

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 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 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 \$608,000 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 "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Propositions 98 and 111" herein. From an accounting perspective, the revenues generated from the temporary tax increases will be deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the "EPA"). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to schools districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than \$200 per unit of ADA and no community college district will receive less than \$100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the monies received from the EPA are spent, provided that, the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Proposition 2

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

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

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

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

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

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and Propositions 39, 98 and 111 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

State Budget

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

2015-16 Budget. On June 24, 2015, the Governor signed into law the State budget for fiscal year 2015-16 (the "2015-16 Budget"). The following information is drawn from the State Department of Finance's summary of the 2015-16 Budget, as well as a summary prepared by the Legislative Analyst's Office (the "LAO").

For fiscal year 2014-15, the 2015-16 Budget projects total State general fund revenues of \$111.3 billion, and total State general fund expenditures of \$114.5 billion. The 2015-16 Budget projects that the State will end the 2014-15 fiscal year with a general fund ending balance of \$2.4 billion and total reserves of \$3 billion (including \$1.5 billion in the traditional general reserve and \$1.6 billion in the BSA). For fiscal year 2015-16, the 2015-16 Budget projects total State general fund revenues of \$115 billion and total expenditures of \$115.4 billion, leaving the State with a year-end general fund balance of approximately \$2 billion. The 2015-16 Budget projects total year-end reserves of \$4.6 billion, including \$1.1 billion in the traditional general fund reserve and \$3.5 billion in the BSA.

As a result of higher than anticipated State revenues, the 2015-16 Budget includes revised estimates to the minimum funding guarantees for fiscal years 2013-14 and 2014-15. The 2013-14 minimum guarantee is revised upward to \$58.9 billion, an increase of \$612 million over the estimate included in the 2014-15 State budget. For fiscal year 2014-15, the 2015-16 Budget revises the minimum guarantee upward to \$66.3 billion, an increase of \$5.4 billion over the estimate included in the 2014-15 State budget.

The 2015-16 Budget sets the Proposition 98 minimum funding guarantee for fiscal year 2015-16 at \$68.4 billion, including \$49.4 billion of support from the State general fund. This represents a year-to-year increase of \$2.1 billion over the revised level for fiscal year 2014-15. For K-12 education, the 2015-16 Budget provides total Proposition 98 funding of \$59.5 billion, including \$43.2 billion from the State general fund. Under the 2015-16 Budget, K-12 per-pupil spending in fiscal year 2015-16 is \$9,942, an increase of \$1,011 (or 11%) from the prior year.

Significant features of the 2015-16 Budget related to K-12 education include the following:

- **Local Control Funding Formula** – An increase of \$6 billion in Proposition 98 funding to continue the transition to the LCFF, bringing total LCFF funding to \$52 billion. This represents a 13% year-to-year increase, and is projected to close the remaining funding

implementation gap between the prior year and the LCFF target levels by approximately 52%. See also “– State Funding of Education – Local Control Funding Formula” herein.

- *Career Technical Education* – The 2015-16 Budget establishes the Career Technical Education Incentive Grant Program for local education agencies to establish new or expand high-quality CTE programs. The 2015-16 Budget provides \$400 million in fiscal year 2015-16 to fund the program, as well as \$300 million and \$200 million for fiscal years 2016-17 and 2017-18, respectively. The program allocates this funding into three pools for large, medium-sized and small applicants, based on ADA in grades 7-12. Specifically, 4% of total funding is available for agencies with less than 140 ADA, 8% is available for agencies with ADA between 140 and 550, and the remainder for agencies with more than 550 ADA. Local education agencies will be required to provide local-to-state matching funds in each of the three years. When determining grant recipients, the State Department of Education will be required to give priority to those agencies that are establishing new programs, serve a large number of EL, LI and foster youth students, serve pupil groups with above-average dropout rates, or are located in areas of high unemployment.
- *K-14 Deferrals* – \$992 million to eliminate all outstanding apportionment deferrals, including \$897 million for K-12 education, consistent with a revenue-based trigger mechanism included in the 2014-15 State budget.
- *Maintenance Factor/Settle Up Payments* – The 2015-16 Budget reduces the outstanding Proposition 98 maintenance factor to \$772 million. The maintenance factor is created in years where the State provides less growth in K-14 funding than growth in the State economy by implementing “Test 3” or suspends the guarantee entirely. The 2015-16 Budget also provides \$256 million in “settle up” payments to repay obligations created in years where revenue projections understate the minimum funding guarantee.
- *Educator Support* – An increase of \$500 million in one-time Proposition 98 funding for educator support, including beginning teacher and administrator support, mentoring and professional development. These funds will be allocated to local educational agencies in an equal amount per certificated staff and are available for expenditure over the next three fiscal years.
- *Special Education* – \$60.1 million of Proposition 98 funding, including \$50.1 million of ongoing funding and \$10 million of one-time funds, to implement selected programmatic changes in special education services. The changes are intended to implement recommendations issued by a State taskforce formed in 2013, as well as to make targeted investments designed to improve the delivery of services and outcomes for disabled students.
- *K-12 High-Speed Internet Access* – An increase of \$50 million in one-time Proposition 98 funding to support additional internet connectivity and infrastructure.
- *Mandates* – An increase of \$3.2 billion in one-time Proposition 98 funding to reduce a backlog of unpaid reimbursement claims to K-12 local educational agencies for the cost of State-mandated programs. After accounting for this payment, the outstanding K-12 mandate backlog is approximately \$1.2 billion.
- *Adult Education* – \$500 million to fund the Adult Education Block Grant program. Prior budgetary legislation mandated the establishment of regional adult education consortia composed of school districts, community college districts and certain other stakeholders to coordinate the delivery of adult education services. Up to \$375 million is available to be distributed directly to K-12 school districts and county offices of education to match amounts that have been spent on adult education within the past two years. The balance will be

apportioned directly to consortia for distribution to their member agencies. Beginning in fiscal year 2016-17, all funds for adult education will be apportioned directly to consortia. The 2015-16 Budget also provides \$25 million in one-time Proposition 98 funding to assist consortia develop or update data systems necessary to evaluate the effectiveness of their programs, as well as to fund State-level activities to develop consistent data policies and data collection procedures.

- *Categorical Programs* – The 2015-16 Budget provides \$40 million to fund a 1.02% COLA for select K-12 categorical programs.
- *Emergency Repair Program* – \$273 million to make the final payment towards funding the Emergency Repair Program (“ERP”), which was created as the result of a legal settlement in 2004 to provide local educational agencies funding for critical repair projects.
- *Basic Skills Pilot Program* – \$10 million of Proposition 98 funding to support a pilot program designed to incentivize high schools, community college districts and the California State University system to coordinate the delivery of basic skills instruction to incoming CSU students.
- *Special Education* – \$67 million to fund a package of special-education related activities, including \$52 million in ongoing funding and \$15 million in one-time funds.

For additional information regarding the 2015-16 Budget, see the State Department of Finance website at www.dof.ca.gov and the LAO’s website at www.lao.ca.gov. The information presented on such websites is not incorporated herein by reference.

Future Actions. The District cannot predict what actions will be taken in the future by the State legislature and the Governor to address changing State revenues and expenditures. The District also cannot predict the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State’s ability to fund schools. Future State budget shortfalls may also have an adverse financial impact on the financial condition of the District.

THE DISTRICT

Introduction

The District was incorporated on August 23, 1897, and covers approximately 182 square miles in the northwestern part of the County just south of the City of Riverside. A majority of the City of Perris, all of the City of Menifee, and all of the unincorporated communities of Sun City, Lakeview, Nuevo, Romoland and Homeland are situated within the District’s boundaries. The City of Perris is located 18 miles south of the City of Riverside, 75 miles northeast of the City of San Diego and 70 miles east of the City of Los Angeles.

The District currently operates one middle school, three comprehensive high schools, one continuation high school, one community day-school, and one grades 5-12 military institute charter school. The District provides education for grades 7-12 for students generated by the Perris Elementary School District and grades 9-12 for students generated by the Menifee Union School District, the Nuvview Union School District and the Romoland School District. The District additionally operates an independent study program and an adult education program.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of the most recent and subsequent audited financial reports of the District may be obtained by contacting: Perris Union High School District, 155 East Fourth Street, Perris, California 92570-2124, Attention: Superintendent. The District may impose a charge for copying, mailing and handling.

Administration

The governing board of the District (the “Board”) consists of five elected members. Members are elected to serve staggered four-year terms. Elections for positions to the Board are held every two years, alternating between two and three available positions. A president is elected by members of the Board each year. The day-to-day affairs of the District are the responsibility of the Superintendent. Current members of the Board, together with their offices and the dates their current terms expire, are listed below.

**BOARD OF TRUSTEES
Perris Union High School District**

<u>Name</u>	<u>Office</u>	<u>Current Term Expires</u>
David G. Nelissen	President	December, 2016
Edward Agundez	Vice President	December, 2016
Joan D. Cooley	Clerk	December, 2016
Dr. Jose Luis Araux	Member	December, 2018
Carolyn A. Twyman	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. Brief biographies of the Superintendent and the Assistant Superintendent, Business Services of the District are listed below:

Jonathan L. Greenberg, Ed.D., Superintendent. Dr. Greenberg has served as Superintendent of the District since April 2007. Prior to joining the District, he served as Deputy Superintendent of the Hemet Unified School District for 3.5 years. This is Dr. Greenberg’s 38th year in public education. Dr. Greenberg earned his Bachelor’s Degree and received his teaching credential from U.C.L.A. in 1977. In 1981, he earned his Master’s in Education from the University of La Verne. In 1996, he received his doctorate in Education Leadership from the University of La Verne.

Candace Reines, Assistant Superintendent, Business Services. Ms. Reines has served the District since 2006. Prior to her current position, she served for two years as the Director of Fiscal Services for the District. She has worked in the field of school business for 14 years. Ms. Reines holds a Bachelor of Science in Organizational Leadership and a Master of Arts in Leadership and Organizational Studies, both from Azusa Pacific University. Ms. Reines is licensed through the California Association of School Business Officials and is a Certified Chief Business Official.

Proposed Unification Involving Menifee Union School District

The Menifee Union School District (“MUSD”), an elementary school district located within the boundaries of the District, previously filed a petition to form a unified school district (the “Menifee Petition”). The District has entered into a written agreement with MUSD, pursuant to which the District and the MUSD (collectively, the “School Districts”) set forth certain terms and conditions pursuant to which the School Districts agree to pursue unification of MUSD in accordance with the provisions of the Education Code of the State. As contemplated, the unification of MUSD would result in (i) the transfer of certain high school facilities of the District to MUSD, (ii) the assumption by MUSD of certain financial

obligations, which may include financial obligations relating to existing school facilities in the unification area, as determined pursuant to the unification process, and (iii) the transfer to MUSD of the responsibility to provide high school level instruction to students within MUSD.

In May 2008, the Riverside County Committee on School District Organization determined that certain conditions for unification set forth in the Education Code were not met, and subsequently recommended to the State Board of Education that the Menifee Petition be denied. In August 2009, the School Districts requested that the Menifee Petition be held in abeyance and not acted upon by the State Board of Education until requested by the School Districts. The School Districts continue to monitor criteria for meeting conditions for unification and may determine to request that the State Board of Education consider the Menifee Petition at a later date.

No assurance can be given as to whether or when the proposed unification proceedings might be completed.

Enrollment Trends

The following table shows the enrollment history for the District.

ANNUAL ENROLLMENT
Fiscal Years 2005-06 Through 2015-16
Perris Union High School District

Year	Enrollment ⁽¹⁾	Annual Change	Annual % Change
2005-06	8,152	--	--
2006-07	8,811	659	8.1%
2007-08	9,289	478	5.4
2008-09	9,542	253	2.7
2009-10	9,650	108	1.1
2010-11	9,649	-1	0.0
2011-12	9,636	-13	-0.1
2012-13	9,518	-118	-1.2
2013-14	9,366	-152	-1.6
2014-15	9,541	175	1.9
2015-16 ⁽²⁾	9,776	235	2.5

⁽¹⁾ Does not include charter school enrollment.

⁽²⁾ Projected.

Source: *The District*.

Labor Relations

As of July 1, 2015, the District employed 479 certificated employees and 385 classified employees. These employees, except management, confidential and other non-represented employees are represented by two bargaining units as noted below:

LABOR BARGAINING UNITS Perris Union High School District

<u>Labor Organization</u>	<u>Number of Employees In Organization</u>	<u>Contract Expiration Date</u>
Perris Teachers' Association	376	June 30, 2018
California School Employees Association	331	June 30, 2016

Source: The District.

State Retirement Systems

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

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

Prior to fiscal year 2014-15, and unlike typical defined benefit programs, neither the employee, employer or State contribution rate to the STRS Defined Benefit Program varied annually to make up funding shortfalls or assess credits for actuarial surpluses. In recent years, the combined employer, employee and State contributions to the STRS Defined Benefit Program have not been sufficient to pay actuarially required amounts. As a result, and due to significant investment losses, the unfunded actuarial liability of the STRS Defined Benefit Program has increased significantly in recent fiscal years. In September 2013, STRS projected that the STRS Defined Benefit Program would be depleted in 31 years assuming existing contribution rates continued, and other significant actuarial assumptions were realized. In an effort to reduce the unfunded actuarial liability of the STRS Defined Benefit Program, the State recently passed legislation described below to increase contribution rates.

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

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

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

Source: AB 1469.

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

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

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

Source: AB 1469.

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

The District's contribution to STRS were \$2,919,110 in fiscal year 2012-13, \$3,252,737 in fiscal year 2013-14 and \$3,565,121 in fiscal year 2014-15. The District has budgeted its contribution for fiscal year 2015-16 to be \$4,837,475.

The State also contributes to STRS, currently in an amount equal to 4.891% of teacher payroll for fiscal year 2015-16. The State's contribution reflects a base contribution rate of 2.017%, and a supplemental contribution rate that will vary from year to year based on statutory criteria. Pursuant to AB 1469, the State contribution rate will increase over the next three years to a total of 6.328% in fiscal year 2016-17. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990. In addition, the State is currently required to make an

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

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

Contributions by employers to the PERS Schools Pool are based upon an actuarial rate determined annually and contributions by plan members vary based upon their date of hire. The District is currently required to contribute to PERS at an actuarially determined rate, which is 11.771% of eligible salary expenditures for fiscal year 2014-15. Participants enrolled in PERS prior to January 1, 2013 contribute 7% of their respective salaries, while participants enrolled after January 1, 2013 contribute at an actuarially determined rate, which is 6% of their respective salaries for fiscal year 2013-14. See “— California Public Employees’ Pension Reform Act of 2013” herein.

The District’s contributions to PERS were \$2,101,239 in fiscal year 2012-13, \$2,234,372 in fiscal year 2013-14 and \$1,650,795 in fiscal year 2014-15. The District has budgeted its contribution for fiscal year 2015-16 to be \$1,821,723.

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

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

The following table shows information regarding the actuarially-determined accrued liabilities of both STRS and PERS.

FUNDED STATUS
STRS (Defined Benefit Program) and PERS
(Dollar Amounts in Millions) ⁽¹⁾
Fiscal Years 2010-11 through 2013-14

		<u>STRS</u>			
<u>Fiscal Year</u>	<u>Accrued Liability</u>	<u>Value of Trust Assets (MVA) ⁽²⁾</u>	<u>Unfunded Liability (MVA) ⁽²⁾⁽³⁾</u>	<u>Value of Trust Assets (AVA) ⁽⁴⁾</u>	<u>Unfunded Liability (AVA) ⁽⁴⁾</u>
2010-11	\$208,405	\$147,140	\$68,365	\$143,930	\$64,475
2011-12	215,189	143,118	80,354	144,232	70,957
2012-13	222,281	157,176	74,374	148,614	73,667
2013-14	231,213	179,749	61,807	158,495	72,718

		<u>PERS</u>			
<u>Fiscal Year</u>	<u>Accrued Liability</u>	<u>Value of Trust Assets (MVA) ⁽²⁾</u>	<u>Unfunded Liability (MVA) ⁽²⁾</u>	<u>Value of Trust Assets (AVA) ⁽⁴⁾</u>	<u>Unfunded Liability (AVA) ⁽⁴⁾</u>
2010-11	\$58,358	\$45,901	\$12,457	\$51,547	\$6,811
2011-12	59,439	44,854	14,585	53,791	5,648
2012-13	61,487	49,482	12,005	56,250	5,237
2013-14 ⁽⁵⁾	65,600	56,838	8,761	-- ⁽⁶⁾	-- ⁽⁶⁾

⁽¹⁾ Amounts may not add due to rounding.

⁽²⁾ Reflects market value of assets.

⁽³⁾ Excludes assets allocated to the SBPA reserve.

⁽⁴⁾ Reflects actuarial value of assets.

⁽⁵⁾ On April 14, 2015, the PERS Finance & Administration Committee approved the K-14 school district contribution rate for fiscal year 2015-16 and released certain actuarial information to be incorporated into the June 30, 2014 actuarial valuation to be released in summer 2015.

⁽⁶⁾ Figures not provided.

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

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

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

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

implementation of the new actuarial policies until fiscal year 2015-16 for the State, K-14 school districts and all other public agencies.

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

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

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

Post-Employment Benefits

The District offers post-employment medical and dental insurance benefits to eligible employees through a single-employer defined benefit healthcare plan administered by the District (the "Plan"). The full cost of the Plan is borne by the retiree. The District also provides these benefits to certain former Board members whose first service commenced prior to January 1, 1995, the cost of which is borne by the District. As of June 30, 2014, four former board members and one spouse are receiving benefits under this Plan. No others are eligible.

As of June 30, 2014, the District had no net obligation in respect of such post-employment benefits. See Note 10 to the fiscal year 2013-14 audited financial statements of the District included in Appendix A hereto.

Supplemental Employee Retirement Plan

The District offered a supplemental employee retirement plan (“SERP”) in 2011, 2012 and 2013, whereby certain eligible certificated non-management employees and certain certificated/classified management employees were provided an early retirement incentive. As of June 30, 2014, the balance of the obligation associated with the SERP was \$2,311,229. Future payments from the District as at June 30, 2014 were as follows:

Year Ending <u>June 30</u>	<u>Total</u>
2015	\$927,584
2016	927,584
2017	283,346
2018	<u>172,715</u>
Total	\$2,311,229

Source: The District.

Joint Powers Authorities

The District participates in joint ventures under joint powers agreements with the Riverside Schools Risk Management Authority (the “RSRMA”), the Riverside Employer/Employee Partnership (the “REEP”), and the Riverside Schools’ Insurance Authority (the “RSIA”) (together, the “JPAs”). The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes. The RSRMA is a workers’ compensation coverage purchasing pool. The REEP is a shared risk pool that provides employee health benefits. The RSIA provides property and liability coverage. The JPAs are governed by independent boards consisting of representatives from each member district. The respective boards control the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the respective boards.

During the year ended June 30, 2014, the District made payments of \$1,370,856, \$7,273,681, and \$513,805, to RSRMA, REEP, and RSIA, respectively.

DISTRICT FINANCIAL INFORMATION

The information in this section concerning 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 or interest on the Bonds is payable from the general fund of the District. The Bonds are payable from the proceeds of ad valorem taxes required to be levied by the County in an amount sufficient for the payment thereof. See “THE BONDS – Security and Sources of Payment.”

State Funding of Education

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

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

The following table reflects the District’s historical ADA and the revenue limit rates per unit of ADA for fiscal years 2008-09 through 2012-13.

**AVERAGE DAILY ATTENDANCE AND REVENUE LIMIT
Fiscal Years 2008-09 through 2012-13
Perris Union High School District**

<u>Year</u>	<u>ADA</u> ⁽¹⁾	<u>Base Revenue Limit Per ADA</u>	<u>Deficit Revenue Limit per ADA</u> ⁽²⁾
2008-09	8,935	7,031	\$6,479
2009-10	9,022	7,331	5,985
2010-11	9,004	7,396	6,068
2011-12	8,968	7,466	5,928
2012-13	8,835	7,709	5,992

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

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

Source: *The District.*

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

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

The Base Grants per unit of ADA for each grade span are as follows: (i) \$6,845 for grades K-3; (ii) \$6,947 for grades 4-6; (iii) \$7,154 for grades 7-8; and (iv) \$8,289 for grades 9-12. Beginning in fiscal

year 2013-14, and in each subsequent year, the Base Grants are to be adjusted for COLAs by applying the implicit price deflator for government goods and services. Following full implementation of the LCFF, the provision of COLAs will be subject to appropriation for such adjustment in the annual State budget. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels.

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

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

The following table shows a breakdown of the District’s ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment, for fiscal years 2012-13 through 2015-16.

ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
Fiscal Years 2012-13 through 2015-16
Perris Union High School District

Fiscal Year	Average Daily Attendance⁽¹⁾			Enrollment	
	7-8	9-12	Total ADA	Total Enrollment⁽²⁾	% of EL/LI Enrollment⁽³⁾
2012-13	1,105	7,730	8,835	9,518	71.70%
2013-14	1,084	7,661	8,745	9,366	71.81
2014-15	1,116	7,760	8,876	9,541	72.52
2015-16	1,155	7,914	9,069	9,776	72.52

⁽¹⁾ Reflects P-2 ADA for fiscal years 2012-13 through 2014-15. Reflects estimated ADA for fiscal year 2014-15 and projected ADA for fiscal year 2015-16.

⁽²⁾ As of October report submitted to the California Basic Educational Data System (“CBEDS”) for fiscal years 2012-13 through 2014-15. Projected enrollment is shown for fiscal year 2015-16.

⁽³⁾ 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 total fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI enrollment will be based on the higher of (A) the two-year average of EL/LI enrollment in fiscal years 2013-14 and 2014-15 and (B) the percentage of unduplicated EL/LI students expressed as a percentage of its total fiscal year 2014-15 total enrollment. 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.

Source: *The District.*

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

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

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

Accountability. The State Board of Education has promulgated regulations regarding the expenditure of supplemental and concentration funding, including a requirement that school districts increase or improve services for EL/LI students in proportion to the increase in funds apportioned to such districts on the basis of the number and concentration of such EL/LI students, as well as the conditions under which school districts can use supplemental or concentration funding on a school-wide or district-wide basis.

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

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

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

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

Other State Sources. In addition to State allocations determined pursuant to the LCFF, the District receives other State revenues consisting primarily of restricted revenues designed to implement

State mandated programs. Beginning in fiscal year 2013-14, categorical spending restrictions associated with a majority of State mandated programs were eliminated, and funding for these programs was folded into the LCFF. Categorical funding for certain programs was excluded from the LCFF, and school districts will continue to receive restricted State revenues to fund these programs.

Other Revenue Sources

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

State Dissolution of Redevelopment Agencies

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

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

Among the various types of enforceable obligations, the first priority for payment is tax allocation bonds issued by the former redevelopment agency; second is revenue bonds, which may have been issued by the host city, but only where the tax increment revenues were pledged for repayment and only where other pledged revenues are insufficient to make scheduled debt service payments; third is administrative costs of the Successor Agency, equal to at least \$250,000 in any year, unless the oversight board reduces such amount for any fiscal year or a lesser amount is agreed to by the Successor Agency; then, fourth tax revenues in the Trust Fund in excess of such amounts, if any, will be allocated as residual distributions to local taxing entities in the same proportions as other tax revenues. Moreover, all unencumbered cash and other assets of former redevelopment agencies will also be allocated to local taxing entities in the same proportions as tax revenues. Notwithstanding the foregoing portion of this paragraph, the order of

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

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 affected local taxing entity uses the monies 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 using current assessed values . . . and pursuant to statutory 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 base 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.

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.

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 fiscal year for the District 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 of the District for the fiscal year ended June 30, 2014, and prior fiscal years are on file with the District and available for public inspection at the Office of the Superintendent of the Perris Union High School District, 155 East Fourth Street, Perris, California 92570-2124, telephone: (951) 943-6369. The audited financial statements of the District for the year ended June 30, 2014, are included in Appendix A hereto.

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Comparative Financial Statements

The following table reflects the District's general fund revenues, expenditures and fund balances from fiscal year 2009-10 to fiscal year 2013-14.

AUDITED FINANCIAL STATEMENTS
Statement of Revenues, Expenditures and Changes in Fund
Balances – General Fund – Fiscal Years 2009-10 through 2013-14 ⁽¹⁾
Perris Union High School District

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
REVENUES					
Revenue limit sources/LCFF ⁽²⁾	\$52,814,470	\$55,002,572	\$54,695,987	\$54,974,575	\$65,329,728
Federal revenue	6,236,442	6,099,328	4,998,559	5,210,226	7,217,338
Other State sources	10,769,202	9,779,795	10,995,164	11,840,830	6,767,710
Other Local sources	<u>5,752,100</u>	<u>5,301,991</u>	<u>6,040,932</u>	<u>5,419,345</u>	<u>5,196,840</u>
Total Revenues	75,572,214	76,183,686	76,730,642	77,444,976	84,511,616
EXPENDITURES					
Current					
Instruction	44,232,153	44,415,050	42,756,130	42,214,792	49,935,256
Instruction-related activities:					
Supervision of instruction	2,348,317	2,159,391	1,858,452	1,697,659	2,011,348
Instructional library, media and technology	575,124	635,154	517,207	587,681	647,569
School site administration	6,996,067	6,915,961	6,552,242	5,881,941	6,081,955
Pupil Services:					
Home-to-school transportation	3,834,923	3,702,898	3,505,188	2,685,304	2,701,397
Food services	--	--	6,571	2,924	551
All other pupil services	4,537,159	4,662,387	4,351,504	4,441,904	4,854,361
Administration:					
Data processing	1,301,045	1,054,759	1,220,937	1,110,578	1,636,864
All other administration	4,625,323	4,045,386	3,938,282	4,010,871	4,535,022
Plant services	8,812,285	9,644,466	9,072,148	8,927,852	9,639,660
Facility acquisition and construction	271,312	761,994	5,090,616	916,807	1,151,499
Ancillary services	1,631,345	1,385,450	1,443,505	1,469,958	1,632,384
Community services	1,144	780	711	885	844
Other outgo	7,271	13,219	--	--	608,811
Debt service:					
Principal	447,884	464,456	481,641	481,641	310,559
Interest and other	<u>173,234</u>	<u>156,663</u>	<u>195,581</u>	<u>139,478</u>	<u>310,559</u>
Total Expenditures	79,794,586	80,018,014	80,990,715	74,570,275	86,058,639
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,222,372)	(3,834,328)	(4,260,073)	2,874,701	(1,547,023)
Other Financing Sources (Uses):					
Transfers in	--	5,368,947	1,066	--	--
Other sources	--	--	--	--	--
Transfers out	--	--	--	--	(13,619)
Other uses	--	--	--	--	--
Net Financing Sources (Uses)	--	5,368,947	1,066	--	(13,619)
NET CHANGE IN FUND BALANCES	(4,222,372)	1,534,619	(4,259,007)	2,874,701	(1,560,642)
Fund Balance – Beginning	<u>15,409,667</u>	<u>11,187,295</u>	<u>12,721,914</u>	<u>8,462,907</u>	<u>11,337,608</u>
Fund Balances – Ending	<u>\$11,187,295</u>	<u>\$12,721,914</u>	<u>\$8,462,907</u>	<u>\$11,337,608</u>	<u>\$9,776,966</u>

⁽¹⁾ For projected general fund revenues, expenditures and changes in fund balance for fiscal year 2014-15, see “ – General Fund Budgets” below.

⁽²⁾ For fiscal year 2012-13 and prior years, this category was “Revenue limit sources.” In fiscal year 2013-14, this category became “Local Control Funding Formula.” See “DISTRICT FINANCIAL INFORMATION – State Funding of Education – Local Control Funding Formula” herein.

Source: *The 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 within five days of adoption or by July 1, whichever occurs first. A district may be on either a dual or single budget cycle. The dual budget option requires a revised and readopted budget by September 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. The District is on a single budget cycle and adopts its budget on or before July 1.

For both dual and single budgets submitted on July 1, the county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, will determine if the budget allows the district to meet its current obligations and will determine if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before August 15, the county superintendent will approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by August 15 of the county superintendent’s recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent’s recommendations. The committee must report its findings no later than August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. The law does not provide for conditional approvals; budgets must be either approved or disapproved. No later than August 20, the county superintendent must notify the Superintendent of Public Instruction of all school districts whose budget has been disapproved.

For all dual budget options and for single and dual budget option districts whose budgets have been disapproved, the district 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.

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 Report pursuant to AB 1200. The District received “qualified” certifications of its interim reports from its fiscal year 2010-11 Second Interim Report through its fiscal year 2011-12 Second Interim Report and received a “qualified” certification of its fiscal year 2012-13 Second Interim Report. The District received “positive” certifications of its interim reports for fiscal year 2013-14 and fiscal year 2014-15.

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General Fund Budgets

The District's general fund budgets for the fiscal years ending June 30, 2013, through June 30, 2015, and actual results for the fiscal years ending June 30, 2013, through June 30, 2015, are set forth in the following table.

GENERAL FUND BUDGET AND ACTUAL RESULTS FISCAL YEARS ENDING JUNE 30, 2013 THROUGH JUNE 30, 2016 Perris Union High School District

	2012-13 Budget ⁽¹⁾	2012-13 Actual ⁽¹⁾	2013-14 Budget ⁽¹⁾	2013-14 Actual ⁽¹⁾	2014-15 Budget ⁽²⁾	2014-15 Unaudited Actual ⁽³⁾	2015-16 Budget ⁽⁴⁾
REVENUES							
Revenue limit sources/LCFF ⁽⁵⁾	\$50,969,724	\$54,974,575	\$54,917,641	\$65,329,728	\$73,254,329	\$75,288,333	\$87,734,386
Federal revenue	4,411,858	5,210,226	6,736,489	7,217,338	5,724,553	6,756,109	7,209,408
Other State sources	8,692,732	11,840,830	9,622,771	6,767,710	3,028,131	3,447,466	7,685,275
Other Local sources	<u>5,032,536</u>	<u>5,419,345</u>	<u>5,154,546</u>	<u>5,196,840</u>	<u>4,501,109</u>	<u>5,316,203</u>	<u>4,057,607</u>
Total Revenues	69,106,850	77,444,976	76,431,447	84,511,616	86,508,122	90,808,110	106,686,676
EXPENDITURES							
Current							
Certificated salaries	32,042,543	32,476,931	32,520,039	36,264,531	36,923,511	39,104,316	45,126,519
Classified salaries	11,099,457	11,495,351	11,195,517	12,473,180	13,634,473	14,611,864	15,672,092
Employee benefits	14,718,100	15,895,824	14,801,997	17,028,986	16,103,996	15,910,730	18,473,774
Books and supplies	3,537,838	2,576,361	5,035,253	5,995,453	5,681,604	4,764,629	8,111,706
Services and operating expenditures	10,587,523	11,000,861	12,573,359	12,386,323	12,753,094	13,505,664	15,990,443
Capital Outlay	1,335,250	930,742	1,335,250	1,239,295	3,001,138	2,675,309	1,747,064
Other Outgo	(557,828)	(426,914)	(557,828)	49,753	1,233,286	1,866,451	1,336,119
Transfers of Indirect Costs	--	--	--	--	(673,995)	(653,354)	(782,527)
Debt Service							
Principal	499,461	481,641	499,461	310,559	--	--	--
Interest	<u>121,657</u>	<u>139,478</u>	<u>121,657</u>	<u>310,559</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Expenditures	73,384,001	74,570,275	77,524,705	86,058,639	88,657,107	91,785,610	105,675,190
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,277,151)	2,874,701	(1,093,258)	(1,547,023)	(2,148,985)	(977,500)	1,011,486
Other Financing Sources (Uses):							
Transfers in	--	--	--	--	--	--	--
Transfers out	--	--	--	(13,619)	(75,072)	--	--
Net Financing Sources (Uses)	--	--	--	(13,619)	(75,072)	--	--
NET CHANGE IN FUND BALANCES	(4,277,151)	2,874,701	(1,093,258)	(1,560,642)	(2,224,058)	(977,500)	1,011,486
Fund Balance – Beginning	<u>8,462,907</u>	<u>8,462,907</u>	<u>11,337,608</u>	<u>11,337,608</u>	<u>9,776,966</u>	<u>9,776,966</u>	<u>8,799,466</u>
Fund Balances – Ending	<u>\$4,185,756</u>	<u>\$11,337,608</u>	<u>\$10,244,350</u>	<u>\$9,776,966</u>	<u>\$7,552,908</u>	<u>\$8,799,466</u>	<u>\$9,810,952</u>

⁽¹⁾ Original budgeted amounts and actual amounts from District audited financial reports.

⁽²⁾ Fiscal year 2014-15 adopted budget.

⁽³⁾ From fiscal year 2014-15 unaudited actual results, dated September 10, 2015.

⁽⁴⁾ From fiscal year 2015-16 adopted budget.

⁽⁵⁾ Prior to fiscal year 2013-14, this category was "Revenue limit sources." In fiscal year 2013-14, this category became "LCFF sources." See "DISTRICT FINANCIAL INFORMATION – State Funding of Education – Local Control Funding Formula" herein.

Source: The District.

District Debt Structure

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

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2014</u>
General Obligation Bonds	\$61,191,547	36,786,836	\$2,225,000	\$95,300,374
Certificates of Participation	7,685,000	--	300,000	7,385,000
Capital Leases	2,788,567	--	517,941	2,270,626
Other General Long-Term Debt ⁽¹⁾⁽²⁾	10,166,246	--	1,043,487	9,122,759
Compensated Absences	323,131	7,740	--	330,871
OPEB Obligation ⁽³⁾	--	53,670	53,670	--
Choice 2000 Settlement Agreement ⁽⁴⁾	--	<u>940,000</u>	--	<u>940,000</u>
Totals ⁽⁵⁾	<u>\$82,154,491</u>	<u>\$37,788,246</u>	<u>\$4,140,098</u>	<u>\$115,802,639</u>

⁽¹⁾ Includes Qualified Zone Academy Bonds that are secured by funds on deposit with trustee. See Note 8 to the fiscal year 2013-14 audited financial statements of the District included in Appendix A hereto.

⁽²⁾ Includes Supplemental Employee Retirement Plan. See “THE DISTRICT – Supplemental Employee Retirement Plan.”

⁽³⁾ See “THE DISTRICT – Post-Employment Benefits.”

⁽⁴⁾ See “– Choice 2000 Settlement” below.

⁽⁵⁾ Does not include the Special Tax Bonds of community facilities districts of the District. Debt service on such Special Tax Bonds is paid from the proceeds of special taxes levied against taxable real property within the respective community facilities districts. See “TAX BASE FOR REPAYMENT OF THE BONDS – Statement of Direct and Overlapping Debt” and “– Non-Obligatory Debt; Community Facilities Districts” below.

Source: *The District*.

General Obligation Bonds. The District received authorization at an election held on November 2, 1999, by eligible voters within the District, to issue not to exceed \$16,000,000 of general obligation bonds (the “1999 Authorization”). On May 25, 2000, the District issued an aggregate principal amount of \$8,313,075.35 of its General Obligation Bonds, 1999 Election, Series A (the “1999 Election, Series A Bonds”) pursuant to the 1999 Authorization. On November 19, 2002, the District issued an aggregate principal amount of \$7,686,806.70 of its General Obligation Bonds, 1999 Election, Series B (the “1999 Election, Series B Bonds”) pursuant to the 1999 Authorization. Approximately \$117.95 remains available under the 1999 Authorization.

The District received authorization at an election held on November 2, 2004, by eligible voters within the District, to issue not to exceed \$46,000,000 of general obligation bonds (the “2004 Authorization”). On March 29, 2005, the District issued (i) an aggregate principal amount of \$38,764,557.85 of its General Obligation Bonds, 2004 Election, Series A (the “2004 Election, Series A Bonds”) pursuant to the 2004 Authorization and (ii) an aggregate principal amount of \$7,805,000.00 of its 2005 General Obligation Refunding Bonds (the “2005 Refunding Bonds”) the proceeds of which were used to refund certain maturities of each of the 1999 Election, Series A Bonds and the 1999 Election, Series B Bonds. On April 27, 2006, the District issued an aggregate principal amount of \$7,232,820 of its General Obligation Bonds, 2004 Election, Series B (the “2004 Election, Series B Bonds”) pursuant to the 2004 Authorization. Approximately \$2,622.15 remains available under the 2004 Authorization.

The District received authorization at an election held on November 6, 2012, by more than 55% of the votes cast by eligible voters within the District to issue not to exceed \$153,420,000 of general obligation bonds (the “2012 Authorization”). On August 6, 2013, the District issued an aggregate principal amount of \$35,000,000 of its General Obligation Bonds, 2012 Election, Series A (the “2012 Election, Series A Bonds”) pursuant to the 2012 Authorization.

On December 4, 2014, the District issued an aggregate principal amount of \$26,510,000 of its 2014 General Obligation Refunding Bonds (the “2014 Refunding Bonds”) the proceeds of which were used to advance refund certain maturities of the 2004 Election, Series A Bonds.

The table below presents the annual debt service requirements on all of the District’s outstanding general obligation bonded debt, including the Bonds.

<u>Year Ending (September 1)</u>	<u>1999 Election Series A⁽¹⁾</u>	<u>1999 Election Series B</u>	<u>2004 Election Series A⁽²⁾</u>	<u>2004 Election Series B</u>	<u>2012 Election Series A</u>	<u>2014 Refunding</u>	<u>2012 Election Series B</u>	<u>Total Annual Debt Service</u>
2016	\$785,000	\$595,000	--	\$698,500	\$3,181,669	\$2,327,000		
2017	825,000	620,000	--	737,000	1,528,069	2,460,200		
2018	865,000	655,000	--	763,200	1,563,069	2,603,200		
2019	910,000	685,000	--	797,400	1,611,669	2,757,200		
2020	955,000	720,000	--	834,200	1,663,269	2,914,700		
2021	1,005,000	750,000	--	868,400	1,717,669	3,079,950		
2022	1,055,000	790,000	--	1,000,000	1,774,669	3,251,950		
2023	1,105,000	830,000	--	--	1,829,069	3,440,600		
2024	1,160,000	870,000	--	--	1,892,569	3,640,100		
2025	1,000,000	1,130,000	--	--	1,952,069	3,852,600		
2026	--	2,235,000	--	--	2,017,469	4,071,600		
2027	--	2,345,000	4,835,000	--	2,083,750	--		
2028	--	--	5,115,000	--	2,150,488	--		
2029	--	--	5,410,000	--	2,217,488	--		
2030	--	--	2,700,000	--	2,289,238	--		
2031	--	--	--	--	2,365,238	--		
2032	--	--	--	--	2,442,225	--		
2033	--	--	--	--	2,522,125	--		
2034	--	--	--	--	2,604,413	--		
2035	--	--	--	--	2,688,563	--		
2036	--	--	--	--	2,774,050	--		
2037	--	--	--	--	2,865,350	--		
2038	--	--	--	--	2,956,675	--		
2039	--	--	--	--	3,057,500	--		
2040	--	--	--	--	3,153,000	--		
2041	--	--	--	--	3,257,500	--		
2042	--	--	--	--	3,360,000	--		
Totals ⁽³⁾	\$9,665,000	\$12,225,000	\$18,060,000	\$5,698,700	\$63,518,856	\$34,399,100		

⁽¹⁾ Final maturity is March 1, 2025.

⁽²⁾ Final maturity is March 1, 2030.

⁽³⁾ Totals may not add due to rounding.

Certificates of Participation. On December 20, 2007, the District caused the execution and delivery of its 2007 Certificates of Participation (School Refinancing Project) (the “2007 Certificates”) in the aggregate principal amount of \$9,100,000, the net proceeds of which were used to defease and prepay the District’s then-outstanding Convertible Capital Appreciation Certificates of Participation (2000 School Facilities Project). The annual requirements to pay the principal and interest payments with respect to the 2007 Certificates are as follows:

<u>Year Ending (October 1)</u>	<u>Certificate Principal</u>	<u>Certificate Interest</u>	<u>Total Annual Certificate Payments</u>
2016	\$335,000.00	\$285,493.76	\$620,493.76
2017	345,000.00	272,093.76	617,093.76
2018	360,000.00	258,293.76	618,293.76
2019	380,000.00	243,893.76	623,893.76
2020	390,000.00	228,693.76	618,693.76
2021	410,000.00	213,093.76	623,093.76
2022	425,000.00	196,693.76	621,693.76
2023	445,000.00	179,693.76	624,693.76
2024	455,000.00	161,337.50	616,337.50
2025	480,000.00	142,000.00	622,000.00
2026	500,000.00	121,600.00	621,600.00
2027	520,000.00	100,350.00	620,350.00
2028	545,000.00	76,950.00	621,950.00
2029	570,000.00	52,425.00	622,425.00
2030	<u>595,000.00</u>	<u>26,775.00</u>	<u>621,775.00</u>
Total	\$6,755,000.00	\$2,559,387.58	\$9,314,387.58

Qualified School Construction Bonds. On September 15, 2011, the District entered into a lease purchase agreement in the aggregate principal amount of \$2,100,000 (the “QSCB Lease Agreement”), which was designated as a “Qualified School Construction Bond” for purposes of the American Recovery and Reinvestment Act of 2009. The District expects to receive, on or about each lease payment date under the QSCB Lease Agreement, a cash subsidy payment (each a “Subsidy Payment”) from the United States Treasury (the “Treasury”) equal to the lesser of (a) the interest component of the lease payment due on such lease payment date or (b) an amount equal to the interest component that would have been payable on such lease payment date if such interest were determined at a federal tax credit rate applicable to the QSCB Lease Agreement (the “Tax Credit Rate”), which Tax Credit Rate is published by the Treasury and determined under Section 54A(b)(3) of the Code.

The Subsidy Payment does not constitute a full faith and credit guarantee of the United States Government, but is required to be paid by the Treasury. However, the Subsidy Payment is subject to reduction (the “Sequestration Reduction”) pursuant to the federal Balanced Budget and Emergency Deficit Control Act of 1985, as amended, which currently includes provisions reducing the Subsidy Payment by 7.2% through the end of the current federal fiscal year (September 30, 2014). In the absence of action by the U. S. Congress, the rate of the Sequestration Reduction is subject to change in the following federal fiscal year. The District cannot predict whether or how subsequent sequestration actions may affect Subsidy Payments currently scheduled for receipt in future federal fiscal years.

The District's annual requirements to make lease payments with respect to the QSCB Lease Agreement are as follows:

<u>Year Ending (September 1)</u>	<u>Amount Attributable to Principal</u>	<u>Amount Attributable to Interest</u>	<u>Total Annual Lease Payments⁽¹⁾</u>
2016	\$118,711.85	\$89,452.69	\$208,164.54
2017	119,854.22	82,824.57	202,678.79
2018	121,007.58	76,132.67	197,140.25
2019	122,172.04	69,376.37	191,548.41
2020	123,347.71	62,555.06	185,902.77
2021	124,534.69	55,668.10	180,202.79
2022	125,733.09	48,714.87	174,447.96
2023	126,943.02	41,694.73	168,637.75
2024	128,164.61	34,607.03	162,771.64
2025	129,397.94	27,451.13	156,849.07
2026	130,643.14	20,226.37	150,869.51
2027	131,900.33	12,932.08	144,832.41
2028	<u>133,169.62</u>	<u>5,567.60</u>	<u>138,737.22</u>
Total	\$1,635,579.84	\$627,203.27	\$2,262,783.11

⁽¹⁾ Does not reflect receipt of Subsidy Payments.

Qualified Zone Academy Bonds. On December 9, 2003, the District, pursuant to a lease purchase agreement with the Public Property Financing Corporation of California, issued \$5,000,000 aggregate principal amount of Qualified Zone Academy Bonds (the "QZABs") pursuant to Section 1397E of the Internal Revenue Code. The purpose of the lease purchase agreement is to finance certain improvements, equipment, and related costs for the District's Literacy and Information Technology Academy and to pay certain costs of issuance. Payment of the QZABs at maturity is secured by a certain funds, together with the earnings thereon, deposited by the District with a trustee. See Note 8 to the fiscal year 2013-14 audited financial statements of the District included in Appendix A hereto.

Capital Leases. The District has entered into agreements to lease various facilities and equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability, as of June 30, 2014, on lease agreements with options to purchase is summarized below:

<u>Fiscal Year</u>	<u>Lease Payment</u>
2015-16	\$621,118
2016-17	621,118
2017-18	<u>621,118</u>
Total	\$3,484,472
Less: Amount Representing Interest	<u>(213,846)</u>
Present Value of Minimum Lease Payments	<u>\$2,270,626</u>

Choice 2000 Settlement. In recent years, the District had an ongoing dispute with the State Board of Education and the State Department of Education regarding the calculation of ADA and resultant funding for the District's on-line grades 9-12 charter school ("Choice 2000"). The District closed Choice 2000 at the end of the 2012-13 school year and the litigation regarding the funding of Choice 2000 was settled in April 2014. Pursuant to such settlements, the District will repay a total of

\$940,000 to the State over a period of eight years. The District’s liability, as of June 30, 2014, with respect to such settlements is summarized below:

<u>Fiscal Year</u>	<u>Settlement Payment</u>
2014-15	\$117,500
2015-16	117,500
2016-17	117,500
2017-18	117,500
2018-19	117,500
2019-20 through 2021-22	<u>352,500</u>
Total	\$940,000

Non-Obligatory Debt; Community Facilities Districts. The District has established two Mello-Roos community facilities districts pursuant to the Mello-Roos Community Facilities District Act of 1982, as amended. The District’s Community Facilities District No. 91-1 (“CFD No. 91-1”) was established in March 1991 and the District’s Community Facilities District No. 92-1 (“CFD No. 92-1”) was established in July 1992. The outstanding Special Tax Bonds issued by each of these community facilities districts were acquired by the Perris Union High School District Financing Authority (the “District Financing Authority”) and provide revenues to pay debt service on the District Financing Authority’s 2011 Revenue Bonds (the “2011 Financing Authority Bonds”). The annual payments for the Special Tax Bonds are secured solely by the special taxes levied on taxable property in the respective community facilities district and are not obligations of the District. See “TAX BASE FOR REPAYMENT OF THE BONDS – Statement of Direct and Overlapping Debt.”

TAX MATTERS

Opinion of Bond Counsel

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 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 Bonds is not an item of tax preference for purposes of the federal alternative minimum taxes 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 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 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 Bonds. The Resolutions and other related documents refer to certain requirements, covenants and procedures which may be changed and certain actions that may be taken, upon the advice or with an opinion of nationally recognized bond counsel. No opinion is expressed by Bond Counsel 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 Bond

Counsel. Bond Counsel has not undertaken to determine (or to inform any person) where any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may affect the tax status of interest on the Bonds.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income taxation.

Although Bond Counsel has rendered an opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the recipient's federal or state tax liability. Owners of the Bonds should be aware that the ownership or disposition of, or the accrual or receipt of interest on the Bonds may have federal or state tax consequences other than as described above. The nature and extent of these other tax consequences will depend upon the recipient's particular tax status and other items of income or deduction.

See "APPENDIX B – FORM OF OPINION OF BOND COUNSEL" for the proposed form of opinion of Bond Counsel.

Bond Counsel's employment is limited to a review of the legal proceedings required for authorization of the Bonds and to rendering an opinion as to the validity of the Bonds and the exclusion from gross income for federal income tax purposes of interest on the Bonds. Bond Counsel has undertaken no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering materials relating to the Bonds and expresses no opinion relating thereto.

Bond Counsel's engagement with respect to the Bonds 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 regarding the tax-exempt status of the 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 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 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 Bonds, and may cause the District or the Beneficial Owners of the Bonds to incur significant expense.

Original Issue Discount; Premium Bonds

The initial public offering price of the Bonds may be less than the amount payable with respect to such Bonds 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, 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 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 Bonds to be subject, directly or indirectly, to federal income taxation or 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. In 2013 and 2014, 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 Bonds. Prospective purchasers of the 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 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Bonds were issued as a result of future acts or omissions of the District in violation of its covenants in the Resolution. Should such an event of taxability occur, the 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 Resolution.

Internal Revenue Service Audit of Municipal Bond Issues

The Internal Revenue Service has initiated an expanded program for the auditing of tax-exempt securities issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the Internal Revenue Service. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar 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 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 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. Bond Counsel provides no opinion concerning such reporting or withholding with respect to the Bonds.

LEGAL MATTERS

Continuing Disclosure

The District has covenanted for the benefit of holders 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 (the District’s fiscal year ends on June 30), commencing with the report for the 2014-15 fiscal year (which is due not later than April 1, 2016), and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of events will be filed in accordance with the requirements of S.E.C. Rule 15c2-12(b)(5) (the “Rule”). The specific nature of the information to be made available and to be contained in the notices of enumerated events is described in the form of Continuing Disclosure Certificate attached hereto as Appendix C. These covenants have been made in order to assist the Underwriter in complying with the Rule.

Although the District has generally complied within the past five years with its prior obligations pursuant to the Rule to provide annual reports and notices of enumerated events, the District has failed in that period to timely file certain portions of the annual disclosure reports and notices of certain events required in connection with such prior obligations. Examples of such occurrences follow. The District’s fiscal year 2009-10 adopted budget, required to be filed pursuant to continuing disclosure undertakings in connection with the 2004 Election, Series A Bonds, the 2005 Refunding Bonds, the 2004 Election, Series B Bonds, the District’s then-outstanding Certificates of Participation (2003 School Financing Project) and the 2007 Certificates, was filed late in October 2011. With respect to the continuing disclosure undertaking related to the 2007 Certificates, the fiscal year 2009-10 First Interim Report was filed late in August 2014. With respect to the continuing disclosure undertaking related to the 2012 Election, Series A Bonds, notice of a change in rating due to an upgrade of a bond insurer’s credit rating was filed late in August 2014. With respect to rating changes relating to bond insurer ratings, the District did not always file notices relating to such changes at the time such changes occurred with respect to its 1999 Election, Series A Bonds, 1999 Election, Series B Bonds, 2004 Election, Series A Bonds, the 2005 Refunding Bonds, and 2004 Election, Series B Bonds. Notices for such rating changes were generally filed in November 2011 and August 2014, depending on the particular financing. In addition, within such five year period, certain of the District’s other required annual reports, or portions thereof, were filed after the date required by the applicable continuing disclosure undertaking, but in no instance later than 30 days after the date required.

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 monies in the State.

Absence of Material Litigation

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished to the Underwriter 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 levy or collection of *ad valorem* taxes to pay the principal and Accreted Value of and interest on the Bonds, or the ability of the District to collect other revenues or contesting the District's ability to issue and retire the Bonds.

The District is subject to lawsuits and claims in the ordinary course of its operations. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the finances of the District.

Legal Opinion

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Bowie, Arneson, Wiles & Giannone, Newport Beach, California, as Bond Counsel. A copy of the proposed form of such legal opinion is attached to this Official Statement as Appendix B.

Financial Statements

The financial statements with supplemental information for the year ended June 30, 2014, the independent auditor's report of the District, and the related statements of activities and of cash flows for the year then ended, and the report dated December 15, 2014, of Vavrinek, Trine, Day & Co., LLP (the "Auditor"), are included in this Official Statement as Appendix A. In connection with the inclusion of the financial statements and the reports of the Auditor thereon in Appendix A to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its reports.

RATINGS

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), has assigned a rating of "___" to the Bonds.

Such rating reflects only the views of the rating organization and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same, at the following address: Standard & Poor's, 55 Water Street, New York, New York 10041. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that any such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price for the Bonds.

The District has covenanted in a Continuing Disclosure Certificate to file notices of any ratings changes on the Bonds. See the caption “LEGAL MATTERS – Continuing Disclosure” above and “APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE.” Notwithstanding such covenant, information relating to ratings changes on the Bonds may be publicly available from S&P prior to such information being provided to the District and prior to the date the District is obligated to file a notice of rating change pursuant to the Rule. Purchasers of the Bonds are directed to S&P, its website and official media outlets for the most current ratings changes with respect to the Bonds after the initial issuance thereof.

FINANCIAL ADVISOR

The District has retained CSG Advisors Incorporated, San Francisco, California, as Financial Advisor for the sale of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

CSG Advisors Incorporated, is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

UNDERWRITING

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated (the “Underwriter”). The Underwriter has agreed to purchase the Bonds at a price of \$_____, which is equal to the principal amount of the Bonds of \$_____, plus original issue premium of \$_____, less the Underwriter’s discount of \$_____. The Bond Purchase Agreement for the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said agreement, the approval of certain legal matters by counsel and certain other conditions.

The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover. The offering prices may be changed from time to time by the Underwriter.

Stifel, Nicolaus & Company, Incorporated, the Underwriter of the Bonds, has provided the following sentence for inclusion in the Official Statement: “Stifel, Nicolaus & Company, Incorporated made a voluntary contribution to the committee that was formed to support the election authorizing the Bonds.”

ADDITIONAL INFORMATION

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 the District records. Appropriate District officials, acting in their official capacities, have reviewed this Official Statement and have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in

light of the circumstances under which they were made, not misleading. This Official Statement has been approved by the District's Board of Trustees.

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

PERRIS UNION HIGH SCHOOL DISTRICT

By _____
Assistant Superintendent, Business Services

APPENDIX A
FISCAL YEAR 2013-14 AUDITED FINANCIAL STATEMENTS
OF THE DISTRICT

APPENDIX B

FORM OF OPINION OF BOND COUNSEL

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

Board of Trustees of the
Perris Union High School District
155 E. Fourth Street
Perris, CA 92570-2124

Re: \$_____ Perris Union High School District
 General Obligation Bonds, 2012 Election, Series B
 Final Opinion

Ladies and Gentlemen:

We have acted as Bond Counsel for the Perris Union High School District (“District”) in connection with the proceedings for the issuance and sale by the District of \$_____ principal amount of Perris Union High School District General Obligation Bonds, 2012 Election, Series B (“Bonds”). The Bonds are being issued pursuant to the Resolution of Issuance of the Board of Trustees of the District, adopted on September 16, 2015 (Resolution No. 3:15-16) (“District Resolution”), and a Resolution of the Board of Supervisors of the County of Riverside (“County”), adopted on _____, 2015 (Resolution No. 2015-____) (“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 County 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 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 County is 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 applicable to school districts in the State of California.

Very truly yours,

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Perris Union High School District (the “District”) in connection with the issuance of \$_____ of the District’s General Obligation Bonds, 2012 Election, Series B (the “Bonds”). The Bonds are being issued pursuant to resolutions of the District, adopted on September 16, 2015, and the Board of Supervisors of Riverside County, adopted on October __, 2015 (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 Resolutions, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

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

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

“Dissemination Agent” shall mean initially Koppel & Gruber Public Finance, 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.

“Holders” shall mean registered owners of the Bonds.

“Listed Events” shall mean any of the events listed in Sections 5(a) and (b) of this Disclosure Certificate.

“Participating Underwriter” shall mean Stifel, Nicolaus & Company, Incorporated.

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

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

“State” shall mean the State of California.

SECTION 3. Provision of Annual Reports.

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

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

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

SECTION 4. Content and Form of Annual Reports.

(a) The District's Annual Report shall contain or include by reference the following:

(i) 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.

(ii) The District's approved annual budget for the then-current fiscal year.

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

(A) Assessed value of taxable property in the District as shown on the most recent equalized assessment roll;

(B) If Riverside County no longer includes the tax levy for payment of the Bonds in its Teeter Plan, the property tax levies, collections, and delinquencies for the District for the most recently completed fiscal year.

- (C) Top ten property owners in the District for the then-current fiscal year, as measured by secured assessed valuation, the amount of their respective taxable assessed value, and their percentage of total secured assessed value, if material.

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

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

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, 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) the issuance by the Internal Revenue Service of adverse tax opinions or proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).
- (vi) unscheduled draws on the debt service reserves reflecting financial difficulties.
- (vii) unscheduled draws on credit enhancement reflecting financial difficulties.
- (viii) substitution of the credit or liquidity providers or their failure to perform.
- (ix) bankruptcy, insolvency, receivership or similar event of the District. For the purposes of the event identified in this Section 5(a)(ix), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(b) Pursuant to the provisions of this Section 5, 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:

- (i) non-payment related defaults.
- (ii) modifications to rights of Bondholders.
- (iii) optional, contingent or unscheduled bond calls.
- (iv) unless described under Section 5(a)(v) 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.
- (v) release, substitution or sale of property securing repayment of the Bonds.
- (vi) 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.
- (vii) 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.

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

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

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

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

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

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

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

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

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

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

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

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall

confer no duties on the Dissemination Agent to the Participating Underwriters, 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 Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

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

Dated: October __, 2015

PERRIS UNION HIGH SCHOOL DISTRICT

By _____

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: PERRIS UNION HIGH SCHOOL DISTRICT

Name of Bond Issue: General Obligation Bonds, 2012 Election, Series B

Date of Issuance: October __, 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: _____

PERRIS UNION HIGH SCHOOL DISTRICT

By _____ [form only; no signature required]

APPENDIX D

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR RIVERSIDE COUNTY, THE CITY OF MENIFEE AND THE CITY OF PERRIS

The District covers approximately 182 square miles in the northwestern part of Riverside County (the “County”). A majority of the City of Perris (“Perris”) and all of the City of Menifee (“Menifee”) and, together with Perris, the “Cities”) lies within the District’s boundaries. The following economic data for the Cities and the County are presented for information purposes only, to describe the general economic health of the region. However, the Bonds are not a debt of the Cities nor of the County.

General

The County is the fourth largest county in the State of California (the “State”), encompassing approximately 7,243 square miles. It is located in the southern portion of the State and is bordered by San Bernardino County on the north, Los Angeles and Orange Counties on the west, the State of Arizona and the Colorado River on the east, and San Diego and Imperial Counties on the south. The County, incorporated in 1893, is a general law county with its County seat located in the city of Riverside. Perris is bordered by the Interstate 215 freeway and Highway 74. Menifee is located in the south central portion of the County north of Murrieta, west of Hemet, east of Canyon Lake and southeast of Perris.

Population

The following table summarizes population estimates for the Cities, County and State of California (the “State”) from 2000 through 2015. Over the past sixteen years, the number of County residents grew by over 47%, at an average compound growth rate of 2.54%.

POPULATION ESTIMATES
City of Menifee, City of Perris, County of Riverside, and State of California
2000-2015

<u>Year</u> ⁽¹⁾	<u>City of Menifee</u> ⁽³⁾	<u>City of Perris</u>	<u>County of Riverside</u>	<u>State of California</u>
2000 ⁽²⁾	--	36,189	1,545,387	33,873,086
2001	--	37,785	1,589,708	34,256,789
2002	--	39,844	1,655,291	34,725,516
2003	--	42,045	1,730,219	35,163,609
2004	--	46,634	1,814,485	35,570,847
2005	--	50,650	1,895,695	35,869,173
2006	--	54,439	1,975,913	36,116,202
2007	--	59,014	2,049,902	36,399,676
2008	--	63,041	2,102,741	36,704,375
2009	75,707	65,422	2,140,626	36,966,713
2010 ⁽²⁾	77,519	68,386	2,189,641	37,253,956
2011	79,135	69,502	2,205,731	37,427,946
2012	80,646	70,226	2,229,467	37,680,593
2013	82,213	70,887	2,253,516	38,030,609
2014	83,686	72,063	2,280,191	38,357,121
2015	85,385	72,908	2,308,441	38,714,725

⁽¹⁾ As of January 1.

⁽²⁾ As of April 1.

⁽³⁾ Statistics prior to the October 2008 incorporation of Menifee are unavailable.

Source: 2000, 2010: U.S. Department of Commerce, Bureau of the Census, for April 1.

2001-09, 2011-15 (2000 and 2010 DRU Benchmark): California Department of Finance for January 1.

Personal Income

The following tables summarize personal income and per capita personal income for the County, State and United States from 2000 through 2013.

PER CAPITA PERSONAL INCOME Riverside County, State of California, and United States of America 2000-2013

<u>Year</u>	<u>Riverside County</u>	<u>% Annual Change</u>	<u>State of California</u>	<u>% Annual Change</u>	<u>United States of America</u>	<u>% Annual Change</u>
2000	\$24,715	--	\$33,366	--	\$30,587	--
2001	25,818	4.5%	34,066	2.1%	31,524	3.1%
2002	26,066	1.0	34,229	0.5	31,800	0.9
2003	26,888	3.2	35,303	3.1	32,677	2.8
2004	27,801	3.4	37,156	5.2	34,300	5.0
2005	28,933	4.1	38,964	4.9	35,888	4.6
2006	30,368	5.0	41,623	6.8	38,127	6.2
2007	30,934	1.9	43,152	3.7	39,804	4.4
2008	30,876	(0.2)	43,608	1.1	40,873	2.7
2009	29,651	(4.0)	41,587	(4.6)	39,379	(3.7)
2010	29,612	(0.1)	42,282	1.7	40,144	1.9
2011	31,196	5.3	44,749	5.8	42,332	5.5
2012	32,534	4.3	47,505	6.2	44,200	4.4
2013	33,278	2.3	48,434	2.0	44,765	1.3

Note: Per capita personal income was computed using Census Bureau midyear population estimates. All dollar estimates are in current dollars (not adjusted for inflation).

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

Retail Trade

Taxable sales in the County and the Cities for years 2005 through 2013 are shown in the following tables.

TAXABLE SALES County of Riverside 2005-2013 (Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions (\$000's)</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions (\$000's)</u>
2005	22,691	\$20,839,212	44,222	\$28,256,491
2006	23,322	21,842,345	43,672	29,816,237
2007	22,918	21,242,516	45,279	29,023,609
2008	23,604	18,689,249	46,272	26,003,595
2009	29,829	16,057,488	42,765	22,227,877
2010	32,534	16,919,500	45,688	23,152,780
2011	33,398	18,576,285	46,886	25,641,497
2012	34,683	20,016,668	48,316	28,096,009
2013	33,391	21,306,774	46,805	30,065,467

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

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

TAXABLE SALES
City of Menifee
2009-2013⁽¹⁾
(Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions (\$000's)</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions (\$000's)</u>
2009	523	\$299,505	719	\$343,867
2010	548	330,547	749	370,469
2011	606	379,704	840	421,545
2012	673	410,227	918	449,121
2013	673	429,966	919	474,050

⁽¹⁾ Statistics prior to the October 2008 incorporation of Menifee are unavailable.
Note: In 2009, retail permits expanded to include permits for food services.
Source: *Taxable Sales in California (Sales & Use Tax), California Board of Equalization.*

TAXABLE SALES
City of Perris
2005-2013
(Dollars in Thousands)

<u>Year</u>	<u>Retail Permits</u>	<u>Retail Stores Taxable Transactions (\$000's)</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions (\$000's)</u>
2005	478	\$330,152	784	\$503,921
2006	503	363,181	804	579,848
2007	492	362,403	829	554,129
2008	495	350,027	842	562,025
2009	626	319,096	849	489,591
2010	784	337,392	1,037	516,944
2011	806	368,329	1,075	584,313
2012	829	397,880	1,100	622,840
2013	720	438,784	987	738,592

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

Employment

The following table summarizes the civilian labor force, employment and unemployment for the Cities, County and State during calendar years 2008 through 2014.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT City of Menifee, City of Perris, County of Riverside, and State of California 2008-2014

<u>Year</u>	<u>Area</u>	<u>Labor Force</u>	<u>Employment</u> ⁽¹⁾	<u>Unemployment</u> ⁽²⁾	<u>Unemployment Rate</u> ⁽³⁾
2008	City of Menifee	23,000	20,900	2,100	9.1%
	City of Perris	19,200	16,600	2,600	13.5
	County of Riverside	911,500	833,300	78,200	8.6
	State of California	18,207,300	16,893,900	1,313,500	7.2
2009	City of Menifee	23,200	19,800	3,300	14.3%
	City of Perris	19,900	15,800	4,100	20.5
	County of Riverside	915,800	795,800	120,000	13.1
	State of California	18,220,100	16,155,000	2,065,100	11.3
2010	City of Menifee	34,000	28,500	5,400	16.0%
	City of Perris	28,300	22,800	5,500	19.4
	County of Riverside	976,200	841,100	135,200	13.8
	State of California	18,336,300	16,068,400	2,267,900	12.4
2011	City of Menifee	34,000	28,800	5,200	15.2%
	City of Perris	28,300	23,000	5,200	18.5
	County of Riverside	978,200	849,400	128,800	13.2
	State of California	18,417,900	16,249,600	2,168,300	11.8
2012	City of Menifee	34,300	29,700	4,600	13.5%
	City of Perris	28,400	23,700	4,700	16.5
	County of Riverside	989,100	873,900	115,200	11.6
	State of California	18,519,000	16,589,700	1,929,300	10.4
2013	City of Menifee	34,500	30,500	4,000	11.5%
	City of Perris	28,400	24,400	4,000	11.1
	County of Riverside	998,600	899,800	98,800	9.9
	State of California	18,596,800	16,933,300	1,663,500	8.9
2014	City of Menifee	34,800	31,500	3,300	9.6%
	City of Perris	28,500	25,100	3,400	11.9
	County of Riverside	1,010,700	927,300	83,400	8.2
	State of California	18,811,400	17,397,100	1,414,300	7.5

⁽¹⁾ Includes persons involved in labor-management trade disputes.

⁽²⁾ Includes all persons without jobs who are actively seeking work.

⁽³⁾ The unemployment rate is computed from un-rounded data; therefore, it may differ from rates computed from rounded figures in this table.

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

Industry

The following table summarizes the annual average industry employment statistics for the County between 2010 and 2014.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES County of Riverside 2010-2014

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Farm	12,400	12,400	12,500	12,100	12,200
Mining and Logging	400	400	400	300	300
Construction	35,400	34,100	35,900	42,600	47,300
Manufacturing	37,900	38,600	39,400	39,000	40,400
Wholesale Trade	19,100	19,700	20,700	22,400	23,200
Retail Trade	78,500	81,600	81,400	82,400	85,200
Transportation, Warehousing and Utilities	19,400	20,200	21,000	24,900	28,400
Information	10,300	7,700	6,400	6,300	6,300
Financial Activities	19,300	18,600	19,300	20,000	20,600
Professional and Business Services	50,400	52,300	54,100	57,600	61,200
Education and Health Services	67,800	70,700	76,100	83,800	88,500
Leisure and Hospitality	67,700	68,900	72,300	75,000	81,000
Other Services	18,300	18,800	19,200	20,300	21,700
Government	109,200	114,200	112,100	111,200	112,800
Total All Industries	546,000	558,200	571,200	597,800	628,900

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

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

Largest Employers

The following tables list the largest employers in the County and Menifee as of June 30, 2013, and Perris as of June 30, 2014.

LARGEST EMPLOYERS County of Riverside June 30, 2014

<u>Employer</u>	<u>Description</u>	<u>Number of Employees</u>	<u>% of Total County Employees</u>
1. County of Riverside	County Government	19,916	2.30%
2. March Air Reserve Base	Military	8,500	0.98
3. Stater Brothers Market	Grocery retail	6,900	0.80
4. University of California at Riverside	Higher education and research university	5,514	0.64
5. Kaiser Permanente Riverside Med. Center	Hospital and healthcare	5,270	0.61
6. Pechanga Resort & Casino	Casino and resort	4,500	0.52
7. Corona-Norco Unified School District	Primary & Secondary Education	4,300	0.50
8. WalMart	General retail	4,068	0.47
9. Riverside Unified School District	Primary & Secondary Education	4,000	0.46
10. Hemet Unified School District	Primary & Secondary Education	3,572	0.41

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

LARGEST EMPLOYERS
City of Menifee
June 30, 2014

<u>Employer</u>	<u>Description</u>	<u>Number of Employees</u>	<u>% of Total City Employees</u>
1. Menifee Union School District	Primary education	1,000	26.61%
2. Mt. San Jacinto Community Coll. District	Post-secondary education	556	14.80
3. Romoland Elementary School District	Primary education	352	9.37
4. Sodexo	Food services and facilities mgmt..	315	8.38
5. Menifee Valley Medical Center	Hospital and healthcare	293	7.80
6. Southern California Edison	Electrical supply utility	270	7.18
7. Target Corporation	General retail	268	7.13
8. United States Postal Service	Freight and parcel shipping	211	5.61
9. Stater Bros.	Grocery retail	199	5.30
10. Datatronics	Freight and parcel shipping	147	3.91
10. BJ's Restaurant and Brewhouse	Dining	147	3.91

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

LARGEST EMPLOYERS
City of Perris
June 30, 2013

<u>Employer</u>	<u>Description</u>	<u>Number of Employees</u>	<u>% of Total City Employees</u>
1. Ross Stores Inc.	Department store	1,400	8.05%
2. Starcrest	Hospital and healthcare	1,000	5.75
3. Lowe's HIW Inc.	Distribution center	900	5.17
4. Perris Union High School District	Secondary education	786	4.52
5. Hanes	Distribution center	650	3.60
6. Perris Elementary School District	Primary education	602	3.46
7. Eastern Municipal Water District	Water and sewage services	580	3.33
8. Whirlpool	Distribution center	300	1.72
9. WalMart	General retail	250	1.44
10. Coreslab Structures	Concrete manufacturing	200	1.13

Note: Information for the fiscal year ended June 30, 2014 is not available.

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

Construction Activity

Provided below are the building permits and valuations for the County and Cities for years 2009 through 2014.

BUILDING PERMITS AND VALUATIONS County of Riverside 2009-2014 (Dollars in Thousands)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>Valuation (\$000's)</u>						
Residential	\$1,053,694	\$1,079,637	\$873,411	\$885,473	\$1,375,593	\$1,621,751
Nonresidential	<u>376,819</u>	<u>539,379</u>	<u>559,398</u>	<u>526,369</u>	<u>873,977</u>	<u>814,990</u>
Total Valuation	\$1,430,513	\$1,619,016	\$1,432,809	\$1,411,842	\$2,249,570	\$2,436,741
<u>New Dwelling Units</u>						
Single-Family	3,431	4,031	2,659	2,981	4,716	5,007
Multi-Family	<u>759</u>	<u>526</u>	<u>1,061</u>	<u>560</u>	<u>1,427</u>	<u>1,931</u>
Total:	4,190	4,557	3,720	3,541	6,143	6,938

Note: Columns may not add to totals due to rounding.

Source: Construction Industry Research Board for calendar years 2009-2010; California Homebuilding Foundation for calendar years 2011-2014.

BUILDING PERMITS AND VALUATIONS City of Menifee 2009-2014 (Dollars in Thousands)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>Valuation (\$000's)</u>						
Residential	\$84,131	\$105,011	\$73,507	\$83,322	\$156,025	\$161,274
Nonresidential	<u>3,872</u>	<u>22,596</u>	<u>12,037</u>	<u>1,631</u>	<u>18,148</u>	<u>5,971</u>
Total Valuation	\$88,003	\$127,607	\$85,544	\$84,953	\$174,173	\$167,245
<u>New Dwelling Units</u>						
Single-Family	332	399	283	359	517	465
Multi-Family	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total:	332	399	283	359	517	465

Note: Columns may not add to totals due to rounding.

Source: Construction Industry Research Board for calendar years 2009-2010; California Homebuilding Foundation for calendar years 2011-2013.

BUILDING PERMITS AND VALUATIONS
City of Perris
2009-2014

(Dollars in Thousands)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>Valuation (\$000's)</u>						
Residential	\$20,505	\$24,672	\$10,929	\$12,511	\$21,422	42,466
Nonresidential	<u>3,173</u>	<u>3,320</u>	<u>54,095</u>	<u>227,287</u>	<u>47,499</u>	<u>95,310</u>
Total Valuation	\$23,678	27,992	\$65,024	\$239,798	\$68,921	137,776
<u>New Dwelling Units</u>						
Single-Family	176	207	49	43	112	207
Multi-Family	<u>0</u>	<u>0</u>	<u>60</u>	<u>84</u>	<u>75</u>	<u>126</u>
Total:	176	207	109	127	187	233

Note: Columns may not add to totals due to rounding.

Source: Construction Industry Research Board for calendar years 2009-2010; California Homebuilding Foundation for calendar years 2011-2014.

APPENDIX E

RIVERSIDE COUNTY POOLED INVESTMENT FUND

The information on the following pages concerning the Riverside County Investment Pool (the “Investment Pool”) has been provided by the Treasurer-Tax Collector of Riverside County and has not been confirmed or verified by the District or the Underwriter. No representation is made by the District or Underwriter as to the accuracy or adequacy of such information, or as to the absence of material adverse changes in such information subsequent to the date hereof, or that any information contained or incorporated therein by reference is correct as of any time subsequent to its date.

APPENDIX F
TABLE OF ACCRETED VALUES