal year, the District may implement a statutory procedure to concurrently increase the District's appropriations limit and decrease the State's allowable limit, thus nullifying the need for any return. Certain features of Article XIII B were modified by Proposition 111 in 1990 (see " – Proposition 111" below).

### **Proposition 98**

On November 8, 1988, California voters approved Proposition 98 ("Proposition 98"), a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). Certain provisions of the Accountability Act, have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as "K-14 school districts") at a level equal to the greater of (a) the same percentage of State General Fund revenues as the percentage appropriated to such districts in Fiscal Year 1986-87 or (b) the amount actually appropriated to such districts from the State General Fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the State Legislature (the "Legislature") to suspend this formula for a one-year period. The current level of guaranteed funding pursuant to Proposition 98 is approximately 35% of the State General Fund.

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

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 budget in a different way than is proposed in the Governor's Budget. In any event, the Governor and other fiscal observers expect the Accountability Act to place increasing pressure on the State's budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIII B spending limit would restrain the State's ability to fund such other programs by raising taxes. (See "EFFECT OF STATE BUDGET ON REVENUES" and "DISTRICT FINANCIAL INFORMATION" above).

### **Proposition 111**

On June 5, 1990, the voters of California approved the "Traffic Congestion Relief and Spending Limitation Act of 1990" ("Proposition 111"), which modified the State Constitution to alter the Article XIII B spending limit and the education funding provisions of Proposition 98. Proposition 111 took effect on July 1, 1990.

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

- a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.
- b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess is 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 new exceptions have been added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, excluded are all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, excluded are any increases in gasoline taxes above the then current cents per gallon level, 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.
- d. Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, was recalculated beginning in Fiscal Year 1990-91. It is based on the actual limit for Fiscal Year 1986-87, adjusted forward to Fiscal Year 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) a certain percentage of State General Fund revenues (the “first test”) or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIB by reference to per capita personal income) and enrollment (the “second test”). Under Proposition 111, school districts will receive the greater of (1) the first test, (2) the second test, or (3) a third test (defined below), which will replace the second test in any year when growth in per capita State General Fund revenues from the prior year is less than the annual growth in California per capita personal income. Under the third test, school districts will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State General Fund revenues, plus an additional small adjustment factor (the “third test”). If the third test is used in any year, the difference between the third test and the second test will become a “credit” to school districts which will be paid in future years when State General Fund revenue growth exceeds personal income growth.

### **Article XIIC and Article XIID of the State Constitution; Proposition 218**

An initiative measure entitled “Right to Vote on Taxes Act,” also known as Proposition 218 (the “Proposition 218”), was approved by the California voters at the November 5, 1996, state-wide general election, and became effective on November 6, 1996. Proposition 218 added Articles XIIC and XIID (“Article XIIC” and “Article XIID,” respectively) to the California Constitution. Articles XIIC and XIID 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. All references herein to Articles XIIC and XIID are references to the text as set forth in Proposition 218.

Among other things, Article XIIC establishes that every tax is either a “general tax” (imposed for general governmental purposes) or a “special tax” (imposed for specific purposes), and prohibits special purpose government agencies such as school districts from levying general taxes.

Article XIIC also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. The initiative power is, however, limited by the United States Constitution’s prohibition against state or local laws “impairing the obligation of contracts.” The Bonds represent a contract between the District and the Owners secured by the collection of *ad valorem* property taxes. While not free from doubt, it is likely that, once the Bonds are issued, the taxes securing them would not be subject to reduction or repeal. Legislation adopted in 1997 provides that Article XIIC shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure which would constitute an impairment of contractual rights under the contracts clause of the United States Constitution.

Article XIID deals with assessments and property-related fees and charges. Article XIID explicitly provides that nothing in Article XIIC or XIID shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however, it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the District. No developer fees imposed by the District are pledged or expected to be used to pay the Bonds. Article XIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4. Article XIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Articles 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 interpretation and application of Proposition 218 and the United States Constitution's contracts clause will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

### **Proposition 39**

On November 7, 2000, California voters approved an amendment (commonly known as "Proposition 39") to the California Constitution. Upon passage of Proposition 39, implementing legislation entitled "Strict Accountability in Local School Construction Bonds Act of 2000" (the "Strict Accountability in Local School Construction Bonds Act") became operative. Proposition 39 (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 of Proposition 39 may be changed only with another state-wide vote of the people. The statutory provisions of the Strict Accountability in Local School Construction Bonds Act, as amended, may be changed by a majority vote of both houses of the Legislature and approved by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition and implementing legislation are K-12 school districts, including the District, community college districts and county offices of education. As noted above, the California Constitution previously limited property taxes to 1% of the value of property. Prior to Proposition 39, property taxes could only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to acquire or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement would apply 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. The Strict Accountability in Local School Construction Bonds Act, approved in June 2000, as amended, places certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate levied as the result of any single election be no more than (i) \$60 for a unified school district or school facilities improvement district formed by a unified school district, (ii) \$30 for a high school or elementary school district, or (iii) \$25 for a community college district, per \$100,000 of taxable property value. These requirements are statutory provisions and are not part of the Proposition 39 changes to the California Constitution. The Strict Accountability in Local School Construction Bonds Act statutory provisions can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

### **Proposition 30**

On November 6, 2012, voters of the State approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increases the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposes an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposes an additional excise tax on the storage, use or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use or other consumption in the State. This excise tax will be levied at a rate of 0.25% of the sales price of the property so purchased. For personal

income taxes imposed beginning in the taxable year commencing on 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 APPENDIX A – “INFORMATION RELATING TO THE COACHELLA VALLEY UNIFIED SCHOOL DISTRICT’S OPERATIONS AND BUDGET” and “ –“CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Propositions 98” and “– Proposition 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.

### **Statutory Limitations**

On November 4, 1986, State voters approved Proposition 62, an initiative statute limiting the imposition of new or higher taxes by local agencies. The statute (a) requires new or higher general taxes to be approved by two-thirds of the local agency’s governing body and a majority of its voters; (b) requires the inclusion of specific information in all local ordinances or resolutions proposing new or higher general or special taxes; (c) penalizes local agencies that fail to comply with the foregoing; and (d) required local agencies to stop collecting any new or higher general tax adopted after July 31, 1985, unless a majority of the voters approved the tax by November 1, 1988.

Appellate court decisions following the approval of Proposition 62 determined that certain provisions of Proposition 62 were unconstitutional. However, the California Supreme Court upheld Proposition 62 in its decision on September 28, 1995 in Santa Clara County Transportation Authority v. Guardino. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Supreme Court’s decision, such as whether the decision applies retroactively, what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities.

## **Jarvis v. Connell**

On May 29, 2002, the California 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 of California)*. The Court of Appeal held that a final budget bill, an emergency appropriation, a self-executing authorization pursuant to State statutes (such as continuing appropriations) or the California 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 California Supreme Court upheld the holding of the Court of Appeal, stating that the Controller is not authorized under State law to disburse funds prior to the enactment of a budget or other proper appropriation, but under federal law, the Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those State employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act.

## **Proposition 1A and Proposition 22**

On November 2, 2004, California voters approved Proposition 1A ("Proposition 1A"), which amended 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-thirds approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Beginning in Fiscal Year 2008-09, the State could shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments 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. See "EFFECT OF STATE BUDGET ON REVENUES."

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act ("Proposition 22"), 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.

## **Proposition 26**

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

## **State Cash Management Legislation**

Since 2002, the State engaged in the practice of deferring certain apportionments to school districts in order to manage the State’s cash flow. This practice included deferring certain apportionments from one fiscal year to the next. These “cross-year” deferrals were codified. In recent year, the State has paid down the deferrals. The District cannot predict whether the State will engage in the practice of deferring certain apportionments to Districts in the future.

## **Applications of Constitutional and Statutory Provisions**

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding, see “ – Proposition 98” and “ – Proposition 111” above.

## **Future Initiatives and Legislation**

Articles XIII A, XIII B, XIII C, XIII D and Propositions 26, 30, 98, 111 and 218 were each adopted pursuant to a measure qualified for the ballot pursuant to California’s constitutional initiative process. Propositions 1A and 39 were each legislatively referred constitutional amendments which were approved by the electorate and the State Legislature has in the past enacted legislation which has altered the spending limitations or established minimum funding provisions for particular activities. From time to time, other initiative measures could be adopted by California voters or legislation enacted by the State Legislature. For example, during 2013, a proposal (2013-14 Assembly Bill 182) was introduced in the State Legislature and later enacted to place limitations on the ability of school districts to issue capital appreciation bonds or convertible capital appreciation bonds commencing on and after January 1, 2014. The adoption of any such initiative or enactment of legislation might place limitations on the ability of the State, the Counties, any city whose students are served by the District, the District or local districts to increase revenues or to increase appropriations.

**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS OF THE DISTRICT**

## APPENDIX C

### ECONOMIC AND DEMOGRAPHIC INFORMATION

*The following information concerning the communities served by the District, including the cities of Indio and Coachella and the County of Riverside,<sup>3</sup> is included only for the purpose of supplying general information thereof. The Bonds are not obligations of the County of Riverside and do not represent a lien or charge against any funds or property of the County of Riverside or of any city. The following information is provided only to give prospective investors an overview of the general economic condition of the County of Riverside and the State of California.*

#### **General**

The County of Riverside (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 seat located in the city of Riverside.

The Coachella Valley (the “Valley”) runs southeast from the San Bernardino Mountains to the Salton Sea, a distance of approximately 45 miles. The Valley is roughly 15 miles wide along most of its length, bordering the San Jacinto Mountains and the Santa Rosa Mountains to the west and to the east by the Little San Bernardino Mountains. The San Andreas Fault crosses the Valley in southeast corner and along the centerline of the Little San Bernardino Mountains. Hot and dry, the Valley is an agricultural desert, growing 95% of the dates produced in the United States along with many other fruits and vegetables. Besides Indio and Coachella, other sizeable towns in the Valley include Cathedral City, Palm Springs and Palm Desert.

The City of Indio (“Indio”) is located in the Valley, approximately 120 miles east of the city of Los Angeles. Initially a railroad town, Indio developed an agricultural economy and more recently, has largely become a residential and recreational area. Indio operates under a city council-city manager form of government with five elected members of the city council that appoint a city manager and city attorney.

The City of Coachella (“Coachella,” and together with Indio, the “Cities”) is the easternmost city in the Valley and borders Indio on its eastern side. Coachella is known as the “City of Eternal Sunshine,” and most of its land lies below sea level. Coachella became a city in 1946, and is a popular destination for vacationers and retirees. Coachella is a general law city with a five-member city council that appoints the mayor. Coachella is the primary shipping point for the Valley’s agricultural goods.

#### **Population**

The County has experienced a long period of growth and development. It is currently the eleventh most populous county in the United States, and fourth largest in the State. Total population for the County is expected to be over three million by the year 2030. The County’s population as of January 1, 2015 is estimated to be 2,308,441 people. The estimated population of the County is

---

<sup>3</sup> Information regarding Imperial County has not been included in Appendix C because of the aggregate assessed value of property in the District, approximately 97% of such assessed valuation relates to property located within Riverside County and approximately 3% of such assessed valuation relates to property located within Imperial County.

approximately 49.4% greater than the 2000 population, representing an average annual compound growth rate of 4.09%.

The Cities have also grown rapidly, as Coachella’s population has grown by 93.3% since the year 2000, for an annual compound growth rate of approximately 6.81%, and Indio’s population has increased by over 71.% since the year 2000, producing an annual compound growth rate of 4.09%.

A summary of the population estimates of the Cities, County and State for the past 15 years is shown in the following table.

**POPULATION ESTIMATES**  
**City of Indio, City of Coachella, Riverside County and the State of California**  
**2000-2015**

<u>Year<sup>(1)</sup></u>	<u>City of Coachella</u>		<u>City of Indio</u>		<u>Riverside County</u>		<u>State of California</u>	
	<u>Population</u>	<u>Annual Change</u>	<u>Population</u>	<u>Annual Change</u>	<u>Population</u>	<u>Annual Change</u>	<u>Population</u>	<u>Annual Change</u>
2001	23,146	--	49,681	--	1,589,708	--	34,256,789	--
2002	23,974	3.6%	50,815	2.3%	1,655,291	4.1%	34,725,516	1.4%
2003	26,422	10.2	52,551	3.4	1,730,219	4.5	35,163,609	1.3
2004	27,214	3.0	56,655	7.8	1,814,485	4.9	35,570,847	1.2
2005	29,754	9.3	62,024	9.5	1,895,695	4.5	35,869,173	0.8
2006	33,964	14.1	66,670	7.5	1,975,913	4.2	36,116,202	0.7
2007	36,851	8.5	70,948	6.4	2,049,902	3.7	36,399,676	0.8
2008	38,521	4.5	74,007	4.3	2,102,741	2.6	36,704,375	0.8
2009	39,079	1.4	74,590	0.8	2,140,626	1.8	36,966,713	0.7
2010	40,508	3.7	75,263	0.9	2,179,692	1.8	37,223,900	0.7
2011	41,339	2.1	76,817	2.1	2,205,731	1.2	37,427,946	0.5
2012	42,030	1.7	78,299	1.9	2,234,209	1.3	37,668,804	0.6
2013	42,795	1.8	81,415	4.0	2,255,653	1.0	37,984,138	0.8
2014	43,601	1.9	82,375	1.2	2,280,191	1.1	38,357,121	1.0
2015	43,917	0.7	84,201	2.2	2,308,441	1.2	38,714,725	0.9

<sup>(1)</sup> As of January 1.

Source: California Department of Finance for January 1 (2010 Benchmark).

**Personal Income**

The following tables show the per capita personal income for Indio, the County, the State of California and the United States from 2005 through 2013.

**PER CAPITA PERSONAL INCOME<sup>(1)</sup>  
City of Indio, County of Riverside, State of California and United States  
2005-2013\***

<u>Year</u>	<u>City of Indio</u>	<u>County of Riverside</u>	<u>California</u>	<u>United States</u>
2007	\$16,265	\$30,871	\$43,157	\$39,804
2008	18,365	30,808	43,609	40,873
2009	19,855	29,433	41,569	39,357
2010	22,350	29,563	42,297	40,163
2011	20,374	31,074	44,666	42,298
2012	19,748	31,742	46,477	43,735
2013	18,722	33,163	47,401	44,543

<sup>(1)</sup> 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).

\*2014 annual figures are unavailable.

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



## Employment

The following table presents the annual average labor force for the Cities, County and State from 2008 through 2014.

### CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT City of Indio, City of Coachella, County of Riverside and State of California 2008-2014

<u>Year</u>	<u>Area</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
2008	City of Coachella	11,900	10,300	1,600	13.7%
	City of Indio	27,200	24,700	2,500	9.3
	Riverside County	911,500	833,300	78,200	8.6
	State of California	18,178,100	16,854,500	1,323,600	7.3
2009	City of Coachella	12,400	9,800	2,600	20.9%
	City of Indio	27,500	23,500	4,000	14.5
	Riverside County	915,800	795,800	120,000	13.1
	California	18,215,100	16,182,600	2,032,600	11.2
2010	City of Coachella	18,000	14,300	3,700	20.5%
	City of Indio	35,200	30,000	5,200	14.9
	Riverside County	976,200	841,100	135,200	13.8
	State of California	18,336,300	16,091,900	2,249,300	12.2
2011	City of Coachella	18,000	14,500	3,500	19.6%
	City of Indio	35,200	30,200	5,000	14.2
	Riverside County	978,200	849,400	128,98400	13.2
	State of California	18,419,500	16,260,100	2,159,400	11.7
2012	City of Coachella	18,100	14,900	3,200	17.5%
	City of Indio	35,600	31,100	4,500	12.5
	Riverside County	989,100	873,900	115,200	11.6
	State of California	18,554,800	16,630,100	1,924,700	10.4
2013	City of Coachella	18,000	15,300	2,700	15.0%
	City of Indio	35,900	32,000	3,800	10.7
	Riverside County	998,600	899,800	98,800	9.9
	State of California	18,671,600	17,002,900	1,668,700	8.9
2014	City of Coachella	18,100	15,5008	2,300	12.6%
	City of Indio	36,300	33,000	3,200	8.9
	Riverside County	1,010,270	927,300	83,400	8.2
	State of California	18,811,400	17,397,100	1,414,300	7.5

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2014 Benchmark.

**Industry**

The following figures represent industry employment estimates in the County from 2008 through 2014.

**INDUSTRY EMPLOYMENT & LABOR FORCE  
County of Riverside  
2008-2014<sup>(1)</sup>**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Total Farm	13,100	12,400	12,400	12,400	12,900	12,100	12,200
Mining and Logging	500	500	400	400	400	300	300
Construction	54,700	40,400	35,400	34,100	35,200	42,600	47,300
Manufacturing	48,400	39,000	37,900	38,600	39,500	39,000	40,400
Wholesale Trade	20,400	18,700	19,100	19,700	20,600	22,400	23,200
Retail Trade	84,900	78,800	78,500	81,600	81,100	82,400	85,200
Transportation, Warehousing & Utilities	21,200	19,700	19,400	20,200	21,100	24,900	28,400
Information	7,700	8,500	10,200	7,600	6,300	6,300	6,300
Financial Activities	22,300	20,700	19,300	18,600	19,300	20,000	20,600
Professional & Business Services	58,000	53,600	50,300	52,200	53,900	57,600	61,200
Education & Health Services	58,100	68,300	67,800	70,700	76,100	83,800	88,500
Leisure & Hospitality	72,800	68,700	67,700	68,900	72,200	75,000	81,000
Other Services	19,400	18,100	18,300	18,800	19,200	20,300	21,700
Government	<u>110,600</u>	<u>109,300</u>	<u>109,200</u>	<u>114,200</u>	<u>112,100</u>	<u>111,200</u>	<u>112,800</u>
Total (all industries)	592,000	556,700	545,800	557,900	570,700	597,800	628,900

<sup>(1)</sup> Annual averages, unless otherwise specified.

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

Source: California Employment Development Department, Labor Market Information Division. March 2014 Benchmark.

## Largest Employers

The following tables show the largest employers located in the County and Indio as of Fiscal Year ending June 30, 2014.

### LARGEST EMPLOYERS County of Riverside 2014

<u>Rank</u>	<u>Name of Business</u>	<u>Type of Business</u>	<u>Employees</u>	<u>% of County Employment</u>
1.	County of Riverside	County Government	19,916	2.30%
2.	March Air Reserve Base	Military Reserve Base	8,500	0.98
3.	Stater Bros. Markets	Supermarkets	6,900	0.80
4.	University of California, Riverside	University	5,514	0.64
5.	Kaiser Permanente Riverside Med. Center	Medical Center	5,270	0.61
6.	Pechanga Resort & Casino	Resort	4,500	0.52
7.	Corona-Norco Unified School District	School District	4,300	0.50
8.	Walmart	Retail	4,068	0.47
9.	Riverside Unified School District	School District	4,000	0.46
10.	Hemet Unified School District	School District	3,572	0.41

*Source: County of Riverside 'Comprehensive Annual Financial Report' for the year ending June 30, 2014.*

### LARGEST EMPLOYERS City of Indio 2014

<u>Rank</u>	<u>Name of Business</u>	<u>Type of Business</u>	<u>Employees</u>	<u>% of City Employment</u>
1.	County of Riverside	County Government	1,283	5.24%
2.	Fantasy Springs Casino	Resort	1,100	3.86
3.	Desert Sands Unified School District	School District	1,057	3.71
4.	John F. Kennedy Memorial Hospital	Medical Center	518	1.82
5.	City of Indio	City Government	224	0.79
6.	Cardenas Market	Grocery	165	0.58
7.	Target	Retail	150	0.53
8.	Home Depot	Home Improvement Retail	133	0.47
9.	Fiesta Ford/Lincoln	Auto Dealer	133	0.47
10.	Ralphs	Grocery	130	0.46

*Source: City of Indio 'Comprehensive Annual Financial Report' for the year ending June 30, 2014.*

## Taxable Sales

The following tables show the recent history of taxable transactions in the County and Cities.

### TAXABLE SALES County of Riverside (Dollars in Thousands) 2007-2013\*

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
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
2013	33,391	21,306,774	46,805	30,065,467

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

\*2014 annual figures are unavailable.

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

### TAXABLE SALES City of Indio (Dollars in Thousands) 2007-2013\*

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2007	1,048	\$21,813	1,607	\$615,851
2008	1,153	539,400	2,260	673,527
2009	1,651	460,477	2,065	566,670
2010	2,160	481,228	2,636	582,332
2011	2,240	534,873	2,750	650,281
2012	2,206	606,582	2,740	724,256
2013	2,040	670,393	2,592	806,604

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

\*2014 annual figures are unavailable.

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

**TAXABLE SALES**  
**City of Coachella**  
**(Dollars in Thousands)**  
**2007-2013\***

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2007	267	\$241,819	411	\$307,494
2008	257	185,768	349	243,176
2009	257	185,768	349	243,176
2010	257	197,136	344	259,829
2011	270	215,754	364	289,223
2012	248	227,022	347	302,053
2013	237	232,627	332	309,858

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

\*2014 annual figures are unavailable.

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

**Building Activity**

The following tables provide summaries of the building permit valuations and the number of new dwelling units authorized in the County and Cities from 2010 through 2014.

**BUILDING PERMIT VALUATIONS**  
**County of Riverside**  
**2010-2014**  
**(Dollars in thousands)**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Valuation (\$000):					
Residential	\$1,079,637	\$873,411	\$885,473	\$1,375,593	\$107,317
Non-residential	<u>539,379</u>	<u>559,398</u>	<u>526,369</u>	<u>873,977</u>	<u>45,819</u>
Total	\$1,619,016	\$1,432,809	\$1,411,842	\$2,249,570	\$153,136
Residential Units:					
Single family	4,031	2,659	2,981	4,716	356
Multiple family	<u>526</u>	<u>1,061</u>	<u>560</u>	<u>1,427</u>	<u>-0-</u>
Total	4,557	3,720	3,541	6,143	356

Note: Totals may not add to sums because of rounding.

Source: California Homebuilding Foundation/Construction Industry Research Board.

**BUILDING PERMIT VALUATIONS**  
**City of Indio**  
**2010-2014**  
**(Dollars in thousands)**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Valuation (\$000):					
Residential	\$42,078	\$37,959	\$35,380	\$35,555	\$4,462
Non-residential	<u>12,458</u>	<u>8,992</u>	<u>17,847</u>	<u>8,212</u>	<u>1,641</u>
Total	\$54,536	\$46,951	\$53,227	\$43,767	\$6,103
Residential Units:					
Single family	286	251	214	166	27
Multiple family	<u>0</u>	<u>0</u>	<u>0</u>	<u>89</u>	<u>-0-</u>
Total	286	251	214	166	27

Note: Totals may not add to sums because of rounding.

Source: California Homebuilding Foundation/Construction Industry Research Board.

**BUILDING PERMIT VALUATIONS**  
**City of Coachella**  
**2010-2014**  
**(Dollars in thousands)**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Valuation (\$000):					
Residential	\$13,679	\$9,696	\$3,590	\$27,602	\$ 11
Non-residential	<u>4,458</u>	<u>3,509</u>	<u>437</u>	<u>7,047</u>	<u>212</u>
Total	\$18,137	\$13,205	\$4,027	\$34,649	\$ 223
Residential Units:					
Single family	120	87	33	108	-0-
Multiple family	<u>0</u>	<u>0</u>	<u>0</u>	<u>56</u>	<u>-0-</u>
Total	120	87	33	164	-0-

Note: Totals may not add to sums because of rounding.

Source: California Homebuilding Foundation/Construction Industry Research Board.

**APPENDIX D**

**PROPOSED FORMS OF OPINIONS OF BOND COUNSEL**

*Upon delivery of the Tax-Exempt Series B Bonds, Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel to the Coachella Valley Unified School District, proposes to render their final approving opinion with respect to the Tax-Exempt Series B Bonds in substantially the following form:*

Board of Trustees of the  
Coachella Valley Unified School District  
87225 Church Street  
Thermal, CA 92274

Re:     \$ \_\_\_\_\_ Coachella Valley Unified School District  
       General Obligation Bonds, 2012 Election, Series B (Federally Tax-Exempt)  
       **Final Opinion**

---

Ladies and Gentlemen:

We have acted as Bond Counsel for the Coachella Valley Unified School District (“District”) in connection with the proceedings for the issuance and sale by the District of \$ \_\_\_\_\_ principal amount of Coachella Valley Unified School District General Obligation Bonds, 2012 Election, Series B (Federally Tax-Exempt) (“Bonds”). The Bonds are being issued pursuant to the Resolution of Issuance of the Board of Trustees of the District, adopted on July 14, 2015 (Resolution No. 2016-02) (“District Resolution”), and a Resolution of the Board of Supervisors of the County of Riverside (“County”), adopted on \_\_\_\_\_, 2015 (Resolution No. 2015-163) (“County Resolution” and collectively with the District Resolution, the “Bond Resolution”), in accordance with the provisions of the California Constitution, the provisions of California Government Code Section 53506 *et seq.*, and, to the extent applicable, California Education Code Sections 15264, 15266(b) and as applicable, the statutory authority set forth in Title 1, Division 1, Part 10, Chapter 1 of the State of California Education Code, commencing with Section 15100 and related California law.

As Bond Counsel, we have examined copies certified to us as being true and complete copies of the proceedings in connection with the issuance of the Bonds. In this connection, we have also examined such certificates of public officials and officers of the District, the Counties of Riverside and Imperial (collectively the “Counties”) and the purchaser of the Bonds, including certificates as to factual matters, including, but not limited to the Tax Certificate, as we have deemed necessary to render this opinion.

Attention is called to the fact the we have not been requested to examine, and have not examined, any documents or information relating to the District or the County other than the record of proceedings hereinabove referred to, and no opinion is expressed as to any financial or other information, or the adequacy thereof, which has been, or may be supplied to any purchaser of the Bonds.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto (excepting only matters set forth as our opinion in the Official Statement).

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their execution and delivery, and we disclaim any obligation to update this letter. As to questions of fact material to our opinions, we have relied upon the documents and matters referred to above, and we have not undertaken by independent investigation to verify the authenticity of signatures or the accuracy of the factual matters represented, warranted or certified therein. Furthermore, we have assumed compliance with all covenants contained in the Bond Resolution and in certain other documents.

The Bond Resolution and other related documents refer to certain requirements and procedures which may be changed and certain actions which may be taken, in circumstances and subject to terms and conditions set forth in such documents, upon the advice or with an approving opinion of nationally recognized bond counsel. No opinion is expressed herein as to any Bond or the effect on interest thereon if any such change is made or action is taken upon the advice or approval of counsel other than ourselves.

Based on the foregoing, we are of the following opinions:

1. The Bonds are valid and binding general obligations of the District.
2. All taxable property in the territory of the District is subject to ad valorem taxation without limitation as to rate or amount (except as to certain classes of personal property which is taxable at limited rates) to pay the Bonds. The Counties are required by law to include in its annual tax levy the principal and interest coming due on the Bonds to the extent necessary funds are not provided from other sources.
3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and is exempt from State of California personal income taxes. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations; although, it should be noted that, with respect to corporations, such interest will be included as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of such corporations. We express no opinion regarding other tax consequences arising with respect to the Bonds.

It is understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and remedies, to the application of equitable principles heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to exercise of judicial discretion in appropriate cases and to limitations on legal remedies against school districts in the State of California.

Very truly yours,



*Upon delivery of the Taxable Series B Bonds, Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel to the Coachella Valley Unified School District, proposes to render their final approving opinion with respect to the Taxable Series B Bonds in substantially the following form:*

Board of Trustees of the  
Coachella Valley Unified School District  
87225 Church Street  
Thermal, CA 92274

Re: \$ \_\_\_\_\_ Coachella Valley Unified School District  
General Obligation Bonds, 2012 Election, Series B (Federally Taxable)  
**Final Opinion**

---

Ladies and Gentlemen:

We have acted as Bond Counsel for the Coachella Valley Unified School District (“District”) in connection with the proceedings for the issuance and sale by the District of \$ \_\_\_\_\_ principal amount of Coachella Valley Unified School District General Obligation Bonds, 2012 Election, Series B (Federally Taxable) (“Bonds”). The Bonds are being issued pursuant to the Resolution of Issuance of the Board of Trustees of the District, adopted on July 14, 2015 (Resolution No. 2016-02) (“District Resolution”), and a Resolution of the Board of Supervisors of the County of Riverside (“County”), adopted on \_\_\_\_\_, 2015 (Resolution No. 2015-163) (“County Resolution” and collectively with the District Resolution, the “Bond Resolution”), in accordance with the provisions of the California Constitution, the provisions of California Government Code Section 53506 *et seq.*, and, to the extent applicable, California Education Code Sections 15264, 15266(b) and as applicable, the statutory authority set forth in Title 1, Division 1, Part 10, Chapter 1 of the State of California Education Code, commencing with Section 15100 and related California law.

As Bond Counsel, we have examined copies certified to us as being true and complete copies of the proceedings in connection with the issuance of the Bonds. In this connection, we have also examined such certificates of public officials and officers of the District, the Counties of Riverside and Imperial (collectively the “Counties”) and the purchaser of the Bonds, including certificates as to factual matters, including, but not limited to the Tax Certificate, as we have deemed necessary to render this opinion.

Attention is called to the fact the we have not been requested to examine, and have not examined, any documents or information relating to the District or the County other than the record of proceedings hereinabove referred to, and no opinion is expressed as to any financial or other information, or the adequacy thereof, which has been, or may be supplied to any purchaser of the Bonds.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto (excepting only matters set forth as our opinion in the Official Statement).

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or

matters. Our engagement with respect to the Bonds has concluded with their execution and delivery, and we disclaim any obligation to update this letter. As to questions of fact material to our opinions, we have relied upon the documents and matters referred to above, and we have not undertaken by independent investigation to verify the authenticity of signatures or the accuracy of the factual matters represented, warranted or certified therein. Furthermore, we have assumed compliance with all covenants contained in the Bond Resolution and in certain other documents.

The Bond Resolution and other related documents refer to certain requirements and procedures which may be changed and certain actions which may be taken, in circumstances and subject to terms and conditions set forth in such documents, upon the advice or with an approving opinion of nationally recognized bond counsel. No opinion is expressed herein as to any Bond or the effect on interest thereon if any such change is made or action is taken upon the advice or approval of counsel other than ourselves.

Based on the foregoing, we are of the following opinions:

1. The Bonds are valid and binding general obligations of the District.
2. All taxable property in the territory of the District is subject to ad valorem taxation without limitation as to rate or amount (except as to certain classes of personal property which is taxable at limited rates) to pay the Bonds. The Counties are required by law to include in its annual tax levy the principal and interest coming due on the Bonds to the extent necessary funds are not provided from other sources.
3. Interest on the Bonds is not excluded from gross income for federal income tax purposes but is exempt from State of California personal income taxes. Bond Counsel provides no opinion as to any federal income tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. The opinion provided herein by us in our role as Bond Counsel with respect to the Bonds is not intended or written by Bond Counsel to be used, and it cannot be used, by any purchaser or owner of such Bonds for the purpose of avoiding penalties that may be imposed on such purchaser or owner. The opinion provided in this paragraph is provided to support the promotion or marketing of the Bonds. Purchasers or owners of the Bonds should seek advice based on their particular circumstances from an independent tax advisor concerning the tax consequences of the ownership of such Bonds.

It is understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and remedies, to the application of equitable principles heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to exercise of judicial discretion in appropriate cases and to limitations on legal remedies against school districts in the State of California.

Very truly yours,

*Upon delivery of the Refunding Bonds, Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel to the Coachella Valley Unified School District, proposes to render their final approving opinion with respect to the Refunding Bonds in substantially the following form:*

Board of Trustees of the  
Coachella Valley Unified School District  
87225 Church Street  
Thermal, CA 92274

Re: \$ \_\_\_\_\_ Coachella Valley Unified School District  
2015 General Obligation Refunding Bonds  
**Final Opinion**

---

Ladies and Gentlemen:

We have acted as Bond Counsel for the Coachella Valley Unified School District (“District”) in connection with the proceedings for the issuance and sale by the District of \$ \_\_\_\_\_ principal amount of Coachella Valley Unified School District 2015 General Obligation Refunding Bonds (“Bonds”). The Bonds are being issued pursuant to the Resolution of Issuance of the Board of Trustees of the District, adopted on July 14, 2015 (Resolution No. 2016-03) (“Bond Resolution”), and in accordance with the statutory authority set forth in Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code and related California law. The Bonds are being issued to refund certain outstanding general obligation bonds of the District and to pay costs of issuance of the Bonds.

As Bond Counsel, we have examined copies certified to us as being true and complete copies of the proceedings in connection with the issuance of the Bonds. In this connection, we have also examined such certificates of public officials and officers of the District, the Counties of Riverside and Imperial (“Counties”), and the purchaser of the Bonds, including certificates as to factual matters, including, but not limited to the Tax Certificate, as we have deemed necessary to render this opinion.

Attention is called to the fact the we have not been requested to examine, and have not examined, any documents or information relating to the District, or the County, other than the record of proceedings hereinabove referred to, and no opinion is expressed as to any financial or other information, or the adequacy thereof, which has been, or may be supplied to any purchaser of the Bonds.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto (excepting only matters set forth as our opinion in the Official Statement).

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their execution and delivery, and we disclaim any obligation to update this letter. As to questions of fact material to our opinions, we have

relied upon the documents and matters referred to above, and we have not undertaken by independent investigation to verify the authenticity of signatures or the accuracy of the factual matters represented, warranted or certified therein. Furthermore, we have assumed compliance with all covenants contained in the Bond Resolution, the Tax Certificate and in certain other documents, including, without limitation, covenants compliance with which is necessary to assure that future actions or events will not cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of original issuance of the Bonds.

The Bond Resolution and other related documents refer to certain requirements and procedures which may be changed and certain actions which may be taken, in circumstances and subject to terms and conditions set forth in such documents, upon the advice or with an approving opinion of nationally recognized bond counsel. No opinion is expressed herein as to the effect on any Bond or the interest thereon if any such change is made or action is taken upon the advice or approval of counsel other than ourselves.

Based on the foregoing, we are of the following opinions:

1. The Bonds are valid and binding general obligations of the District.
2. All taxable property in the territory of the District is subject to *ad valorem* taxation without limitation as to rate or amount (except as to certain classes of personal property which is taxable at limited rates) to pay the Bonds. The Counties are required by law to include in its annual tax levy the principal and interest coming due on the Bonds to the extent necessary funds are not provided from other sources.
3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and is exempt from State of California personal income taxes. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations; although, it should be noted that, with respect to corporations, such interest will be included as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of such corporations. We express no opinion regarding other tax consequences arising with respect to the Bonds.

It is understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and remedies, to the application of equitable principles heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to exercise of judicial discretion in appropriate cases and to limitations on legal remedies against school districts in the State of California.

Very truly yours,

## APPENDIX E-1

### FORMS OF CONTINUING DISCLOSURE CERTIFICATES

**[\$[PRINCIPAL AMOUNT B]\*  
COACHELLA VALLEY UNIFIED SCHOOL  
DISTRICT  
GENERAL OBLIGATION BONDS,  
2012 ELECTION, SERIES B (TAX-EXEMPT)  
(Riverside and Imperial Counties, California)**

**[\$[PRINCIPAL AMOUNT B TAXABLE]\*  
COACHELLA VALLEY UNIFIED SCHOOL  
DISTRICT  
GENERAL OBLIGATION BONDS,  
2012 ELECTION, SERIES B (TAXABLE)  
(Riverside and Imperial Counties, California)**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Coachella Valley Unified School District (the “District”) in connection with the issuance of \$[Principal Amount B] of the District’s 2015 General Obligation Bonds, 2012 Election, Series B (Tax-Exempt) (the “Tax-Exempt Series B Bonds”), \$[Principal Amount B] of the District’s 2015 General Obligation Bonds, 2012 Election, Series B (Taxable) (the “Taxable Series B Bonds” and together with the Tax-Exempt Series B Bonds, the “the “Bonds”). The Bonds are being issued pursuant to a Resolution of the District adopted on [July 14], 2015 (the “District Resolution”) and a Resolution of the Board of Supervisors of Riverside County, adopted on August 18, 2015 (the “County Resolution”) (collectively, the “Resolution”). The District covenants and agrees as follows:

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

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

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

“Annual Report Date” shall mean January 31 next following the end of each District’s fiscal year, which fiscal year ends, as of the date of this Disclosure Agreement, are June 30.

“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.

“Disclosure Representative” shall mean the Disclosure Compliance Officer of the School District (as outlined by the School District’s policies and procedures), acting on behalf of each District, or his or her designee, or such other officer or employee as each District shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean initially [Fieldman Rolapp & Associates], 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.

---

\*Preliminary, subject to change.

“EMMA System” shall mean the Electronic Municipal Market Access System of the MSRB (as defined below) or such other electronic system designated by the MSRB or the Securities and Exchange Commission (the “S.E.C.”) for compliance with S.E.C. Rule 15c2-12(b).

“Holders” shall mean registered owners of the Bonds.

“Listed Events” shall mean any of the events listed in Section 5 of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board and any successor entity designated under the Rule as the repository for filings made pursuant to the Rule.

“Participating Underwriter” shall mean RBC Capital Markets, LLC, Los Angeles, California.

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

“State” shall mean the State of California.

### SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District’s fiscal year (presently ending June 30), commencing with the report for the 2015-16 Fiscal Year, provide to the MSRB through the EMMA System in an electronic format and accompanied by identifying information as prescribed by the MSRB 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 MSRB through the EMMA System to the Dissemination Agent (if other than the District). If the District is unable to provide to the MSRB through the EMMA System an Annual Report by the date required in subsection (a), the District shall send a notice to the MSRB through the EMMA System 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 the MSRB of Failure to File 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 MSRB.

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

(a) The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District’s audited

financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

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

1. State funding received by the District for the last completed fiscal year;
2. average daily attendance of the District for the last completed fiscal year;
3. outstanding District indebtedness;
4. summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year;
5. assessed valuation of property within the District for the current fiscal year; and
6. tax delinquencies, to the extent that the Counties are no longer on the Teeter Plan.

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 MSRB through the EMMA System or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each such other document so included by reference. The Annual Report shall be filed in an electronic format, and accompanied by identifying information, as prescribed by the MSRB.

#### 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:

- (i) Principal and interest payment delinquencies;
- (ii) Tender offers;
- (iii) Defeasances;
- (iv) Rating changes;
- (v) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB);
- (vi) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (vii) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (viii) Substitution of credit or liquidity providers, or their failure to perform;

(ix) Bankruptcy, insolvency, receivership or similar event of the obligated person.<sup>(1)</sup>

(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) Upon 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 and if the District determines that knowledge of such Listed Event would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the MSRB through the EMMA System 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 MSRB through the EMMA System 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 5(b).

---

<sup>(1)</sup> For the purposes of the event identified in subparagraph (xii), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.



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, or 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 5(b), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

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

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

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's 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 MSRB through the EMMA System. 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: [Closing Date], 2015

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

By: \_\_\_\_\_  
Dr. Derwin S. (Darryl) Adams, Superintendent

**EXHIBIT A**

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD  
OF FAILURE TO FILE ANNUAL REPORT**

Name of District: COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

Name of Bond Issues: General Obligation Bonds, 2012 Election, Series B (Tax-Exempt) and  
General Obligation Bonds, 2012 Election, Series B (Taxable)

Date of Issuance: [Closing Date], 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: \_\_\_\_\_

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

By \_\_\_\_\_ [form only; no signature required] \_\_\_\_\_

## APPENDIX E-2

**§[PRINCIPAL AMOUNT REF]\***  
**COACHELLA VALLEY UNIFIED SCHOOL DISTRICT**  
**2015 GENERAL OBLIGATION REFUNDING BONDS**  
**(Riverside and Imperial Counties, California)**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Coachella Valley Unified School District (the “District”) in connection with the issuance of §[Principal Amount Ref] of the District’s 2015 General Obligation Refunding Bonds (the “Bonds”). The Bonds are being issued pursuant to a Resolution of the District adopted on [July 14], 2015 (the “Resolution”). The District covenants and agrees as follows:

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

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

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

“Annual Report Date” shall mean January 31 next following the end of each District’s fiscal year, which fiscal year ends, as of the date of this Disclosure Agreement, are June 30.

“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.

“Disclosure Representative” shall mean the Disclosure Compliance Officer of the School District (as outlined by the School District’s policies and procedures), acting on behalf of each District, or his or her designee, or such other officer or employee as each District shall designate in writing to the Dissemination Agent from time to time.

“Dissemination Agent” shall mean initially [Fieldman Rolapp & Associates], 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.

“EMMA System” shall mean the Electronic Municipal Market Access System of the MSRB (as defined below) or such other electronic system designated by the MSRB or the Securities and Exchange Commission (the “S.E.C.”) for compliance with S.E.C. Rule 15c2-12(b).

“Holders” shall mean registered owners of the Bonds.

“Listed Events” shall mean any of the events listed in Section 5 of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board and any successor entity designated under the Rule as the repository for filings made pursuant to the Rule.

“Participating Underwriter” shall mean RBC Capital Markets, LLC, Los Angeles, California.

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

“State” shall mean the State of California.

**SECTION 3. Provision of Annual Reports.**

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District’s fiscal year (presently ending June 30), commencing with the report for the 2015-16 Fiscal Year, provide to the MSRB through the EMMA System in an electronic format and accompanied by identifying information as prescribed by the MSRB 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 MSRB through the EMMA System to the Dissemination Agent (if other than the District). If the District is unable to provide to the MSRB through the EMMA System an Annual Report by the date required in subsection (a), the District shall send a notice to the MSRB through the EMMA System 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 the MSRB of Failure to File 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 MSRB.

**SECTION 4. Content of Annual Reports.** The District’s Annual Report shall contain or include by reference the following:

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

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

1. State funding received by the District for the last completed fiscal year;

2. average daily attendance of the District for the last completed fiscal year;
3. outstanding District indebtedness;
4. summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year;
5. assessed valuation of property within the District for the current fiscal year; and
6. tax delinquencies, to the extent that the Counties are no longer on the Teeter Plan.

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 MSRB through the EMMA System or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each such other document so included by reference. The Annual Report shall be filed in an electronic format, and accompanied by identifying information, as prescribed by the MSRB.

#### 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:

- (i) Principal and interest payment delinquencies;
- (ii) Tender offers;
- (iii) Defeasances;
- (iv) Rating changes;
- (v) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB);
- (vi) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (vii) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (viii) Substitution of credit or liquidity providers, or their failure to perform;
- (ix) Bankruptcy, insolvency, receivership or similar event of the obligated person.<sup>(1)</sup>

---

<sup>(1)</sup> For the purposes of the event identified in subparagraph (xii), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or

(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) Upon 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 and if the District determines that knowledge of such Listed Event would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the MSRB through the EMMA System 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 MSRB through the EMMA System 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 5(b).

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

---

liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

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, or 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 5(b), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

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

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



SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's 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 MSRB through the EMMA System. 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: [Closing Date], 2015

COACHELLA VALLEY UNIFIED SCHOOL  
DISTRICT

By: \_\_\_\_\_  
Dr. Derwin S. (Darryl) Adams, Superintendent

**EXHIBIT A**

**NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD  
OF FAILURE TO FILE ANNUAL REPORT**

Name of District: COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

Name of Bond Issues: 2015 General Obligation Refunding Bonds

Date of Issuance: [Closing Date], 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: \_\_\_\_\_

COACHELLA VALLEY UNIFIED SCHOOL DISTRICT

By \_\_\_\_\_ [form only; no signature required]

**APPENDIX F**

**COUNTY OF RIVERSIDE  
TREASURER'S POOLED INVESTMENT FUND**

## APPENDIX G

### BOOK-ENTRY SYSTEM

*The following description under the heading “Procedures and Record Keeping” with respect to beneficial ownership interests in the Bonds, payment of principal of and interest on the Bonds to Direct Participants, Indirect Participants or Beneficial Owners (as such terms are defined below) of the Bonds, confirmation and transfer of beneficial ownership interests in the Bonds and other Bond-related transactions by and between DTC, Direct Participants, Indirect Participants and Beneficial Owners of the Bonds is based solely on information furnished by DTC to the District which the District believes to be reliable, but the District and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.*

#### **Procedures and Record Keeping**

The Depository Trust Company (“DTC”), New York, New York, 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 will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited through the facilities of DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com). The information on such website is not incorporated herein by such reference or otherwise.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“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 the 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, tenders, defaults, and proposed amendments to the Bonds documents. For example, Beneficial Owners of the 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 Paying Agent 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 are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal amount and redemption price of and interest payments 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 principal amount and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of 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, the 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.

### **Discontinuance of DTC Services**

In the event that (a) DTC determines not to continue to act as securities depository for the Bonds, or (b) the District determines that DTC shall no longer act and delivers a written certificate to the Paying Agent to that effect, then the District will discontinue the Book-Entry System with DTC for the Bonds. If the District determines to replace DTC with another qualified securities depository, the District will prepare or direct the preparation of a new single separate, fully-registered Bond for each maturity of the Bonds registered in the name of such successor or substitute securities depository as are not inconsistent with the terms of the Resolution. If the District fails to identify another qualified securities depository to replace the incumbent securities depository for the Bonds, then the Bonds shall no longer be restricted to being registered in the Bond registration books in the name of the incumbent securities depository or its nominee, but shall be registered in whatever name or names the incumbent securities depository or its nominee transferring or exchanging the Bonds shall designate.

In the event that the Book-Entry System is discontinued, the following provisions would also apply: (i) the Bonds will be made available in physical form, (ii) principal amount of and redemption premiums if any, on the Bonds will be payable upon surrender thereof at the trust office of the Paying Agent identified in the Resolution, and (iii) the Bonds will be transferable and exchangeable as provided in the Resolution.

*The District and the Paying Agent do not have any responsibility or obligation to DTC Participants, to the persons for whom they act as nominees, to Beneficial Owners, or to any other person who is not shown on the registration books as being an owner of the Bonds, with respect to (i) the accuracy of any records maintained by DTC or any DTC Participants; (ii) the payment by DTC or any DTC Participant of any amount in respect of the principal amount of, redemption price of the Bonds; (iii) the delivery of any notice which is permitted or required to be given to registered owners under the Resolution; (iv) the selection by DTC or any DTC Participant of any person to receive payment in the event of a partial redemption of the Bonds; (v) any consent given or other action taken by DTC as registered owner; or (vi) any other matter arising with respect to the Bonds or the Resolution. The District and the Paying Agent cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal amount of the Bonds paid to DTC or its nominee, as the registered owner, or any notices to the Beneficial Owners or that they will do so on a timely basis or will serve and act in a manner described in this Official Statement. The District and the Paying Agent are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner in respect to the Bonds or any error or delay relating thereto.*

**APPENDIX H**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**