

FORM APPROVED COUNTY COUNSEL *T/P/16*  
BY: GREGORY P. PRIAMOS DATE

**SUBMITTAL TO THE BOARD OF SUPERVISORS  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

328



**SUBMITTAL DATE:**  
August 8, 2016

**FROM:** Don Kent, Treasurer/Tax Collector

**SUBJECT:** Resolution No. 2016-183 Val Verde Unified School District General Obligation Bonds, 2012 Election, Series 2016C; 5th Dist.; [\$0] (Vote on Separately)

**RECOMMENDED MOTION:** That the Board of Supervisors:

1. Approve and adopt Resolution No. 2016-183 authorizing and approving the issuance and sale of Val Verde Unified School District General Obligation Bonds, 2012 Election, Series 2016C in a principal amount not to exceed \$21,000,000 and approving other related matters.

**BACKGROUND:**

Summary

Education Code Section 15140 requires that General Obligation Bonds of a school district be offered for sale by the Board of Supervisors of the County when the County's Superintendent of Schools has jurisdiction over the district and when the district wishes to offer its bonds via a negotiated sale. Although California law permits a board of supervisors to opt out of that requirement, this Board has not adopted the necessary enabling resolution. At the same time, the County Treasurer has taken the position that school districts should not be negotiating the sale of bonds without his participation. (Continued on Page 2.)

*Don Kent*

Don Kent  
Treasurer/Tax Collector

Departmental Concurrence

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
COST	\$ 0	\$ 0	\$ 0	\$ 0	Consent <input type="checkbox"/> Policy <input type="checkbox"/>
NET COUNTY COST	\$ 0	\$ 0	\$ 0	\$ 0	
<b>SOURCE OF FUNDS:</b>				Budget Adjustment: n/a	
				For Fiscal Year: 2016-17	

**C.E.O. RECOMMENDATION:**

APPROVE

BY: *Ivan M. Chand*  
Ivan M. Chand

8/15/2016

County Executive Office Signature

**MINUTES OF THE BOARD OF SUPERVISORS**

- A-30
- 4/5 Vote
- Positions Added
- Change Order

Prev. Agn. Ref.: \_\_\_\_\_ District: 5 Agenda Number: \_\_\_\_\_

3-76

**SUBMITTAL TO THE BOARD OF SUPERVISORS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**  
**FORM 11:** Resolution No. 2016-183 Val Verde Unified School District General Obligation Bonds, 2012  
Election, Series 2016C; 5th Dist.; [\$0] (Vote on Separately)  
**DATE:** August 8, 2016  
**PAGE:** Page 2 of 2

**BACKGROUND:**  
**Summary (continued).**

Val Verde Unified School District (the "District"), under the jurisdiction of the Riverside County Superintendent of Schools, wishes to offer bonds via a negotiated sale. Accordingly, the District Board of Education adopted a resolution requesting this Board to sell the District's general obligation bonds which have been duly authorized by the voters of the District.

An election was held on June 5, 2012 pursuant to Section 1 of Article XIII A of the California Constitution, Section 18 of Article XVI of the California Constitution, and Chapter 1 of Part 10 of Division 1 of Title 1 (Section 15266) of the Education Code, codifying, in part, Proposition 39. The measure, which was approved by more than fifty-five percent of the votes cast by eligible voters of the District, authorized the incurrence of general obligation bonded indebtedness in an aggregate principal amount not to exceed \$178,000,000.

On March 20, 2013, this Board previously authorized the issuance and sale of Val Verde Unified School District General Obligation Bonds, 2012 Election, Series 2013 Series A in the initial par amount of \$40,540,000.

On March 4, 2015, this Board previously authorized the issuance and sale of Val Verde Unified School District General Obligation Bonds, 2012 Election, Series 2015B in the initial par amount of \$38,949,540.30.

Resolution No. 2016-183 authorizes the issuance and sale of Val Verde Unified School District General Obligation Bonds, 2012 Election, Series 2016c (the "Series 2016C Bonds") in a principal amount not to exceed \$21,000,000. The proceeds of the Series 2016C Bonds will be used to finance specific construction, repair and improvement projects approved by voters of the District.

The Series 2016C Bonds represent a general obligation of the District and do not constitute a debt, liability, or obligation of the County. No part of any fund of the County is pledged or obligated to the payment of the Series 2016C Bonds.

County Counsel has reviewed Resolution No. 2016-183 and has approved it as to form.

**Impact on Citizens and Businesses**

The voters of the District approved the levy of ad valorem property taxes to pay for increased bonded indebtedness. In exchange for the increased taxes, the citizens in the District will receive new and improved District facilities.

**ATTACHMENTS (if needed, in this order):**

District Map  
Resolution No. 2016-183  
Purchase Contract  
District Resolution  
Preliminary Official Statement



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**RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY  
OF RIVERSIDE, CALIFORNIA, AUTHORIZING THE ISSUANCE AND  
SALE OF VAL VERDE UNIFIED SCHOOL DISTRICT GENERAL  
OBLIGATION BONDS, 2012 ELECTION, SERIES 2016C, IN AN  
AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$21,000,000,  
AND APPROVING CERTAIN OTHER MATTERS RELATING TO THE  
BONDS**

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**RESOLUTION NO. 2016-183**

**RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF RIVERSIDE, CALIFORNIA, AUTHORIZING THE ISSUANCE AND SALE OF VAL VERDE UNIFIED SCHOOL DISTRICT GENERAL OBLIGATION BONDS, 2012 ELECTION, SERIES 2016C, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$21,000,000, AND APPROVING CERTAIN OTHER MATTERS RELATING TO THE BONDS**

**WHEREAS**, a duly called election was conducted within Val Verde Unified School District, County of Riverside, California (the “**District**”), a unified school district duly organized and existing under the Constitution and laws of the State of California (the “**State**”) on June 5, 2012 (the “**Election**”), pursuant to which the qualified voters of the District approved, by a vote of more than fifty-five percent (55%), of the issuance of not to exceed \$178,000,000 aggregate principal amount of the District’s general obligation bonds (the “**2012 Authorization**”), which was duly canvassed according to law; and

**WHEREAS**, Section 15140 of the Education Code of the State (the “**Education Code**”) requires that general obligation bonds of a district shall be offered for sale by the board of supervisors of the applicable county, as soon as possible following receipt of a resolution adopted by the governing board of such district; and

**WHEREAS**, the Riverside County Superintendent of Schools has jurisdiction over the District, which is located within the County of Riverside, California (the “**County**”); and

**WHEREAS**, the County has previously issued and sold, on behalf of the District, \$40,540,000 aggregate principal amount of its General Obligation Bonds, 2012 Election, 2013 Series A and \$38,949,540.30 aggregate principal amount of its General Obligation Bonds, 2012 Election, Series 2015B, all under the 2012 Authorization; and

FORM APPROVED COUNTY COUNSEL  
BY:  DATE: 8/27/16  
DALE A. GARDNER

1           **WHEREAS**, the District has determined the need to finance additional capital projects  
2 authorized at the Election; and

3           **WHEREAS**, the Board of Supervisors of the County (the “**Board**”) has received a  
4 certified resolution of the District Board, adopted on August 16, 2016 (the “**District**  
5 **Resolution**”), an executed electronic copy of which has been received by the Board, requesting  
6 the Board issue the third series of the District’s general obligation bonds under the 2012  
7 Authorization, in the maximum principal amount of not to exceed Twenty-One Million Dollars  
8 (\$21,000,000) (the “**Bonds**”) in order and to provide for the funding of certain additional capital  
9 improvements for the District’s schools; and

10           **WHEREAS**, in the District Resolution, the District Board found and informed this Board  
11 that all acts and conditions necessary to be performed by the District or to have been met  
12 precedent to and in the issuance and sale of the Bonds in order to make them legal, valid and  
13 binding general obligations of the District have been performed and have been met, or will, at the  
14 time of delivery of the Bonds, have been performed and met, in regular and due form as required  
15 by law; and

16           **WHEREAS**, the District Board has determined that it is desirable to sell the Bonds  
17 pursuant to a negotiated underwriting to Piper Jaffray & Co., as underwriter (the “**Underwriter**”)  
18 pursuant to a Purchase Contract (as defined herein), a form of which has been submitted to this  
19 meeting of the Board and is appended hereto as Exhibit B, which is incorporated herein by this  
20 reference (the “**Purchase Contract**”); and

21           **WHEREAS**, a form of Continuing Disclosure Certificate (the “**Continuing Disclosure**  
22 **Certificate**”), attached to the Preliminary Official Statement, has been submitted to this meeting  
23 of the Board and is on file with the Clerk; and

24           **WHEREAS**, the District Board has requested under the District Resolution that the  
25 County should levy and collect an *ad valorem* property tax on all taxable property within the  
26 District sufficient to provide for payment of the Bonds, so that the Auditor-Controller of the  
27 County (the “**Auditor-Controller**”), the Treasurer and Tax Collector of the County (the  
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1 “**Treasurer**”) and other officials of the County should take such actions as shall be necessary to  
2 provide for the levy and collection of such tax and payment of the Bonds; and

3 **WHEREAS**, all acts, conditions and other matters required by law to be done or  
4 performed have been done and performed in strict conformity with the laws authorizing the  
5 issuance of general obligation bonds of the District, and the indebtedness of the District,  
6 including this proposed issue of the Bonds, is within all limits prescribed by law;

7 **NOW THEREFORE, IT IS ORDERED** by the Board of Supervisors of the County of  
8 Riverside as follows:

9 SECTION 1. Definitions. Capitalized terms used but not defined herein shall  
10 have the meanings set forth in the Recitals hereto. Additionally, the following terms shall for all  
11 purposes of this Resolution have the following meanings:

12 “**Authorized Denominations**” shall mean \$5,000 Principal Amount or any integral  
13 multiple thereof.

14 “**Authorized Investments**” shall mean the Riverside County Investment Pool (or other  
15 investment pools of the County into which District funds may lawfully be invested), the Local  
16 Agency Investment Fund of the State, any investment authorized pursuant to Section 16429.1 and  
17 Section 53601 of the Government Code, or in shares in a California common law trust established  
18 pursuant to Title 1, Division 7, Chapter 5 of the Government Code which invests exclusively in  
19 investments permitted by Section 53635 of the Government Code, or in guaranteed investment  
20 contracts in general obligations of the United States of America (including State and Local  
21 Government Series of the Department of the Treasury) (provided that such investments comply  
22 with the requirements of Section 148 of the Code and with the requirements of the Bond Insurer,  
23 if any, as shall be applicable.

24 “**Authorized Officer of the County**” shall mean the officers of the County, including the  
25 Treasurer, the Deputy Treasurer and their authorized representatives, authorized to act with  
26 regard to general obligation bond matters.

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1           **“Authorized Officer of the District”** shall mean the officers of the District, including the  
2 Superintendent, the Deputy Superintendent, Business Services and their authorized  
3 representatives, and the President and Clerk of the District Board.

4           **“Authorizing Law”** shall mean, collectively, Article 4.5 of Chapter 3 of Part 1 of  
5 Division 2 of Title 5 of the California Government Code; and Article XIII A of the California  
6 Constitution.

7           **“Beneficial Owner”** means, when used with reference to book-entry Bonds registered  
8 pursuant to Section 15 hereof, the person who is considered the beneficial owner of such Bonds  
9 pursuant to the arrangements for book entry determination of ownership applicable to the  
10 Depository.

11           **“Bond Counsel”** shall mean Nossaman LLP or any other firm selected by the District that  
12 is a nationally recognized bond counsel firm.

13           **“Bond Insurer”** means any insurance company which issues a municipal bond insurance  
14 policy insuring the payment of Debt Service on the Bonds.

15           **“Bond Register”** shall mean the registration books which the Paying Agent shall keep or  
16 cause to be kept on which the registered ownership, transfer and exchange of Bonds will be  
17 recorded.

18           **“Business Day”** shall mean a day which is not a Saturday, Sunday or a day on which  
19 banking institutions in the State or the State of New York and the New York Stock Exchange are  
20 authorized or required to be closed.

21           **“Code”** shall mean the Internal Revenue Code of 1986, as the same may be amended from  
22 time to time. Reference to a particular section of the Code shall be deemed to be a reference to  
23 any successor to any such section.

24           **“Costs of Issuance”** shall mean all of the authorized costs of issuing the Bonds as  
25 described in Section 15145(a) of the Education Code, including but not limited to, all printing and  
26 document preparation expenses in connection with this Resolution, the Bonds and the Preliminary  
27 Official Statement and the Official Statement pertaining to the Bonds and any and all other  
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1 agreements, instruments, certificates or other documents prepared in connection therewith; rating  
2 agency fees; auditor's fees; CUSIP service bureau charges; legal fees and expenses of counsel  
3 with respect to the financing, including the fees and expenses of Bond Counsel and Disclosure  
4 Counsel; the fees and expenses of the Financial Advisor; the fees and expenses of the Paying  
5 Agent; fees for credit enhancement (if any) relating to the Bonds; the discount of the Underwriter;  
6 and other fees and expenses incurred in connection with the issuance of the Bonds, to the extent  
7 such fees and expenses are approved by the District.

8 **"Current Interest Bonds"** shall mean the Bonds, the interest on which is payable  
9 semiannually on each Interest Payment Date specified for each such Bond as designated and  
10 maturing in the years and in the amounts set forth in the Official Statement.

11 **"Date of Delivery"** shall mean the date of initial issuance and delivery of the Bonds, or  
12 such other date as shall be set forth in the Purchase Contract or Official Statement.

13 **"Debt Service"** shall mean the Principal of, premium, if any, and interest on the Bonds  
14 then-due for payment.

15 **"Depository"** shall mean DTC and its successors and assigns or if (a) the then-acting  
16 Depository resigns from its functions as securities depository for the Bonds, or (b) the District  
17 discontinues use of the Depository pursuant to this Resolution, any other securities depository  
18 which agrees to follow procedures required to be followed by a securities depository in  
19 connection with the Bonds.

20 **"Disclosure Counsel"** means Orrick, Herrington & Sutcliffe LLP, as the firm selected by  
21 the District to prepare the Preliminary Official Statement and final Official Statement.

22 **"DTC"** shall mean The Depository Trust Company, 55 Water Street, New York, New  
23 York 10041, a limited purpose trust company organized under the laws of the State of New York,  
24 in its capacity as the initial Depository for the Bonds.

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

13 “**EMMA**” shall mean the Electronic Municipal Market Access website of the MSRB,  
14 currently located at <http://emma.msrb.org>.

15 “**Financial Advisor**” shall mean Fieldman Rolapp & Associates, as Financial Advisor to  
16 the District.

17 “**Fiscal Year**” shall mean the twelve-month period commencing on July 1 of each year  
18 and ending on the following June 30 or any other fiscal year selected by the District.

19 “**Government Code**” shall mean the Government Code of the State.

20 “**Holder**” or “**Owner**” means the registered owner of a Bond as set forth in the Bond  
21 Register maintained by the Paying Agent.

22 “**Information Services**” shall mean EMMA and, in accordance with then-current  
23 guidelines of the Securities and Exchange Commission, such other addresses and/or such other  
24 services providing information with respect to called bonds as the District may designate in a  
25 certificate of the District, delivered to the Paying Agent.

26 “**Interest Payment Date**” shall mean February 1 and August 1 in each year, commencing  
27 on February 1, 2017, or as otherwise specified in the Purchase Contract.

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1           **“Moody’s”** shall mean Moody’s Investors Service, its successors and assigns, except that  
2 if such corporation shall no longer perform the functions of a securities rating agency for any  
3 reason, the term “Moody’s” shall be deemed to refer to any other nationally recognized securities  
4 rating agency selected by the District.

5           **“MSRB”** means the Municipal Securities Rulemaking Board or any other entity  
6 designated or authorized by the Securities and Exchange Commission to receive the reports  
7 described in the Continuing Disclosure Certificate. Until otherwise designated by the MSRB or  
8 the Securities and Exchange Commission, filings with the MSRB are to be made through EMMA.

9           **“Nominee”** shall mean the nominee of the Depository which may be the Depository, as  
10 determined from time to time by the Depository.

11           **“Non-AMT Bonds”** means obligations the interest on which is excludable from gross  
12 income for federal income tax purposes under Section 103(a) of the Code and not treated as an  
13 item of tax preference under Section 57(a)(5)(C) of the Code, that are legal investments pursuant  
14 to Section 53601 of the Government Code of the State of California.

15           **“Official Statement”** shall mean the final official statement of the District describing the  
16 Bonds.

17           **“Outstanding”** when used with reference to the Bonds, shall mean, as of any date, Bonds  
18 theretofore issued or thereupon being issued under this Resolution except:

- 19                   (i) Bonds canceled at or prior to such date;
- 20                   (ii) Bonds in lieu of or in substitution for which other Bonds shall have  
21                   been delivered pursuant to Section 17 hereof;
- 22                   (iii) Bonds for the payment or redemption of which funds or eligible  
23                   securities in the necessary amount shall have been set aside  
24                   (whether on or prior to the maturity or redemption date of such  
25                   Bonds), in accordance with Section 38 of this Resolution.

26           **“Participant”** shall mean a member of or participant in the Depository.

27           **“Paying Agent”** shall mean the paying agent designated pursuant to Section 30 hereof.

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1           **“Preliminary Official Statement”** shall mean the Preliminary Official Statement of the  
2 District, the form of which was submitted to and approved by the District Board pursuant to the  
3 District Resolution.

4           **“Principal”** or **“Principal Amount”** shall mean, with respect to any Bond, the initial  
5 principal amount thereof.

6           **“Projects”** shall include the capital improvements further described in Section 7 of this  
7 Resolution and delineated in the ballot presented to and approved by the voters of the District at  
8 the Election.

9           **“Purchase Contract”** shall mean the Purchase Contract by and among the County, the  
10 District and the Underwriter relating to the Bonds.

11           **“Qualified Non-AMT Mutual Fund”** means stock in a regulated investment company to  
12 the extent that at least 95% of the income of such regulated investment company is interest that is  
13 excludable from gross income under Section 103 of the Code and not an item of tax preference  
14 under Section 57(a)(5)(C) of the Code.

15           **“Qualified Authorized Investments”** means (i) Non-AMT Bonds, (ii) Qualified Non-  
16 AMT Mutual Funds, (iii) other Authorized Investments authorized by an opinion of Bond  
17 Counsel to the effect that such investment would not adversely affect the tax-exempt status of the  
18 Bonds, and (iv) Authorized Investments of proceeds of the Bonds, and interest earned on such  
19 proceeds, held not more than thirty days pending reinvestment or Bond redemption. A  
20 guaranteed investment contract or similar investment agreement (e.g. a forward supply contract,  
21 GIC, repo, etc.) does not constitute a Qualified Authorized Investment.

22           **“Record Date”** shall mean the close of business on the fifteenth calendar day of the  
23 month next preceding an Interest Payment Date.

24           **“Securities Depositories”** shall mean The Depository Trust Company, 55 Water Street,  
25 New York, New York 10041, Facsimile transmission: (212) 785-9681, (212) 855-3215, and, in  
26 accordance with then-current guidelines of the Securities and Exchange Commission, such other  
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1 addresses and/or such other securities depositories as the District may designate in a certificate  
2 delivered to the Paying Agent.

3 “**Series**” means any Bonds executed, authenticated and delivered pursuant to the  
4 provisions hereof identified as a separate series of Bonds.

5 “**S&P**” shall mean S&P Global Ratings, a business unit of Standard & Poor's Financial  
6 Services LLC, its successors and assigns, except that if such corporation shall no longer perform  
7 the functions of a securities rating agency for any reason, the term “S&P” shall be deemed to  
8 refer to any other nationally recognized securities rating agency selected by the District.

9 “**State**” shall mean the State of California.

10 “**Supplemental Resolution**” shall mean any resolution supplemental to or amendatory of  
11 this Resolution, adopted by the Board at the request of the District in accordance with Section 35  
12 or Section 36 hereof.

13 “**Taxable Bonds**” means any Bonds not issued as Tax-Exempt Bonds.

14 “**Tax-Exempt Bonds**” means any Bonds the interest on which is excludable from gross  
15 income for federal income tax purposes and is not treated as an item of tax preference for purposes  
16 of calculating the federal alternative minimum tax, as further described in an opinion of Bond  
17 Counsel supplied to the original purchasers of such Bonds.

18 “**Term Bonds**” means those Bonds for which mandatory redemption dates have been  
19 established in the Official Statement.

20 “**Transfer Amount**” shall mean with respect to any Outstanding Bond, the Principal  
21 Amount.

22 “**Treasurer**” shall mean the Treasurer and Tax Collector of the County, or any designated  
23 deputy thereof.

24 SECTION 2. Rules of Construction. Words of the masculine gender shall be  
25 deemed and construed to include correlative words of the feminine and neuter genders, and vice  
26 versa. Except where the context otherwise requires, words importing the singular shall include  
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1 the plural and vice versa, and words importing persons shall include firms, associations and  
2 corporations, including public bodies, as well as natural persons.

3 SECTION 3. Authority for this Resolution. The Bonds are authorized to be  
4 issued in one or more Series of Taxable or Tax-Exempt Bonds and sold by the County in the  
5 name and on behalf of the District pursuant to the California Constitution, the Election, the 2012  
6 Authorization, the District Resolution, this Resolution, the provisions of Government Code  
7 sections 53506 *et seq.*, and to the extent applicable, Education Code Sections 15100 *et seq.* and  
8 15264 *et seq.*

9 SECTION 4. Resolution to Constitute Contract. In consideration of the  
10 purchase and acceptance of any and all of the Bonds authorized to be issued hereunder by those  
11 who shall own the same from time to time, this Resolution shall be deemed to be and shall  
12 constitute a contract among the County, the District and the Owners from time to time of the  
13 Bonds; and the pledge made in this Resolution shall be for the equal benefit, protection and  
14 security of the Owners of any and all of the Bonds, all of which, regardless of the time or times of  
15 their issuance or maturity, shall be of equal rank without preference, priority or distinction of any  
16 of the Bonds over any other thereof.

17 SECTION 5. Approval of Documents; Determination of Method of Sale and  
18 Terms of Bonds.

19 (a) The Authorized Officers of the County, in consultation with Bond Counsel  
20 and the Authorized Officers of the District are, and each of them acting alone is, hereby  
21 authorized and directed to issue and deliver the Bonds and to establish the initial aggregate  
22 principal amount thereof; provided, however, that such initial aggregate principal amount shall  
23 not exceed \$21,000,000.

24 (b) The form of the Purchase Contract is hereby approved. The Treasurer is  
25 authorized and directed to execute and deliver the Purchase Contract to the Underwriter for and in  
26 the name and on behalf of the District, with such additions, changes or corrections therein as the  
27 Treasurer may approve in his or her discretion as being in the best interests of the District,  
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1 including, without limitation (i) such changes as are necessary to reflect the final terms of the  
2 Bonds to the extent such terms differ from those set forth in this Resolution, such approval to be  
3 conclusively evidenced by the Treasurer's execution thereof and (ii) any other documents  
4 required to be executed thereunder. The Treasurer is hereby authorized to negotiate with the  
5 Underwriter the terms, maturities, interest rates and Series of the Bonds and the purchase price of  
6 the Bonds to be paid by the Underwriter, which purchase price shall reflect an Underwriter's  
7 discount of not more than 0.45% (not including original issue discount) of the Principal Amount  
8 thereof, if the conditions set forth in this Resolution are met. The interest rate on the Bonds shall  
9 not exceed the maximum allowed under law. All Principal of the Bonds shall be payable within  
10 30 years of the date of issuance of the Bonds.

11 (c) This Board also hereby authorizes the preparation of a paying agent  
12 agreement in connection with the Bonds, in such form as shall be determined by an Authorized  
13 Officer of the County, such determination to be conclusively evidenced by the execution and  
14 delivery of the paying agent agreement by such Authorized Officer of the County.

15 SECTION 6. Authorization of Officers. The Authorized Officers of the  
16 County are, and each of them acting alone is, hereby authorized to execute any and all documents  
17 and do and perform any and all acts and things, from time to time, consistent with this Resolution  
18 and necessary or appropriate to carry the same into effect and to carry out its purposes.

19 SECTION 7. Use of Bond Proceeds. The proceeds of the Bonds shall be used  
20 for (a) the financing of the acquisition, construction, furnishing and equipping of facilities for  
21 certain of the Projects authorized at the Election, the bond proposition and Project List approved  
22 at the Election which shall be incorporated herein by this reference as though fully set forth in this  
23 Resolution; and (b) the payment of the Costs of Issuance of the Bonds.

24 SECTION 8. Designation and Form; Payment.

25 (a) An issue of Bonds in one or more Series entitled to the benefit, protection  
26 and security of this Resolution is hereby authorized in an aggregate principal amount not to  
27 exceed \$21,000,000. Such Bonds shall be general obligations of the District, payable as to  
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1 Principal, premium, if any, and interest from *ad valorem* taxes to be levied upon all of the taxable  
2 property in the District. The Bonds shall be designated the “Val Verde Unified School District  
3 General Obligation Bonds, 2012 Election, Series 2016C.” The Bonds may be issued as Current  
4 Interest Bonds only, may be issued as serial bonds or Term Bonds, and shall be subject to  
5 redemption as set forth in the Purchase Contract, subject to the provisions of this Resolution.

6 (b) The forms of the Bonds shall be substantially in conformity with the  
7 standard form of registered bonds, in the form attached hereto as Exhibit A and incorporated  
8 herein by this reference, allowing those officials executing the Bonds to make the insertions and  
9 deletions necessary to conform the Bonds to this Resolution, the Purchase Contract and the  
10 Official Statement, or to correct or cure any defect, inconsistency, ambiguity or omission therein.

11 (c) Principal of and, premium, if any, and interest on any Bond shall be  
12 payable in lawful money of the United States of America. Principal and premium, if any, shall be  
13 payable upon surrender thereof at maturity or earlier redemption at the office designated by the  
14 Paying Agent.

15 SECTION 9. Description of Bonds.

16 (a) The Bonds shall be issued as fully registered Current Interest Bonds  
17 registered as to both Principal and interest, in denominations of \$5,000 Principal Amount or any  
18 integral multiple thereof. The Bonds will be initially registered in the name of “Cede & Co.,” the  
19 Nominee of DTC.

20 (b) Each Bond shall be dated the Date of Delivery, and shall bear interest at the  
21 rates set forth in the Purchase Contract from the Interest Payment Date next preceding the date of  
22 authentication thereof unless it is authenticated as of a day during the period from the 16th day of  
23 the month next preceding any Interest Payment Date to that Interest Payment Date, inclusive, in  
24 which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on  
25 or before the first Record Date, in which event it shall bear interest from the Date of Delivery.  
26 Interest on the Bonds shall be payable on the respective Interest Payment Dates and shall be  
27 computed on the basis of a 360-day year of twelve 30-day months.

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(c) Redemption.

(i) Optional Redemption. The Bonds shall be subject to optional redemption prior to maturity as provided in the Purchase Contract or the Official Statement.

(ii) Mandatory Redemption. Any Bonds issued as Term Bonds shall be subject to mandatory sinking fund redemption as provided in the Purchase Contract or the Official Statement.

SECTION 10. Selection of Bonds for Redemption.

(a) Whenever provision is made in this Resolution for the redemption of Bonds and less than all Outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, shall select Bonds for redemption as so directed and if not directed, in inverse order of maturity. Within a maturity, the Paying Agent shall select Bonds for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that with respect to redemption by lot, the portion of any Bond to be redeemed in part shall be in the Principal Amount of \$5,000 or any integral multiple thereof.

(b) The Purchase Contract may provide that (i) in the event that a portion of any Term Bond is optionally redeemed prior to maturity, the remaining mandatory sinking fund payments with respect to such Term Bonds shall be reduced proportionately or as otherwise directed by the District, in integral multiples of \$5,000 principal amount, in respect to the portion of such Term Bond optionally redeemed, or (ii) within a maturity, Bonds shall be selected for redemption on a “Pro Rata Pass-Through Distribution of Principal” basis in accordance with DTC procedures, provided further that, such pro-rata redemption is made in accordance with the operational arrangements of DTC then in effect.

SECTION 11. Notice of Redemption. When redemption is authorized

pursuant to this Resolution, the Paying Agent, upon written instruction from the District, shall give notice (a “**Redemption Notice**”) of the redemption of the Bonds. Such Redemption Notice shall specify: the Bonds or designated portions thereof (in the case of redemption of the Bonds in

1 part but not in whole) which are to be redeemed; the date of redemption; the place or places  
2 where the redemption will be made, including the name and address of the Paying Agent; the  
3 redemption price; the CUSIP numbers (if any) assigned to the Bonds to be redeemed, the Bond  
4 numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be  
5 redeemed in part only, the portion of the principal amount of such Bond to be redeemed; and the  
6 original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or  
7 in part. Such Redemption Notice shall further state that on the specified date there shall become  
8 due and payable upon each Bond or portion thereof being redeemed at the redemption price  
9 thereof, together with the interest accrued to the redemption date thereon, and that from and after  
10 such date, interest thereon shall cease to accrue.

11           With respect to any Redemption Notice of Bonds, unless upon the giving of such notice  
12 such Bonds shall be deemed to have been defeased pursuant hereto, such notice shall state that  
13 such redemption shall be conditional upon the receipt by the Paying Agent (or an independent  
14 escrow agent selected by the District) on or prior to the date fixed for such redemption of the  
15 moneys necessary and sufficient to pay the principal of, premium, if any, and interest on, such  
16 Bonds to be redeemed, and that if such moneys shall not have been so received said notice shall  
17 be of no force and effect, the Bonds shall not be subject to redemption on such date and the  
18 Bonds shall not be required to be redeemed on such date. In the event that such Redemption  
19 Notice contains such a condition and such moneys are not so received, the redemption shall not  
20 be made and the Paying Agent shall within a reasonable time thereafter give notice, to the persons  
21 to whom and in the manner in which the Redemption Notice was given, that such moneys were  
22 not so received. In addition, the District shall have the right to rescind any Redemption Notice,  
23 by written notice to the Paying Agent, on or prior to the date fixed for such redemption. The  
24 Paying Agent shall distribute a notice of such rescission in the same manner as the Redemption  
25 Notice was originally provided.

26           The Paying Agent shall take the following actions with respect to such Redemption  
27 Notice:

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1           (1) At least 20 but not more than 45 days prior to the redemption date, such  
2 Redemption Notice shall be given to the respective Owners of Bonds designated for  
3 redemption by registered or certified mail, postage prepaid, at their addresses appearing  
4 on the Bond Register.

5           (2) At least 20 but not more than 45 days prior to the redemption date, such  
6 Redemption Notice shall be given by (i) registered or certified mail, postage prepaid, (ii)  
7 telephonically confirmed facsimile transmission, or (iii) overnight delivery service to the  
8 Depository.

9           (3) At least 20 but not more than 45 days prior to the redemption date, such  
10 Redemption Notice shall be given by (i) registered or certified mail, postage prepaid, or  
11 (ii) overnight delivery service to one of the Information Services.

12           (4) The Redemption Notice shall be given to such other persons as may be  
13 required pursuant to the Continuing Disclosure Certificate.

14 A certificate of the Paying Agent to the effect that a Redemption Notice has been given as  
15 provided herein shall be conclusive as against all parties. Neither failure to receive any  
16 Redemption Notice nor any defect in any such Redemption Notice so given shall affect the  
17 sufficiency of the proceedings for the redemption of the affected Bonds. Each check issued or  
18 other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds shall bear  
19 or include the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with  
20 the proceeds of such check or other transfer. Such Redemption Notice may state that no  
21 representation is made as to the accuracy or correctness of CUSIP numbers printed thereon.

22           SECTION 12. Partial Redemption of Bonds. Upon the surrender of any Bond  
23 redeemed in part only, the Paying Agent shall execute and deliver to the Owner thereof a new  
24 Bond or Bonds of like tenor and maturity and of authorized denominations equal in principal  
25 amounts to the unredeemed portion of the Bond surrendered. Such partial redemption shall be  
26 valid upon payment of the amount required to be paid to such Owner, and the District shall be  
27 released and discharged thereupon from all liability to the extent of such payment.

1                   SECTION 13.     Effect of Notice of Redemption. Notice having been given as  
2 aforesaid, and the moneys for the redemption (including the interest accrued to the applicable date  
3 of redemption) having been set aside as provided herein, the Bonds to be redeemed shall become  
4 due and payable on such date of redemption.

5                   If on such redemption date, money for the redemption of all the Bonds to be redeemed as  
6 provided herein, together with interest accrued to such redemption date, shall be held in trust, so  
7 as to be available therefor on such redemption date, and if a Redemption Notice thereof shall have  
8 been given as aforesaid, then from and after such redemption date, interest on the Bonds to be  
9 redeemed shall cease to accrue and become payable. All money held for the redemption of Bonds  
10 shall be held in trust for the account of the Owners of the Bonds so to be redeemed.

11                   All Bonds paid at maturity or redeemed prior to maturity pursuant to the provisions of this  
12 Section shall be cancelled upon surrender thereof and be delivered to or upon the order of the  
13 District. All or any portion of a Bond purchased by the District shall be cancelled by the Paying  
14 Agent.

15                   SECTION 14.     Bonds No Longer Outstanding. When any Bonds (or portions  
16 thereof), which have been duly called for redemption prior to maturity under the provisions of  
17 this Resolution, or with respect to which irrevocable instructions to call for redemption prior to  
18 maturity at the earliest redemption date have been given to the Paying Agent, in form satisfactory  
19 to it, and sufficient moneys shall be irrevocably held in trust hereof for the payment of the  
20 redemption price of such Bonds or portions thereof, and accrued interest thereon to the date fixed  
21 for redemption, all as provided in this Resolution, then such Bonds shall no longer be deemed  
22 Outstanding and shall be surrendered to the Paying Agent for cancellation

23                   SECTION 15.     Election of Book Entry System. The Bonds shall initially be  
24 delivered in the form of a separate single fully-registered bond (which may be typewritten) for  
25 each maturity date of such Bonds in an authorized denomination. The ownership of each such  
26 Bond shall be registered in Bond Register maintained by the Paying Agent in the name of the  
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1 Nominee, as nominee of the Depository and ownership of the Bonds, or any portion thereof may  
2 not thereafter be transferred except as provided in Section 15(iv) below.

3 With respect to book-entry Bonds, the District and the Paying Agent shall have no  
4 responsibility or obligation to any Participant or to any person on behalf of which such a  
5 Participant holds an interest in such book-entry Bonds. Without limiting the immediately  
6 preceding sentence, the District and the Paying Agent shall have no responsibility or obligation  
7 with respect to: (i) the accuracy of the records of the Depository, the Nominee, or any Participant  
8 with respect to any ownership interest in book-entry Bonds; (ii) the delivery to any Participant or  
9 any other person, other than an Owner as shown in the Bond Register, of any notice with respect  
10 to book-entry Bonds, including any Redemption Notice; (iii) the selection by the Depository and  
11 its Participants of the beneficial interests in book-entry Bonds to be prepaid in the event the  
12 District redeems such Bonds in part; or (iv) the payment by the Depository or any Participant or  
13 any other person, of any amount with respect to Principal, premium, if any, or interest on book-  
14 entry Bonds. The District and the Paying Agent may treat and consider the person in whose name  
15 each book-entry Bond is registered in the Bond Register as the absolute Owner of such Bond for  
16 the purpose of payment of Principal of and premium and interest on and to such Bond, for the  
17 purpose of giving notices of redemption and other matters with respect to such Bond, for the  
18 purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever.  
19 The Paying Agent shall pay all Principal of and premium, if any, and interest on book-entry  
20 Bonds only to or upon the order of the respective Owner, as shown in the Bond Register, or his  
21 respective attorney duly authorized in writing, and all such payments shall be valid and effective  
22 to fully satisfy and discharge the District's obligations with respect to payment of Principal of,  
23 premium, if any, and interest on book-entry Bonds to the extent of the sum or sums so paid. No  
24 person other than an Owner, as shown in the Bond Register, shall receive a certificate evidencing  
25 the obligation to make payments of Principal of, premium, if any, and interest on book-entry  
26 Bonds. Upon delivery by the Depository to the Owner and the Paying Agent, of written notice to  
27 the effect that the Depository has determined to substitute a new nominee in place of the  
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1 Nominee, and subject to the provisions herein with respect to the Record Date, the word  
2 “Nominee” in this Resolution shall refer to such nominee of the Depository.

3 (i) Delivery of Letter of Representations. In order to qualify the Bonds for the  
4 Depository’s book-entry system, the District and the Paying Agent shall execute and deliver to  
5 the Depository a Letter of Representations. The execution and delivery of a Letter of  
6 Representations shall not in any way impose upon the District or the Paying Agent any obligation  
7 whatsoever with respect to persons having interests in the Bonds other than the Owners, as shown  
8 on the Bond Register. By executing a Letter of Representations, the Paying Agent shall agree to  
9 take all action necessary at all times so that the District will be in compliance with all  
10 representations of the District in such Letter of Representations. In addition to the execution and  
11 delivery of a Letter of Representations, the District and the Paying Agent shall take such other  
12 actions, not inconsistent with this Resolution, as are reasonably necessary to qualify the Bonds for  
13 the Depository’s book-entry program.

14 (ii) Selection of Depository. In the event (i) the Depository determines not to  
15 continue to act as securities depository for the Bonds, or (ii) the District determines that  
16 continuation of the book-entry system is not in the best interest of the Beneficial Owners of the  
17 Bonds or the District, then the District will discontinue the book-entry system with the  
18 Depository. If the District determines to replace the Depository with another qualified securities  
19 depository, the District shall prepare or direct the preparation of a new single, separate, fully  
20 registered bond for each maturity date of such Bond, registered in the name of such successor or  
21 substitute qualified securities depository or its Nominee as provided in subsection (iv) hereof. If  
22 the District fails to identify another qualified securities depository to replace the Depository, then  
23 the Bonds shall no longer be restricted to being registered in such Bond Register in the name of  
24 the Nominee, but shall be registered in whatever name or names the Owners transferring or  
25 exchanging such Bonds shall designate, in accordance with the provisions of this Section 15.

26 (iii) Payments and Notices to Depository. Notwithstanding any other provision  
27 of this Resolution to the contrary, so long as all Outstanding Bonds are held in book-entry and  
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1 registered in the name of the Nominee, all payments by the District or Paying Agent with respect  
2 to Principal of and premium, if any, or interest on book-entry Bonds and all notices with respect  
3 to such Bonds, including notices of redemption, shall be made and given, respectively to the  
4 Nominee, as provided in the Letter of Representations or as otherwise instructed by the  
5 Depository and agreed to by the Paying Agent notwithstanding any inconsistent provisions  
6 herein.

7 (iv) Transfer of Bonds to Substitute Depository.

8 (A) The Bonds shall be initially issued as described in the Official  
9 Statement. Registered ownership of such Bonds, or any portions thereof, may not  
10 thereafter be transferred except:

11 (1) to any successor of DTC or its Nominee, or of any substitute  
12 depository designated pursuant to Section 15(iv)(A)(2) (“Substitute Depository”);  
13 provided that any successor of DTC or Substitute Depository shall be qualified under any  
14 applicable laws to provide the service proposed to be provided by it;

15 (2) to any Substitute Depository, upon (a) the resignation of  
16 DTC or its successor (or any Substitute Depository or its successor) from its functions as  
17 depository, or (b) a determination by the District that DTC (or its successor) is no longer  
18 able to carry out its functions as depository; provided that any such Substitute Depository  
19 shall be qualified under any applicable laws to provide the services proposed to be  
20 provided by it; or

21 (3) to any person as provided below, upon (a) the resignation of  
22 DTC or its successor (or any Substitute Depository or its successor) from its functions as  
23 depository, or (b) a determination by the District that DTC or its successor (or Substitute  
24 Depository or its successor) is no longer able to carry out its functions as depository.

25 (B) In the case of any transfer pursuant to Section 15(iv)(A)(1) or (2),  
26 upon receipt of all Outstanding Bonds by the Paying Agent, together with a written  
27 request of the District to the Paying Agent designating the Substitute Depository, a single  
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1 new Bond, which the District shall prepare or cause to be prepared, shall be executed and  
2 delivered for each maturity of Bonds then Outstanding, registered in the name of such  
3 successor or such Substitute Depository or their Nominees, as the case may be, all as  
4 specified in such written request of the District. In the case of any transfer pursuant to  
5 Section 15(iv)(A)(3), upon receipt of all Outstanding Bonds by the Paying Agent, together  
6 with a written request of the District to the Paying Agent, new Bonds, which the District  
7 shall prepare or cause to be prepared, shall be executed and delivered in such  
8 denominations and registered in the names of such persons as are requested in such  
9 written request of the District, provided that the Paying Agent shall not be required to  
10 deliver such new Bonds within a period of less than sixty (60) days from the date of  
11 receipt of such written request from the District.

12 (C) In the case of a partial redemption or advance refunding of any  
13 Bonds evidencing a portion of the Principal maturing in a particular year, DTC or its  
14 successor (or any Substitute Depository or its successor) shall make an appropriate  
15 notation on such Bonds indicating the date and amounts of such reduction in Principal, in  
16 form acceptable to the Paying Agent, all in accordance with the Letter of Representations.  
17 The Paying Agent shall not be liable for such Depository's failure to make such notations  
18 or errors in making such notations.

19 (D) The District and the Paying Agent shall be entitled to treat the  
20 person in whose name any Bond is registered as the Owner thereof for all purposes of this  
21 Resolution and any applicable laws, notwithstanding any notice to the contrary received  
22 by the Paying Agent or the District; and the District and the Paying Agent shall not have  
23 responsibility for transmitting payments to, communicating with, notifying, or otherwise  
24 dealing with any Beneficial Owners of the Bonds. Neither the District nor the Paying  
25 Agent shall have any responsibility or obligation, legal or otherwise, to any such  
26 Beneficial Owners or to any other party, including DTC or its successor (or Substitute  
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1           Depository or its successor), except to the Owner of any Bonds, and the Paying Agent  
2           may rely conclusively on its records as to the identity of the Owners of the Bonds.

3                   SECTION 16.     Execution of the Bonds.

4           (a)     The Bonds shall be executed by the facsimile or manual signature of the  
5           Chairperson of the Board, and countersigned by the facsimile or manual signature of the Clerk of  
6           the Board. In case any one or more of the Authorized Officers of the County who shall have  
7           signed any of the Bonds shall cease to be such officer before the Bonds so signed shall have been  
8           issued on behalf of the District, such Bonds may, nevertheless, be issued, as herein provided, as if  
9           the Authorized Officers of the County who signed such Bonds had not ceased to hold such  
10          offices. Any of the Bonds may be signed on behalf of the County by such persons as at the time  
11          of the execution of such Bonds shall be duly authorized to hold or shall hold the proper offices in  
12          the County, although at the date borne by the Bonds, such persons may not have been so  
13          authorized or have held such offices.

14          (b)     The Bonds shall bear thereon a certificate of authentication executed  
15          manually by the Paying Agent. Only such Bonds as shall bear thereon such certificate of  
16          authentication duly executed by the Paying Agent shall be entitled to any right or benefit under  
17          this Resolution and no Bond shall be valid or obligatory for any purpose until such certificate of  
18          authentication shall have been duly executed by the Paying Agent, which shall be conclusive  
19          evidence that the Bond so authorized has been duly authenticated and delivered under this  
20          Resolution and that the Owner thereof is entitled to the benefit of this Resolution.

21                   SECTION 17.     Transfer and Exchange. So long as any of the Bonds remain  
22          Outstanding, the District will cause the Paying Agent to maintain and keep at its principal  
23          corporate trust office all books and records necessary for the registration, exchange and transfer  
24          of the Bonds as provided in this Section. Subject to the provisions below, the person in whose  
25          name a Bond is registered on the Bond Register shall be regarded as the absolute Owner of that  
26          Bond for all purposes of this Resolution. Payment of or on account of the principal of and  
27          premium, if any, and interest on any Bond shall be made only to or upon the order of that person;  
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1 neither the District nor the Paying Agent shall be affected by any notice to the contrary, but the  
2 registration may be changed as provided in this Section. All such payments shall be valid and  
3 effectual to satisfy and discharge the District's liability upon the Bonds, including interest, to the  
4 extent of the amount or amounts so paid.

5 Any Bond may be exchanged for Bonds of like tenor, Series, maturity and principal  
6 amount upon presentation and surrender at the principal corporate trust office of the Paying  
7 Agent, together with a request for exchange signed by the Owner or by a person legally  
8 empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred on  
9 the Bond Register only upon presentation and surrender of the Bond at the principal corporate  
10 trust office of the Paying Agent together with an assignment executed by the Owner or by a  
11 person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or  
12 transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of like  
13 tenor and of any authorized denomination or denominations requested by the Owner equal to the  
14 principal amount of the Bond surrendered and bearing or accruing interest at the same rate and  
15 maturing on the same date.

16 If any Bond shall become mutilated, the District, at the expense of the Owner of said  
17 Bond, shall execute, and the Paying Agent shall thereupon authenticate and deliver, a new Bond  
18 of like Series, tenor, maturity and principal amount in exchange and substitution for the Bond so  
19 mutilated, but only upon surrender to the Paying Agent of the Bond so mutilated. If any Bond  
20 issued hereunder shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may  
21 be submitted to the Paying Agent and, if such evidence be satisfactory to the Paying Agent and  
22 indemnity for the Paying Agent and the District satisfactory to the Paying Agent shall be given by  
23 the Owner, the District, at the expense of the Owner, shall execute, and the Paying Agent shall  
24 thereupon authenticate and deliver, a new Bond of like Series, tenor, maturity and principal  
25 amount in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond  
26 shall have matured or shall have been called for redemption, instead of issuing a substitute Bond,  
27 the Paying Agent may pay the same without surrender thereof upon receipt of indemnity  
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1 satisfactory to the Paying Agent and the District). The Paying Agent may require payment of a  
2 reasonable fee for each new Bond issued under this paragraph and of the expenses which may be  
3 incurred by the District and the Paying Agent.

4 If signatures on behalf of the District are required in connection with an exchange or  
5 transfer, the Paying Agent shall undertake the exchange or transfer of Bonds only after the new  
6 Bonds are signed by the authorized officers of the District. In all cases of exchanged or  
7 transferred Bonds, the District shall sign and the Paying Agent shall authenticate and deliver  
8 Bonds in accordance with the provisions of this Resolution. All fees and costs of transfer shall be  
9 paid by the requesting party. Those charges may be required to be paid before the procedure is  
10 begun for the exchange or transfer. All Bonds issued upon any exchange or transfer shall be valid  
11 obligations of the District, evidencing the same debt, and entitled to the same security and benefit  
12 under this Resolution as the Bonds surrendered upon that exchange or transfer.

13 Any Bond surrendered to the Paying Agent for payment, retirement, exchange,  
14 replacement or transfer shall be cancelled by the Paying Agent. The District may at any time  
15 deliver to the Paying Agent for cancellation any previously authenticated and delivered Bonds  
16 that the District may have acquired in any manner whatsoever, and those Bonds shall be promptly  
17 cancelled by the Paying Agent. Written reports of the surrender and cancellation of Bonds shall  
18 be made to the District by the Paying Agent as requested by the District. The cancelled Bonds  
19 shall be retained for three years, then returned to the District or destroyed by the Paying Agent as  
20 directed by the District.

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

1                   SECTION 18.   Payment.  Payment of interest on any Bond on any Interest  
2 Payment Date shall be made to the person appearing on the registration books of the Paying  
3 Agent as the Owner thereof as of the Record Date immediately preceding such Interest Payment  
4 Date, such interest to be paid by check mailed to such Owner on the Interest Payment Date at his  
5 address as it appears on such registration books or at such other address as he may have filed with  
6 the Paying Agent for that purpose on or before the Record Date.  The Owner in an aggregate  
7 principal amount of \$1,000,000 or more may request in writing to the Paying Agent that such  
8 Owner be paid interest by wire transfer to the bank and account number on file with the Paying  
9 Agent as of the Record Date.  The principal of and redemption premium, if any, payable on the  
10 Bonds shall be payable upon maturity or redemption upon surrender at the principal corporate  
11 trust office of the Paying Agent.  The principal of, premiums, if any, and interest on the Bonds  
12 shall be payable in lawful money of the United States of America.  The Paying Agent is hereby  
13 authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds  
14 upon payment thereof.  The Bonds are obligations of the District payable solely from the levy of  
15 *ad valorem* property taxes upon all property subject to taxation within the District, which taxes  
16 are unlimited as to rate or amount.  The Bonds do not constitute an obligation of the County and  
17 no part of any fund of the County is pledged or obligated to the payment of the Bonds.

18                   SECTION 19.   Bond Register.  The Paying Agent shall keep or cause to be kept  
19 at its office sufficient books for the registration and registration of transfer of the Bonds.  Upon  
20 presentation for registration of transfer, the Paying Agent shall, as above provided and under such  
21 reasonable regulations as it may prescribe subject to the provisions hereof, register or register the  
22 transfer of the Bonds, or cause the same to be registered or cause the registration of the same to  
23 be transferred, on such books.  While the Bonds are held in the book-entry system, the Paying  
24 Agent is not required to keep the Bond Register.

25                   SECTION 20.   Unclaimed Money.  All money which the Paying Agent shall  
26 have received from any source and set aside for the purpose of paying or redeeming any of the  
27 Bonds shall be held in trust for the respective Owners of such Bonds, but any money which shall  
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1 be so set aside or deposited by the Paying Agent and which shall remain unclaimed by the  
2 Owners of such Bonds for a period of one year after the date on which any payment or  
3 redemption with respect to such Bonds shall have become due and payable shall be transferred to  
4 the General Fund of the District; provided, however, that the Paying Agent, before making such  
5 payment, shall cause notice to be mailed to the Owners of such Bonds, by first-class mail, postage  
6 prepaid, not less than 90 days prior to the date of such payment to the effect that said money has  
7 not been claimed and that after a date named therein any unclaimed balance of said money then  
8 remaining will be transferred to the General Fund of the District. Thereafter, the Owners of such  
9 Bonds shall look only to the General Fund of the District for payment of such Bonds.

10 SECTION 21. Delivery of Bonds. The proper officials of the County shall  
11 cause the Bonds to be prepared and, following their sale, shall have the Bonds signed and  
12 delivered to the District. The District will deliver the Bonds, together with a final transcript of  
13 proceedings with reference to the issuance of the Bonds, to the Underwriter upon payment of the  
14 purchase price therefor

15 SECTION 22. Deposit of Proceeds of Bonds. (a) The purchase price received  
16 from the sale of the Bonds, to the extent of the Principal Amount thereof, shall be paid to the  
17 County to the credit of the fund hereby authorized to be created to be known as the “Val Verde  
18 Unified School District General Obligation Bonds, 2012 Election, Series 2016C Building Fund”  
19 (the “**Building Fund**”) of the District, shall be kept separate and distinct from all other District  
20 and County funds, and those proceeds shall be used solely for the purpose for which the Bonds  
21 are being issued and provided further that such proceeds shall be applied solely to the purposes  
22 authorized by the voters of the District at the Election. The County shall have no responsibility  
23 for assuring the proper use of the Bond proceeds by the District. The Building Fund may contain  
24 subaccounts if the Bonds are issued in more than one Series.

25 The purchase price received to the extent of any accrued interest, shall be paid to the  
26 County to the credit of the fund hereby authorized to be created to be known as the “Val Verde  
27 Unified School District General Obligation Bonds, 2012 Election, Series 2016C Debt Service  
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1 Fund” (the “**Debt Service Fund**”) for the Bonds and used for payment of Debt Service, and for  
2 no other purpose. The Debt Service Fund may contain subaccounts if the Bonds are issued in  
3 more than one Series. A portion of the premium received by the District from the sale of the  
4 Bonds may be transferred to the Debt Service Fund or applied to the payment of Costs of  
5 Issuance arising from the purchase of municipal bond insurance for the Bonds, or some  
6 combination of deposits. Interest earnings on monies held in the Building Fund shall be retained  
7 in the Building Fund. Interest earnings on monies held in the Debt Service Fund shall be retained  
8 in the Debt Service Fund. Any excess proceeds of the Bonds not needed for the authorized  
9 purposes set forth herein for which the Bonds are being issued upon written notice from the  
10 District shall be transferred to the Debt Service Fund and applied to the payment of Debt Service  
11 on the Bonds. If, after payment in full of the Bonds, there remain excess proceeds, any such  
12 excess amounts shall be transferred to the general fund of the District.

13 Costs of Issuance arising from the purchase of municipal bond insurance for the Bonds are  
14 hereby authorized to be paid from premium withheld by the Underwriter upon the sale of the  
15 Bonds. All other Costs of Issuance are hereby authorized to be paid from the Principal Amount  
16 of the Bonds. To the extent Costs of Issuance are paid from such proceeds, the District, may  
17 direct that a portion of the proceeds of the Bonds received from the Underwriter, in lieu of being  
18 deposited into the Building Fund, be deposited in the fund of the District known as the “Val  
19 Verde Unified School District General Obligation Bonds, 2012 Election, Series 2016C Costs of  
20 Issuance Fund” (the “Costs of Issuance Fund”) and kept separate and distinct from all other  
21 District funds, and those proceeds shall be used solely for the purpose of paying Costs of Issuance  
22 of the Bonds. The Costs of Issuance Fund may be held and administered by the Paying Agent or  
23 any other fiscal agent designated by the District. Notwithstanding the foregoing, all or a portion  
24 of the Costs of Issuance may be paid by the Underwriter, by the Paying Agent or by a fiscal agent  
25 designated for such purpose.

26 Any amounts retained for payment of Costs of Issuance to be returned to the District  
27 pursuant to the Purchase Contract, to the extent such amounts were retained from the Principal  
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1 Amount of the Bonds, shall be transferred to the Building Fund. Any amounts retained for  
2 payment of Costs of Issuance to be returned to the District pursuant to the Purchase Contract, to  
3 the extent such amounts were retained from premium withheld by the Underwriter upon the sale  
4 of the Bonds, shall be transferred to the Debt Service Fund.

5 (b) Moneys in the Debt Service Fund and the Building Fund shall be invested, after  
6 consultation with the County, in Authorized Investments. If at the time of issuance the District  
7 determines to issue the Bonds as Tax-Exempt Bonds without regard to the Internal Revenue Code  
8 “temporary period” restrictions, all investment of Bond proceeds shall be subject to paragraph (1)  
9 below; and the District, in consultation with the County, may provide for an agent to assist the  
10 County in investing funds pursuant to paragraph (1) below. If the District fails to direct the  
11 County or its agent, as the case may be, the County or its agent shall invest or cause the funds in  
12 the Building Fund to be invested in Qualified Authorized Investments, subject to the provisions of  
13 paragraph (1) below, until such time as the District provides written direction to invest such funds  
14 otherwise. Neither the County nor its officers and agents, as the case may be, shall have any  
15 responsibility or obligation to determine the tax consequences of any investment. The interest  
16 earned on the moneys deposited to the Building Fund shall be applied as set forth in subparagraph  
17 (1)(C) below:

18 (1) Covenant Regarding Investment of Proceeds.

19 (A) Authorized Investments. Beginning on the delivery date, and at all  
20 times until expenditure for authorized purposes, not less than 95% of the proceeds  
21 of the Bonds deposited in the Building Fund, including investment earnings  
22 thereon, will be invested in Qualified Authorized Investments. Notwithstanding  
23 the preceding provisions of this Section, for purposes of this paragraph, amounts  
24 derived from the disposition or redemption of Qualified Authorized Investments  
25 and held pending reinvestment or redemption for a period of not more than 30  
26 days may be invested in Authorized Investments. The District will authorize  
27 investments made pursuant to this Resolution with maturities exceeding five years.

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(B) Recordkeeping and Monitoring Relating to Building Fund.

i. Information Regarding Authorized Investments. The

District will request the County to record or cause to be recorded with respect to each Authorized Investment in the Building Fund the following information: purchase date; purchase price; information establishing the Fair Market Value of such Authorized Investment; face amount; coupon rate; periodicity of interest payments; disposition price; disposition date; and any accrued interest received upon disposition.

ii. Information in Qualified Non-AMT Mutual Funds. The

District will, with respect to each investment of proceeds of the Bonds in a Qualified Non-AMT Mutual Fund pursuant to paragraph (1)(A) above, in addition to recording, or causing to be recorded, the information set forth in paragraph (1)(B)(i) above, it will retain a copy of each IRS information reporting form and account statement provided by such Qualified Non-AMT Mutual Fund.

iii. Monthly Investment Fund Statements. The District will

obtain and the County will provide, at the beginning of each month following the delivery date, a statement of the investments in the Building Fund detailing the nature, amount and value of each investment as of such statement date.

iv. Retention of Records. The District will retain the records

referred to in paragraph (1)(B)(i) and each IRS information reporting form referred to in paragraph (1)(B)(ii) with its books and records with respect to the Bonds until three years following the last date that any obligation comprising the Bonds is retired.

(C) Interest Earned on Authorized Investments. The interest earned on

the moneys deposited in the Building Fund shall be deposited in the Building Fund and used for the purposes of that fund.

1 Except as required to satisfy the requirements of Section 148(f) of the Code, interest  
2 earned on the investment of moneys held in the Debt Service Fund shall be retained in the Debt  
3 Service Fund and used by the County to pay the Debt Service on the Bonds when due.

4 SECTION 23. Security for the Bonds. There shall be levied on all the taxable  
5 property in the District, in addition to all other taxes, a continuing direct *ad valorem* property tax  
6 annually during the period the Bonds are Outstanding in an amount sufficient to pay the Debt  
7 Service on the Bonds when due, which moneys when collected will be deposited in the Debt  
8 Service Fund of the District and used for the payment of the Debt Service on the Bonds when and  
9 as the same fall due, and for no other purpose. The tax levy may include an allowance for a  
10 reasonably required reserve in accordance with the Tax Certificate (defined below), established  
11 for the purpose of ensuring that the tax or assessment actually collected is sufficient to pay the  
12 annual debt service requirements on the Bonds due on the subsequent two Interest Payment  
13 Dates. The County shall take all actions necessary to levy such *ad valorem* tax in accordance with  
14 this Section, Section 15140 of the Education Code and Section 53508.7 of the Government Code.

15 On the Business Day immediately preceding each Interest Payment Date the moneys in  
16 the Debt Service Fund, to the extent necessary to pay the Debt Service on the Bonds as the same  
17 become due and payable, shall be transferred by the Treasurer to the Paying Agent which, in turn,  
18 shall pay such moneys to DTC to pay such principal and interest. DTC will thereupon make  
19 payments of Debt Service on the Bonds to the DTC Participants who will thereupon make  
20 payments of such principal and interest to the Beneficial Owners of the Bonds. Any moneys  
21 remaining in the Debt Service Fund after the Bonds and the interest thereon have been paid in  
22 full, or provision for such payment has been made, shall be transferred to the general fund of the  
23 District.

24 SECTION 24. Tax Covenant. In order to maintain the exclusion from gross  
25 income for federal income tax purposes of interest on the Tax-Exempt Bonds, the District has,  
26 pursuant to the District Resolution, covenanted to comply with each applicable requirement of  
27 Section 103 and Sections 141 through 150 of the Code. In furtherance of these covenants, the  
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1 District has agreed to comply with the covenants contained in the Tax Certificate of the District to  
2 be delivered in connection with the issuance of the Bonds (the “**Tax Certificate**”). The District  
3 has also agreed to deliver instructions to the Paying Agent as may be necessary in order to  
4 comply with the Tax Certificate.

5 SECTION 25. Establishment and Application of Rebate Fund. There is hereby  
6 established in trust a special fund designated “Val Verde Unified School District General  
7 Obligation Bonds, 2012 Election, Series 2016C Rebate Fund” (the “**Rebate Fund**”) which shall  
8 be held by the Treasurer for the account of the District and which shall be kept separate and apart  
9 from all other funds and accounts held hereunder. The District shall have the obligation to  
10 manage the Rebate Fund in accordance with the provisions of the Tax Certificate.

11 SECTION 26. Negotiated Sale/Method of Sale. Pursuant to the District  
12 Resolution, the District has requested that the Bonds shall be sold by negotiated sale to the  
13 Underwriter inasmuch as such sale will allow the District to (i) integrate the sale of the Bonds  
14 with other public financings undertaken, or to be undertaken, by the District in order to fund its  
15 public education facilities; (ii) utilize the services of consultants who are familiar with the  
16 financial needs, status and plans of the District; and (iii) control the timing of the sale of the  
17 Bonds to the municipal bond market and, potentially, take advantage of interest rate opportunities  
18 for favorable sale of the Bonds to such market.

19 SECTION 27. Engagement of Consultants; Parameters of Sale. Pursuant to  
20 the District Resolution, Nossaman LLP has been selected as the District’s Bond Counsel, Orrick,  
21 Herrington & Sutcliffe LLP, as Disclosure Counsel, Piper Jaffray & Co. as Underwriter, and  
22 Fieldman, Rolapp & Associates as Financial Advisor with respect to the authorization, sale and  
23 issuance of the Bonds. The Underwriter’s discount shall not exceed 0.45% of the aggregate  
24 principal amount of the Bonds issued.

25 SECTION 28. Establishment of Additional Funds and Accounts. If at any  
26 time it is deemed necessary or desirable by the District, the Treasurer, the Riverside County  
27 Office of Education (the “**County Office of Education**”), or the Paying Agent, the District may  
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1 request the Treasurer to establish additional funds under this Resolution and/or accounts within  
2 any of the funds or accounts established hereunder.

3 SECTION 29. Request for Necessary County Actions. The Auditor-  
4 Controller, the Treasurer, and other officials of the County, are hereby directed to take and  
5 authorize such actions as may be necessary pursuant to law to provide for the levy and collection  
6 of a property tax on all taxable property of the District sufficient to provide for payment of all  
7 Debt Service on the Bonds as the same shall become due and payable as necessary for the  
8 payment of the Bonds, and the Clerk of the Board is hereby authorized and directed to deliver  
9 certified copies of this Resolution to the Clerk of the District Board. The District has, pursuant to  
10 the District Resolution, agreed to reimburse the County for any costs associated with the levy and  
11 collection of said tax, upon such documentation of said costs as the County shall reasonably  
12 request.

13 SECTION 30. Paying Agent; Appointment and Acceptance of Duties.

14 (a) Zions First National Bank is hereby appointed to fulfill the County's initial  
15 duties as authenticating agent, bond registrar, transfer agent and paying agent (collectively, the  
16 "**Paying Agent**") for the Bonds. All fees and expenses incurred for services of the Paying Agent,  
17 including its third-party agents, shall be the sole responsibility of the District. The Paying Agent  
18 shall keep accurate records of all funds administered by it and all of the Bonds paid and  
19 discharged by it.

20 (b) The fees and expenses of the Paying Agent which are not paid as a cost of  
21 issuance of the Bonds may be paid in each year from *ad valorem* property taxes levied and  
22 collected for the payment thereof, insofar as permitted by law, including specifically Section  
23 15232 of the Education Code.

24 (c) Unless otherwise provided, the office of Zions First National Bank  
25 designated by the Paying Agent shall be the place for the payment of Principal of, premium, if  
26 any, and interest on the Bonds.

1           SECTION 31.   Liability of Paying Agent.   The Paying Agent makes no  
2 representations as to the validity or sufficiency of this Resolution or of any Bonds issued  
3 hereunder or as to the security afforded by this Resolution, and the Paying Agent shall incur no  
4 liability in respect hereof or thereof.

5           SECTION 32.   Evidence on Which Paying Agent May Act.   The Paying Agent,  
6 upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, bond, or  
7 other paper or document furnished to it pursuant to any provision of this Resolution, shall  
8 examine such instrument to determine whether it conforms to the requirements of this Resolution  
9 and shall be protected in acting upon any such instrument believed by it to be genuine and to have  
10 been signed or presented by the proper party or parties.   The Paying Agent may consult with  
11 counsel, who may or may not be counsel to the District, and the opinion of such counsel shall be  
12 full and complete authorization and protection in respect of any action taken or suffered by it  
13 under this Resolution in good faith and in accordance therewith.

14           SECTION 33.   Ownership of Bonds Permitted.   The Paying Agent or the  
15 Underwriter may become the Owner of any Bonds.

16           SECTION 34.   Resignation or Removal of Paying Agent and Appointment of  
17 Successor.

18           (a)   The initially appointed Paying Agent may resign from service as Paying  
19 Agent at any time.   Prior to such resignation a new Paying Agent shall be appointed by the  
20 District in accordance with applicable law, which shall be the Treasurer or a bank or trust  
21 company doing business in and having a corporate trust office in Los Angeles or San Francisco,  
22 California, with at least \$50,000,000 in net assets.   Such successor Paying Agent shall signify the  
23 acceptance of its duties and obligations hereunder by executing and delivering to the District a  
24 written acceptance thereof.   Resignation of the initial or a successor Paying Agent shall be  
25 effective upon appointment and acceptance of a successor Paying Agent.

26           (b)   Any Paying Agent appointed may resign from service as Paying Agent and  
27 may be removed at any time by the District as provided in the Paying Agent's service agreement.

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1 If at any time the Paying Agent shall resign or be removed, a new Paying Agent shall be  
2 appointed in accordance with applicable law, which shall be either the Treasurer or a bank or trust  
3 company doing business in and having a corporate trust office in Los Angeles or San Francisco,  
4 California, with at least \$50,000,000 in net assets. Such successor Paying Agent shall signify the  
5 acceptance of its duties and obligations hereunder by executing and delivering to the District a  
6 written acceptance thereof. Resignation or removal of the Paying Agent shall be effective upon  
7 appointment and acceptance of a successor Paying Agent.

8 (c) In the event of the resignation or removal of the Paying Agent, such Paying  
9 Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor.  
10 The District shall promptly provide notice of the name and principal corporate trust office address  
11 of the Paying Agent appointed to replace any resigned or removed Paying Agent to the Owners of  
12 the Bonds by first-class mail, postage prepaid, at their addresses appearing on the Bond Register.

13 SECTION 35. Supplemental Resolutions with Consent of Owners. This  
14 Resolution, and the rights and obligations of the County, the District and of the Owners of the  
15 Bonds issued hereunder, may be modified or amended at any time by a Supplemental Resolution  
16 adopted by the Board at the request of the District with the written consent of the Owners owning  
17 at least 60% in aggregate Principal Amount of the Outstanding Bonds, exclusive of Bonds, if any,  
18 owned by the District. Notwithstanding the foregoing, no such modification or amendment shall,  
19 without the express consent of the Owner of each Bond affected, reduce the Principal Amount of  
20 any Bond, reduce the interest rate payable thereon, advance the earliest redemption date thereof,  
21 extend its maturity or the times for paying interest thereon or change the monetary medium in  
22 which Principal and interest is payable, nor shall any modification or amendment reduce the  
23 percentage of consents required for amendment or modification. No such Supplemental  
24 Resolution shall change or modify any of the rights or obligations of any Paying Agent without  
25 its written assent thereto. Notwithstanding anything herein to the contrary, no such consent shall  
26 be required if the Owners are not directly and adversely affected by such amendment or  
27 modification.

1                   SECTION 36.   Supplemental Resolutions Effective Without Consent of  
2 Owners. For any one or more of the following purposes and at any time or from time to time, a  
3 Supplemental Resolution of the County may be adopted, which, without the requirement of  
4 consent of the Owners, shall be fully effective in accordance with its terms:

5                   (a)    To add to the covenants and agreements to be observed by the District  
6 which are not contrary to or inconsistent with this Resolution as theretofore in effect;

7                   (b)    To add to the limitations and restrictions in this Resolution, other  
8 limitations and restrictions to be observed by the District which are not contrary to or inconsistent  
9 with this Resolution as theretofore in effect;

10                  (c)    To establish any additional funds or accounts to be held under this  
11 Resolution;

12                  (d)    To cure any ambiguity, supply any omission, or cure to correct any defect  
13 or inconsistent provision in this Resolution; or

14                  (e)    To amend or supplement this Resolution in any other respect, provided  
15 such Supplemental Resolution does not, in the opinion of Bond Counsel, adversely affect the  
16 interests of the Owners.

17                   SECTION 37.   Effect of Supplemental Resolution. Any act done pursuant to a  
18 modification or amendment so consented to shall be binding upon the Owners of all the Bonds  
19 and shall not be deemed an infringement of any of the provisions of this Resolution, whatever the  
20 character of such act may be, and may be done and performed as fully and freely as if expressly  
21 permitted by the terms of this Resolution, and after consent relating to such specified matters has  
22 been given, no Owner shall have any right or interest to object to such action or in any manner to  
23 question the propriety thereof or to enjoin or restrain the District or any officer or agent thereof  
24 from taking any action pursuant thereto.

25                   SECTION 38.   Defeasance. All or any portion of the Outstanding maturities of  
26 the Bonds may be defeased prior to maturity in the following ways:

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

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

13 then, notwithstanding that any of such Bonds shall not have been surrendered for  
14 payment, all obligations of the District with respect to all such designated Outstanding Bonds  
15 shall cease and terminate, except only the obligation of the independent escrow agent selected by  
16 the District to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) of  
17 this Section, to the Owners of such designated Bonds not so surrendered and paid all sums due  
18 with respect thereto.

19 For purposes of this Section, "Government Obligations" shall mean:

20 Direct and general obligations of the United States of America, obligations that are  
21 unconditionally guaranteed as to principal and interest by the United States of America (which  
22 may consist of obligations of the Resolution Funding Corporation that constitute interest strips),  
23 or "prerefunded" municipal obligations rated at least as high as direct and general obligations of  
24 the United States of America by either Moody's or S&P. In the case of direct and general  
25 obligations of the United States of America, Government Obligations shall include evidences of  
26 direct ownership of proportionate interests in future interest or principal payments of such  
27 obligations. Investments in such proportionate interests must be limited to circumstances where  
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1 (a) a bank or trust company acts as custodian and holds the underlying United States obligations;  
2 (b) the owner of the investment is the real party in interest and has the right to proceed directly  
3 and individually against the obligor of the underlying United States obligations; and (c) the  
4 underlying United States obligations are held in a special account, segregated from the  
5 custodian's general assets, and are not available to satisfy any claim of the custodian, any person  
6 claiming through the custodian, or any person to whom the custodian may be obligated; provided  
7 that such obligations are rated or assessed at least as high as direct and general obligations of the  
8 United States of America by either Moody's or S&P.

9 SECTION 39. Insurance. Should any Authorized Officer, upon consultation  
10 and advice of the Financial Advisor and Bond Counsel, determine it is in the best interests of the  
11 District to obtain municipal bond insurance for the Bonds to improve their marketability, the  
12 Authorized Officers, each alone, are hereby authorized and directed to sign documents to secure  
13 such credit enhancement on such terms and subject to such conditions as may be established by  
14 the Authorized Officer signing such agreements, in agreements relating to such credit  
15 enhancement.

16 In the event the District purchases bond insurance for the Bonds, and to the extent that the  
17 Bond Insurer makes payment of the principal of or interest on the Bonds, it shall become the  
18 Owner of such Bonds with the right to payment of principal or interest on the Bonds, and shall be  
19 fully subrogated to all of the Owners' rights, including the Owners' rights to payment thereof. To  
20 evidence such subrogation (i) in the case of subrogation as to claims of past due interest, the  
21 Paying Agent shall note the Bond Insurer's rights as subrogee on the registration books for the  
22 Bonds maintained by the Paying Agent upon receipt of a copy of the cancelled check issued by  
23 the Bond Insurer for the payment of such interest to the Owners of the Bonds, and (ii) in the case  
24 of subrogation as to claims for past due principal, the Paying Agent shall note the Bond Insurer as  
25 subrogee on the registration books for the Bonds maintained by the Paying Agent upon surrender  
26 of the Bonds by the Owners thereof to the Bond Insurer or the insurance trustee for the Bond  
27 Insurer.

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SECTION 40. Approval of Actions; Miscellaneous.

(a) The Authorized Officers of the County are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to proceed with the issuance of the Bonds or otherwise carry out, give effect to and comply with the terms and intent of this Resolution. Such actions heretofore taken by such officers, officials and staff are hereby ratified, confirmed and approved.

(b) The County, the Board, and their officers, agents, and employees shall not be responsible for any proceedings or the preparation or contents of any resolutions, certificates, statements, disclosures, notices, contracts, or other documents relating to the sale and issuance of the Bonds.

(c) The Debt Service on the Bonds shall not constitute debt or an obligation of the County, the Board or the officers, agents, or employees, and the County, the Board, and the officers, agents, and employees thereof shall not be liable thereon. In no event shall the Debt Service on any Bond be payable out of any funds or property of the County.

SECTION 41. Further Actions Authorized. It is hereby covenanted that the County, and its appropriate officials, have duly taken all actions necessary to be taken by them, and will take any additional actions necessary to be taken by them, for carrying out the provisions of this Resolution.

SECTION 42. Conflicts. If there is any inconsistency or conflict between any provision of this Resolution and any provision of the Purchase Contract, the Purchase Contract prevails to the extent of the inconsistency or conflict. If there is any inconsistency or conflict between any provision of this Resolution and any provision of the Tax Certificate, the Tax Certificate prevails to the extent of the inconsistency or conflict.

SECTION 43. Recitals. All the recitals in this Resolution above are true and correct and the Board so finds, determines and represents.

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SECTION 44. Effective Date. This Resolution shall take effect immediately upon its passage.

SECTION 45. Clerk's Certificate. The Clerk of the Board is hereby directed to provide certified copies of this Resolution to the Treasurer, the County Auditor and Controller and to Bond Counsel immediately following its adoption at the following address:

Nossaman LLP  
18101 Von Karman Avenue, Suite 1800  
Irvine, California 92612  
Attn: Albert R. Reyes

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The foregoing Resolution was on the 30<sup>th</sup> day of August, 2016, adopted by the Board of Supervisors of the County of Riverside.

COUNTY OF RIVERSIDE:

By \_\_\_\_\_  
Chairman of the Board

ATTEST:

KECIA HARPER-IHEM, Clerk to the Board of Supervisors of the County of Riverside

By: \_\_\_\_\_  
Clerk of the Board

1 EXHIBIT A  
2 FORM OF BOND

3 REGISTERED  
4 NO.

REGISTERED  
\$

5 VAL VERDE UNIFIED SCHOOL DISTRICT  
6 (RIVERSIDE COUNTY, CALIFORNIA)  
7 GENERAL OBLIGATION BONDS, 2012 ELECTION, SERIES 2016C

8 INTEREST RATE: MATURITY DATE: DATED AS OF: CUSIP  
9 \_\_\_\_% per annum August 1, \_\_\_\_\_, 2016 \_\_\_\_\_

10 REGISTERED OWNER: CEDE & CO.

11 PRINCIPAL AMOUNT:

12  
13 The Val Verde Unified School District (the "District") in Riverside County, California, for  
14 value received, promises to pay to the Registered Owner named above, or registered assigns, the  
15 Principal Amount on the Maturity Date, each as stated above, and interest thereon until the  
16 Principal Amount is paid or provided for at the Interest Rate stated above, on February 1 and  
17 August 1 of each year (the "Interest Payment Dates"), commencing February 1, 2017. This bond  
18 will bear interest from the Interest Payment Date next preceding the date of authentication hereof  
19 unless it is authenticated as of a day during the period from the 16th day of the month next  
20 preceding any Interest Payment Date to the Interest Payment Date, inclusive, in which event it shall  
21 bear interest from such Interest Payment Date, or unless it is authenticated on or before January 15,  
22 2017, in which event it shall bear interest from the Date of Delivery. Interest on this bond shall be  
23 computed on the basis of a 360-day year of twelve 30-day months. Principal and interest are  
24 payable in lawful money of the United States of America, without deduction for the paying agent  
25 services, to the person in whose name this bond (or, if applicable, one or more predecessor bonds)  
26 is registered (the "Registered Owner") on the Register maintained by the Paying Agent, initially  
27 Zions First National Bank as agent of the Treasurer and Tax Collector of Riverside County.  
28 Principal is payable upon presentation and surrender of this bond at the principal corporate trust  
office of the Paying Agent. Interest is payable by check mailed by the Paying Agent on each  
Interest Payment Date to the Registered Owner of this bond (or one or more predecessor bonds) as  
shown and at the address appearing on the bond register maintained by the Paying Agent at the  
close of business on the 15th day of the calendar month next preceding that Interest Payment Date  
(the "Record Date"). The Owner of Bonds in the aggregate principal amount of \$1,000,000 or  
more may request in writing to the Paying Agent that the Owner be paid interest by wire transfer to  
the bank and account number on file with the Paying Agent as of the Record Date.

This bond is one of an authorization of bonds approved to raise money for the purposes  
authorized by voters of the District at the Election (defined herein) and to pay all necessary legal,  
financial, engineering and contingent costs in connection therewith under authority of and pursuant

1 to the laws of the State of California, and the requisite vote of the electors of the District cast at a  
2 general election held on June 5, 2012 (the "Election"), upon the question of issuing bonds in the  
3 amount of \$178,000,000, a resolution of the Board of Supervisors of the County of Riverside  
4 adopted on August 30, 2016 (the "County Resolution") and the resolution of the Board of  
5 Education of the District adopted on August 16, 2016 (the "Bond Resolution"). This bond is being  
6 issued under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the  
California Government Code. This bond and the issue of which this bond is one are payable as to  
both principal and interest solely from the proceeds of the levy of *ad valorem* property taxes on all  
property subject to such taxes in the District, which taxes are unlimited as to rate or amount in  
accordance with California Education Code Sections 15250 and 15252.

7 The bonds of this issue comprise \$ \_\_\_\_\_ Principal Amount of Current Interest Bonds, of  
8 which this bond is a part (collectively, the "Bonds").

9 This bond is exchangeable and transferable for bonds of like tenor, maturity and principal  
10 amount and in authorized denominations at the principal corporate trust office of the Paying  
11 Agent by the Registered Owner, upon presentation and surrender hereof to the Paying Agent,  
12 together with a request for exchange or an assignment signed by the Registered Owner or by a  
13 person legally empowered to do so, in a form satisfactory to the Paying Agent, all subject to the  
14 terms, limitations and conditions provided in the Bond Resolution. All fees and costs of transfer  
shall be paid by the transferor. The District and the Paying Agent may deem and treat the  
Registered Owner as the absolute Owner of this bond for the purpose of receiving payment of or  
on account of principal or interest and for all other purposes, and neither the District nor the  
Paying Agent shall be affected by any notice to the contrary.

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

19 The Bonds maturing on or before August 1, 20\_\_ are not subject to redemption prior to  
20 their fixed maturity dates. The Bonds maturing on or after August 1, 20\_\_ are subject to  
21 redemption on or after August 1, 20\_\_ or on any date thereafter at the option of the District, as a  
whole or in part, at a redemption price equal to the principal amount of the Bonds called for  
redemption, plus interest accrued thereon to the date fixed for redemption, without premium.

22 The Bonds maturing on August 1, 20\_\_ are subject to mandatory sinking fund redemption  
23 on August 1 of each year on and after August 1, 20\_\_, at a redemption price equal to the principal  
24 amount thereof, together with accrued interest to the date fixed for redemption, without premium.  
The principal amounts represented by such Bonds to be so redeemed and the dates therefore and  
the final payment date is as indicated in the following table:

25 Redemption Dates

Principal Amounts

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TOTAL \$

The principal amount to be redeemed in each year shown above will be reduced proportionately or as otherwise directed by the District, in integral multiples of \$5,000, by any portion of the Term Bonds optionally redeemed prior to the mandatory sinking fund redemption date.

If less than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portions thereof of such maturity to be redeemed shall be selected by lot by the Paying Agent in such manner as the Paying Agent in its discretion may determine; provided, however, that the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or some multiple thereof. If less than all of the Bonds stated to mature on different dates shall be called for redemption, the particular Bonds or portions thereof to be redeemed shall be called by the Paying Agent in any order of maturity as directed by the District or, if the Paying Agent is not so directed, in the inverse order of maturity.

Reference is made to the Bond Resolution for a more complete description of the provisions, among others, with respect to the nature and extent of the security for the Bonds, the rights, duties and obligations of the District, the Paying Agent and the Registered Owners, and the terms and conditions upon which the Bonds are issued and secured. The Registered Owner of this bond assents, by acceptance hereof, to all of the provisions of the Bond Resolution.

It is certified and recited that all acts and conditions required by the Constitution and laws of the State of California to exist, to occur and to be performed or to have been met precedent to and in the issuing of the Bonds in order to make them legal, valid and binding general obligations of the District, have been performed and have been met in regular and due form as required by law; that no statutory or constitutional limitation on indebtedness or taxation has been exceeded in issuing the Bonds; and that due provision has been made for levying and collecting *ad valorem* property taxes on all of the taxable property within the District in an amount sufficient to pay principal and interest when due.

This bond shall not be valid or obligatory for any purpose and shall not be entitled to any security or benefit under the Bond Resolution until the Certificate of Authentication below has been signed.

[REMAINDER OF PAGE LEFT BLANK]



1 IN WITNESS WHEREOF, the Val Verde Unified School District, Riverside County,  
2 California, has caused this bond to be executed on behalf of the District and in their official  
3 capacities by the manual or facsimile signatures of the President of the Board of Education of the  
4 District and to be countersigned by the manual or facsimile signature of the Clerk to the Board of  
5 the District, all as of the date stated above.

6 VAL VERDE UNIFIED SCHOOL DISTRICT

7 By: \_\_\_\_\_ (Facsimile Signature)  
8 President of the Board of Education

9 COUNTERSIGNED:

10 \_\_\_\_\_ (Facsimile Signature)  
11 Clerk to the Board of Education

12 CERTIFICATE OF AUTHENTICATION

13 This bond is one of the bonds described in the Bond Resolution referred to herein which  
14 has been authenticated and registered on \_\_\_\_\_, 2016.

15 ZIONS FIRST NATIONAL BANK, as agent of the  
16 TREASURER AND TAX COLLECTOR OF  
17 RIVERSIDE COUNTY, as Paying Agent

18 By: \_\_\_\_\_  
19 Authorized Representative

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ASSIGNMENT

For value received, the undersigned sells, assigns and transfers to (print or typewrite name, address and zip code of Transferee): \_\_\_\_\_ this bond and irrevocably constitutes and appoints attorney to transfer this bond on the books for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed:  
\_\_\_\_\_

Notice: The assignor's signature to this assignment must correspond with the name as it appears upon the within bond in every particular, without alteration or any change whatever, and the signature(s) must be guaranteed by an eligible guarantor institution.

Social Security Number, Taxpayer Identification Number or other identifying number of Assignee: \_\_\_\_\_

Unless this bond is presented by an authorized representative of The Depository Trust Company to the issuer or its agent for registration of transfer, exchange or payment, and any bond issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

LEGAL OPINION

The following is a true copy of the opinion rendered by Nossaman LLP in connection with the issuance of, and dated as of the date of the original delivery of, the bonds. A signed copy is on file in my office.

\_\_\_\_\_  
(Facsimile Signature)  
Clerk to the Board of Education

(Form of Legal Opinion)

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**EXHIBIT B**  
**FORM OF PURCHASE CONTRACT**

§ \_\_\_\_\_  
**VAL VERDE UNIFIED SCHOOL DISTRICT**  
**(Riverside County, California)**  
**General Obligation Bonds, 2012 Election, Series 2016C**

**PURCHASE CONTRACT**

\_\_\_\_\_, 2016

Board of Supervisors  
County of Riverside  
4800 Lemon Street, 4th Floor  
Riverside, California 92501

Board of Education  
Val Verde Unified School District  
975 West Morgan Street  
Perris, California 92571

Ladies and Gentlemen:

Piper Jaffray & Co. (the "Underwriter"), acting on its own behalf and not as a fiduciary agent, offers to enter into this Purchase Contract (the "Purchase Contract") with the County of Riverside (the "County") and the Val Verde Unified School District (the "District"), which, upon the acceptance hereof thereby, will be binding upon the County, the District and the Underwriter. This offer is made subject to the written acceptance of this Purchase Contract by the District and delivery of such acceptance to us at or prior to 11:59 P.M., California Time, on the date hereof. Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to such terms in the Official Statement (defined below) or, if not defined in the Official Statement, in the County Resolution (defined below).

The County and the District acknowledge and agree that (i) the purchase and sale of the Bonds (as defined herein) pursuant to this Purchase Contract is an arm's-length commercial transaction among the County, the District and the Underwriter, and that the Underwriter has financial and other interests that differ from those of the County and District; (ii) in connection with such transaction, the Underwriter is acting solely as principals and not as an agent or fiduciary of the County or the District, (iii) the Underwriter has not assumed (individually or collectively) a fiduciary responsibility in favor of the County or the District with respect to (x) the offering of the Bonds or the process leading thereto (whether or not the Underwriter has advised or are currently advising the County or the District on other matters) or (y) any other obligation to the County or the District except the obligations expressly set forth in this Purchase Contract (iv) and each of the County and the District has consulted with its own legal and other professional advisors to the extent it deemed appropriate in connection with the offering of the Bonds. The District acknowledges that it has previously provided the Underwriter with an acknowledgement of receipt of the required disclosure under Rule G-17 of the Municipal

Securities Rulemaking Board (the "MSRB"). The District acknowledges and represents that it has engaged Fieldman Rolapp & Associates, Irvine, California, as its municipal advisor (as defined in Securities and Exchange Commission Rule 15Ba1) and will rely solely on the financial advice of Fieldman Rolapp & Associates (the "Financial Advisor"), as municipal advisor with respect to the Bonds.

**1. Purchase and Sale of the Bonds.** Upon the terms and conditions and in reliance upon the representations, warranties and agreements herein set forth, the Underwriter hereby agrees to purchase from the County for reoffering to the public, and the County hereby agrees to sell in the name of and on behalf of the District to the Underwriter for such purpose, all (but not less than all) of \$\_\_\_\_\_ aggregate initial principal amount of the District's General Obligation Bonds, 2012 Election, Series 2016C (the "Bonds"). The Bonds shall be dated the date of delivery thereof and shall be payable as to interest on each February 1 and August 1, commencing February 1, 2017, and shall be paid at maturity as shown in Exhibit A hereto. The final maturity dates, interest rates, yields (or yields to redemption, as applicable) and redemption provisions of the Bonds are shown in Exhibit A hereto, which exhibit is incorporated by reference herein.

The Underwriter shall purchase the Bonds at a price of \$\_\_\_\_\_ (which is equal to the principal amount of the Bonds of \$\_\_\_\_\_, plus net original issue premium of \$\_\_\_\_\_, and less an underwriting discount of \$\_\_\_\_\_). Pursuant to Section 13 hereof, the District shall direct the Underwriter to wire a portion of the purchase price to a fiscal agent for the payment of costs of issuance of the Bonds.

**2. The Bonds.** The Bonds shall otherwise be as described in the Official Statement (defined herein), and shall be issued and secured pursuant to the provisions of the Resolution of the Board of Supervisors of the County adopted on August 30, 2016 (the "County Resolution") and the Resolution of the District adopted on August 16, 2016 (the "District Resolution," and together with the County Resolution, the "Resolutions"), this Purchase Contract and Section 53506 *et seq.* of the California Government Code (the "Act").

The Bonds shall be executed and delivered under and in accordance with the provisions of this Purchase Contract and the Resolutions. The Bonds shall bear CUSIP numbers; be in fully registered book-entry form, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"); and initially be in authorized denominations of Five Thousand Dollars (\$5,000) principal amount, or any integral multiple thereof.

The net proceeds of the Bonds are expected to be applied to (i) pay the costs of Projects authorized at the June 5, 2012, election conducted within the District and (ii) pay the costs of issuance of the Bonds.

**3. Use of Documents.** The County and the District hereby authorize the Underwriter to use, in connection with the offering and sale of the Bonds, the Continuing Disclosure Certificate (as defined herein), this Purchase Contract, the Official Statement, the Resolutions and all information contained herein and therein and all of the documents, certificates or statements furnished by the County or the District to the Underwriter in connection with the transactions contemplated by this Purchase Contract.

**4. Public Offering of the Bonds.** The Underwriter agrees to make a bona fide public offering of all the Bonds at the initial public offering prices or yields to be set forth on the inside cover page of the Official Statement. Subsequent to such initial public offering, the Underwriter reserves the right to change such initial public offering prices or yields as it deems necessary in connection with the marketing of the Bonds.

**5. Review of Official Statement.** The Underwriter hereby represents that it has received and reviewed the Preliminary Official Statement with respect to the Bonds, dated \_\_\_\_\_, 2016 (the "Preliminary Official Statement"), which has been duly authorized and prepared by the District for use by the Underwriter in connection with the sale of the Bonds. The District represents that it deems the Preliminary Official Statement to be final, except for either revision or addition of the offering price(s), interest rate(s), yield(s) to maturity, redemption provisions, selling compensation, aggregate principal amount, principal amount per maturity, delivery date, rating(s) and other terms of the Bonds which depend upon the foregoing as provided in and pursuant to Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule"). The Underwriter and the District understand and agree that the County shall have no responsibility or obligation whatsoever in connection with the preparation and approval of the Preliminary Official Statement and the Official Statement, nor for satisfying any obligations of the District under the Rule.

The Underwriter agrees that prior to the time the final Official Statement (as defined herein) relating to the Bonds is available, the Underwriter will send to any potential purchaser of the Bonds, upon the request of such potential purchaser, a copy of the most recent Preliminary Official Statement. Such Preliminary Official Statement shall be sent by first class mail or electronic distribution (or other equally prompt means) not later than the first business day following the date upon which each such request is received.

The Underwriter agrees to file the Official Statement with the MSRB through its Electronic Municipal Market Access system within one business day after receipt thereof from the District, but in no event later than the Closing (as defined below).

**6. Closing.** At 9:00 A.M., California Time, on \_\_\_\_\_, 2016 or at such other time or on such other date as shall have been mutually agreed upon by the County, the District and the Underwriter (the "Closing"), the County will deliver to the Underwriter, through the facilities of DTC in New York, New York, or at such other place as we may mutually agree upon, the Bonds in fully registered book-entry form, duly executed and registered in the name of Cede & Co., as nominee of DTC, and at the offices of Nossaman LLP ("Bond Counsel"), in Irvine, California, the other documents hereinafter mentioned; and the Underwriter will accept such delivery and pay the purchase price set forth in Section 1 hereof in immediately available funds by wire transfer to the account or accounts designated by the County.

**7. Representations, Warranties and Agreements of the District.** The District hereby represents, warrants and agrees with the County and the Underwriter that:

(a) Due Organization. The District is a unified school district duly organized and validly existing under the laws of the State of California, with the power request the County to issue the Bonds pursuant to the Act.

(b) Due Authorization. (i) At or prior to the Closing, the District will have taken all action required to be taken by it to authorize the issuance and delivery of the Bonds; (ii) the District has full legal right, power and authority to enter into this Purchase Contract and the Continuing Disclosure Certificate, to adopt the District Resolution, to perform its obligations under each such document or instrument, to approve the Official Statement and to carry out and effectuate the transactions contemplated by this Purchase Contract and the District Resolution; (iii) the execution and delivery or adoption of, and the performance by the District of the obligations contained in the Bonds, the District Resolution, the Continuing Disclosure Certificate and this Purchase Contract have been duly authorized and such authorization shall be in full force and effect at the time of the Closing; (iv) this Purchase Contract, assuming the due authorization, execution and delivery thereof by the Underwriter and the County, constitutes a valid and legally binding obligation of the District, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights and except as their enforcement may be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases if equitable remedies are sought and by the limitations on legal remedies against public agencies in the state of California; and (v) the District has duly authorized the consummation by it of all transactions contemplated by this Purchase Contract.

(c) Consents. No consent, approval, authorization, order, filing, registration, qualification, election or referendum, of or by any person, organization, court or governmental agency or public body whatsoever is required in connection with the issuance, delivery or sale of the Bonds, the execution and delivery of this Purchase Contract, the adoption of the Resolutions, or the consummation of the other transactions effected or contemplated herein or hereby, except for such actions as may be necessary to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and jurisdictions of the United States as the Underwriter may reasonably request, or which have not been taken or obtained; provided, however, that the District shall not be required to subject itself to service of process in any jurisdiction in which it is not so subject as of the date hereof.

(d) Internal Revenue Code. The District has complied with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), with respect to the Bonds, except as may be described in or contemplated by the Official Statement or otherwise disclosed in writing to the Underwriter.

(e) No Conflicts. To the best knowledge of the District, the issuance of the Bonds, and the execution, delivery and performance of this Purchase Contract, the Continuing Disclosure Certificate, the District Resolution and the Bonds, and the compliance with the provisions hereof do not conflict with or constitute on the part of the District a violation of or default under, the Constitution of the State of California or any

existing law, charter, ordinance, regulation, decree, order or resolution and do not conflict with or result in a violation or breach of, or constitute a default under, any agreement, indenture, mortgage, lease or other instrument to which the District is a party or by which it is bound or to which it is subject.

(f) Litigation. As of the time of acceptance hereof, no action, suit, proceeding, hearing or investigation is pending or, to the best knowledge of the District, threatened against the District: (i) in any way affecting the existence of the District or in any way challenging the respective powers of the several offices of the District or of the titles of the officials of the District to such offices; or (ii) seeking to restrain or enjoin the sale, issuance or delivery of any of the Bonds, the application of the proceeds of the sale of the Bonds, the collection of *ad valorem* property taxes contemplated by the Resolutions and the application thereof to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, this Purchase Contract or the Resolutions or contesting the powers of the District or its authority with respect to the Bonds, the District Resolution or this Purchase Contract; or (iii) in which a final adverse decision could (a) materially adversely affect the operations or financial condition of the District or the consummation of the transactions contemplated by this Purchase Contract or the Resolutions, (b) declare this Purchase Contract to be invalid or unenforceable in whole or in material part, or (c) adversely affect the exclusion of the interest paid on the Bonds from gross income for federal income tax purposes and the exemption of such interest from California personal income taxation.

(g) No Other Debt. Between the date hereof and the Closing, without the prior written consent of the Underwriter, the District will not have issued, and no other person or entity, including the County, will have issued in the name and on behalf of the District, any bonds, notes or other obligations for borrowed money except for such borrowings as may be described in or contemplated by the Official Statement or otherwise consented to in writing by the Underwriter.

(h) Certificates. Any certificates signed by any officer of the District and delivered to the Underwriter and the County shall be deemed a representation and warranty by the District to the Underwriter and the County, but not by the person signing the same, as to the statements made therein.

(i) Continuing Disclosure. In accordance with the requirements of the Rule and pursuant to the District Resolution, at or prior to the Closing, the District shall have duly authorized, executed and delivered a Continuing Disclosure Certificate (the "Continuing Disclosure Certificate") on behalf of each obligated person for which financial and/or operating data is presented in the Official Statement. The Continuing Disclosure Certificate shall be substantially in the form attached to the Official Statement in Appendix \_\_\_. Except as disclosed in the Official Statement, the District has not, within the past five years, fail to comply in a material respect with any of its previous undertakings pursuant to the Rule to provide annual reports or notice of material events.



(j) Official Statement Accurate and Complete. The Preliminary Official Statement, at the date thereof, did not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. At the date hereof and on the date of Closing, the Final Official Statement did not and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The District makes no representation or warranty as to the information contained in or omitted from the Preliminary Official Statement or the Final Official Statement in reliance upon and in conformity with information furnished in writing to the District by or on behalf of the Underwriter through a representative of the Underwriter specifically for inclusion therein. If the Official Statement is supplemented or amended pursuant to Section 9(f) hereof, at the time of each such supplement or amendment thereto and at all time subsequent thereto during the period up to and including the Closing, the Official Statement, as so supplemented or amended, will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading

(k) Levy of Tax. The District hereby agrees to take any and all actions as may be required by the County or otherwise necessary in order to arrange for the levy and collection of *ad valorem* taxes for payment of the Bonds, and the deposit and investment of Bond proceeds. In particular, the District hereby agrees to provide to the Auditor-Controller of the County a copy of the District Resolution, a copy of Appendix A hereto, and the full debt service schedule for the Bonds, in accordance with Education Code Section 15140(c) and policies and procedures of the County.

(l) No Material Adverse Change. The financial statements of, and other financial information regarding the District, in the Official Statement fairly present the financial position and results of the District as of the dates and for the periods therein set forth. Prior to the Closing, there will be no adverse change of a material nature in such financial position, results of operations or condition, financial or otherwise, of the District.

(m) Use of Proceeds. The District will apply the proceeds from the sale of the Bonds for the purposes specified in the District Resolution.

**8. Representations, Warranties and Agreements of the County.** The County hereby represents, warrants and agrees with the District and the Underwriter that:

(a) Power. The County has the power under the Constitution and laws of the state of California to issue the Bonds in the name and on behalf of the District pursuant to the Act.

(b) Due Authorization. (i) At or prior to the Closing, the County will have taken all action required to be taken by it to authorize the issuance and delivery of the

Bonds; (ii) the County has full legal right, power and authority to enter into this Purchase Contract, to adopt the County Resolution, to perform its obligations under each such document or instrument, and to carry out and effectuate the transactions contemplated by this Purchase Contract and the County Resolution; (iii) the execution and delivery or adoption of, and the performance by the County of the obligations contained in the Bonds, the County Resolution and this Purchase Contract have been duly authorized and such authorization shall be in full force and effect at the time of the Closing; (iv) this Purchase Contract, assuming the due authorization, execution and delivery thereof by the Underwriter and the District, constitutes a valid and legally binding obligation of the County, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights and except as their enforcement may be subject to the application of equitable principles and the exercise of judicial discretion in appropriate cases if equitable remedies are sought and by the limitations on legal remedies against public agencies in the state of California; and (v) the County has duly authorized the consummation by it of all transactions contemplated by this Purchase Contract.

(c) Consents. No consent, approval, authorization, order, filing, registration, qualification, election or referendum, of or by any person, organization, court or governmental agency or public body whatsoever is required in connection with the issuance, delivery or sale of the Bonds, the execution and delivery of this Purchase Contract, the adoption of the Resolutions, or the consummation of the other transactions effected or contemplated herein or hereby, except for such actions as may be necessary to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and jurisdictions of the United States as the Underwriter may reasonably request, or which have not been taken or obtained; provided, however, that the County shall not be required to subject itself to service of process in any jurisdiction in which it is not so subject as of the date hereof.

(d) No Conflicts. To the best knowledge of the County, the issuance of the Bonds, and the execution, delivery and performance of this Purchase Contract, the County Resolution and the Bonds, and the compliance with the provisions hereof do not conflict with or constitute on the part of the County a violation of or default under, the Constitution of the State of California or any existing law, charter, ordinance, regulation, decree, order or resolution and do not conflict with or result in a violation or breach of, or constitute a default under, any agreement, indenture, mortgage, lease or other instrument to which the County is a party or by which it is bound or to which it is subject.

(e) Litigation. As of the time of acceptance hereof, no action, suit, proceeding, hearing or investigation is pending or, to the best knowledge of the County, threatened against the County: (i) in any way affecting the existence of the County or in any way challenging the respective powers of the several offices of the County or of the titles of the officials of the County to such offices; or (ii) seeking to restrain or enjoin the sale, issuance or delivery of any of the Bonds, the application of the proceeds of the sale of the Bonds, the collection of *ad valorem* property taxes contemplated by the Resolutions and the application thereof to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, this

Purchase Contract or the Resolutions or contesting the powers of the County or its authority with respect to the Bonds, the County Resolution or this Purchase Contract; or (iii) in which a final adverse decision could (a) materially adversely affect the consummation of the transactions contemplated by this Purchase Contract or the Resolutions or (b) declare this Purchase Contract to be invalid or unenforceable in whole or in material part.

(f) Certificates. Any certificates signed by any officer of the County and delivered to the Underwriter and the District shall be deemed a representation and warranty by the County to the Underwriter and the District, but not by the person signing the same, as to the statements made therein.

(g) Levy of Tax. The County hereby agrees to take any and all actions as may be required arrange for the levy and collection of *ad valorem* taxes for payment of the Bonds, and the deposit and investment of Bond proceeds.

**9. Covenants of the District.** The District covenants and agrees with the Underwriter that:

(a) Securities Laws. The District will furnish such information, execute such instruments, and take such other action in cooperation with the Underwriter if and as the Underwriter may reasonably request in order to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations or such states and jurisdictions, provided, however, that the District shall not be required to consent to service of process in any jurisdiction in which it is not so subject as of the date hereof;

(b) Application of Proceeds. The District will apply the proceeds from the sale of the Bonds for the purposes specified in the Resolutions;

(c) Official Statement. The District hereby agrees to deliver or cause to be delivered to the Underwriter, not later than the seventh (7th) business day following the date this Purchase Contract is signed, copies of a final Official Statement substantially in the form of the Preliminary Official Statement, with only such changes therein as shall have been accepted by the Underwriter and the District (such Official Statement with such changes, if any, and including the cover page and all appendices, exhibits, maps, reports and statements included therein or attached thereto being herein called the "Official Statement") in such quantities as may be requested by the Underwriter not later than five (5) business days following the date this Purchase Contract is signed, in order to permit the Underwriter to comply with paragraph (b)(4) of the Rule and with the rules of the MSRB. The District hereby authorizes the Underwriter to use and distribute the Official Statement in connection with the offering and sale of the Bonds;

(d) Subsequent Events. The District hereby agrees to notify the Underwriter of any event or occurrence that may affect the accuracy or completeness of any information set forth in the Official Statement relating to the District until the date which is ninety (90) days following the Closing;

(e) References. References herein to the Preliminary Official Statement and the final Official Statement include the cover page and all appendices, exhibits, maps, reports and statements included therein or attached thereto; and

(f) Amendments to Official Statement. During the period ending on the 25th day after the End of the Underwriting Period (or such other period as may be agreed to by the District and the Underwriter), the District (i) shall not supplement or amend the Official Statement or cause the Official Statement to be supplemented or amended without the prior written consent of the Underwriter and (ii) shall notify the Underwriter promptly if any event shall occur, or information comes to the attention of the District, that is reasonably likely to cause the Official Statement (whether or not previously supplemented or amended) to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. If, in the opinion of the Underwriter, such event requires the preparation and distribution of a supplement or amendment to the Official Statement, the District shall prepare and furnish to the Underwriter, at the District's expense, such number of copies of the supplement or amendment to the Official Statement, in form and substance mutually agreed upon by the District and the Underwriter, as the Underwriter may reasonably request. If such notification shall be given subsequent to the Closing, the District also shall furnish, or cause to be furnished, at its own expense, such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably deem necessary to evidence the truth and accuracy of any such supplement or amendment to the Official Statement.

(1) For purposes of this Purchase Contract, the "End of the Underwriting Period" is used as defined in Rule 15c2-12 and shall occur on the later of (A) the date of Closing or (B) when the Underwriter no longer retain an unsold balance of the Bonds; unless otherwise advised in writing by the Underwriter on or prior to the date of Closing, or otherwise agreed to by the District and the Underwriter, the District may assume that the End of the Underwriting Period is the date of Closing.

**10. Representations, Warranties and Agreements of the Underwriter.** The Underwriter represents to and agrees with the County and the District that, as of the date hereof and as the date of Closing:

(a) The Underwriter is duly authorized to execute this Purchase Contract and the Underwriter is duly authorized to take any action under the Purchase Contract required to be taken by it.

(b) The Underwriter is in compliance with MSRB Rule G-37 with respect to the District, and is not prohibited thereby from acting as underwriter with respect to securities of the District.

(c) The Underwriter has, and has had, no financial advisory relationship, as that term is defined in California Government Code Section 53590(c) or MSRB Rule

G-23, with the County or the District with respect to the Bonds, and no investment firm controlling, controlled by or under common control with the Underwriter has or has had any such financial advisory relationship.

**11. Conditions to Closing.** The Underwriter has entered into this Purchase Contract in reliance upon the representations and warranties of the County and District contained herein and the performance by the County and the District of their respective obligations hereunder, both as of the date hereof and as of the date of Closing. The Underwriter's obligations under this Purchase Contract are, and shall be subject at the option of the Underwriter, to the following further conditions at the Closing:

(a) Representations True. The representations and warranties of the County and the District contained herein shall be true, complete and correct in all material respects at the date hereof and at and as of the Closing, as if made at and as of the Closing, and the statements made in all certificates and other documents delivered to the Underwriter at the Closing pursuant hereto shall be true, complete and correct in all material respects on the date of the Closing; and each of the County and the District shall be in compliance with each of the agreements made by it in this Purchase Contract;

(b) Obligations Performed. At the time of the Closing, (i) the Official Statement, this Purchase Contract, the Continuing Disclosure Certificate and the Resolutions shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriter; (ii) all actions under the Act which, in the opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated hereby, shall have been duly taken and shall be in full force and effect; and (iii) each of the County and the District shall perform or have performed all of their obligations required under or specified in the Resolutions, this Purchase Contract, the Continuing Disclosure Certificate or the Official Statement to be performed at or prior to the Closing;

(c) Adverse Rulings. No decision, ruling or finding shall have been entered by any court or governmental authority since the date of this Purchase Contract (and not reversed on appeal or otherwise set aside), or to the best knowledge of the District, pending or threatened which has any of the effects described in Section 9(f) hereof or contesting in any way the completeness or accuracy of the Official Statement;

(d) Marketability. The Underwriter shall have the right to cancel their obligation to purchase the Bonds if, between the date of this Purchase Contract and the Closing, customer orders have been canceled (evidenced by canceled trade tickets provided to the County and the District) due to the market price or marketability of the Bonds being materially adversely affected, in the reasonable judgment of the Underwriter, by the occurrence of any of the following:

(1) legislation enacted or introduced in the Congress or recommended for passage by the President of the United States, or a decision rendered by a court established under Article III of the Constitution of the United States or by the United States Tax Court, or an order, ruling, regulation (final, temporary or

proposed) or official statement issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction over the subject matter thereof, to the effect that the Bonds, or obligations of the general character of the Bonds, including any and all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended;

(2) legislation enacted by the legislature of the State of California (the "State) or a decision rendered by a Court of the State, or a ruling, order, or regulation (final or temporary) made by State authority, which would have the effect of changing, directly or indirectly, the State tax consequences of interest on obligations of the general character of the Bonds in the hands of the holders thereof;

(3) the formal declaration of war by Congress or a new major engagement in or escalation of military hostilities by order of the President of the United States, or the occurrence of any other declared national or international emergency, calamity or crisis that interrupts or causes discord to the operation of the financial markets or otherwise in the United States or elsewhere;

(4) the declaration of a general banking moratorium by federal, New York or California authorities, or the general suspension of trading on any national securities exchange;

(5) the imposition by the New York Stock Exchange, other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to the Bonds, or obligations of the general character of the Bonds, or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, the Underwriter;

(6) an order, decree or injunction of any court of competent jurisdiction, or order, filing, regulation or official statement by the Securities and Exchange Commission, or any other governmental agency having jurisdiction over the subject matter thereof, issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws, as amended and then in effect;

(7) there shall have occurred or any notice shall have been given of any intended review, downgrading, suspension, withdrawal, or negative change in credit watch status to any rating of the District's outstanding indebtedness by a national rating agency;

(8) any event occurring, or information becoming known which, in the reasonable judgment of the Underwriter, makes untrue in any material adverse respect any statement or information contained in the Official Statement, or has

the effect that the Official Statement contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading;

(9) there shall have occurred any materially adverse change in the affairs or financial condition of the District.

(e) Delivery of Documents. At or prior to the date of the Closing, the Underwriter shall receive sufficient copies of the following documents in each case dated as of the date of Closing and satisfactory in form and substance to the Underwriter:

(1) Opinions of Bond Counsel. (i) An approving opinion of Bond Counsel, as to the validity and tax-exempt status of the Bonds, dated the date of Closing, addressed to the District in substantially the form set forth in the Preliminary Official Statement as Appendix C; and (ii) a reliance letter from Bond Counsel to the effect that the Underwriter can rely upon such opinion;

(2) Supplemental Opinion of Bond Counsel. A supplemental opinion of Bond Counsel addressed to the District and the Underwriter, in form and substance acceptable to the Underwriter, dated as of the Closing, substantially to the following effect:

(i) the description of the Bonds and statements in the Official Statement on the cover page thereof and under the captions "INTRODUCTION," "THE BONDS", "OTHER LEGAL MATTERS – Continuing Disclosure" and "TAX MATTERS," to the extent they purport to summarize certain provisions of the Resolutions, the Continuing Disclosure Certificate, and Bond Counsel's opinion regarding the treatment of interest on the Bonds under California or federal law, fairly and accurately summarize the matters purported to be summarized therein; provided that Bond Counsel need not express any opinion with respect to any financial or statistical data or forecasts, numbers, charts, estimates, projections, assumptions or expressions of opinion, information concerning the Depository Trust Company or related to its book-entry only system, or with respect to Appendices A, B, E or F of the Official Statement;

(ii) this Purchase Contract and the Continuing Disclosure Certificate have been duly authorized, executed and delivered by the District and, assuming the due authorization, execution and delivery by the other parties thereto, constitute legal, valid and binding agreements of the District enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights and except as such enforcement may be subject to the application of equitable principles and the exercise of

judicial discretion in appropriate cases if equitable remedies are sought and by the limitations on legal remedies against public agencies in the state of California; and

(iii) the Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Resolution is exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended; and

(3) Disclosure Counsel Letter. A letter from Orrick, Herrington & Sutcliffe LLP, Irvine, California, dated the date of Closing and addressed to the District and the Underwriter, substantially to the effect that based on such counsel's participation in conferences with representatives of the Underwriter, the District, the District's financial advisor and others, during which conferences the contents of the Official Statement and related matters were discussed, and in reliance thereon and on the records, documents, certificates and opinions described therein, such counsel advises the District, as a matter of fact and not opinion, that during the course of its engagement as Disclosure Counsel no information came to the attention of such counsel's attorneys rendering legal services in connection with such representation which caused such counsel to believe that the Official Statement as of its date (except for any financial or statistical data or forecasts, numbers, charts, estimates, projections, assumptions or expressions of opinion, Appendices B, C, E or F thereto, or DTC or its book-entry only system included therein, as to which such counsel need express no opinion or view) contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(4) District Certificate. A certificate signed by appropriate officials of the District to the effect that (i) such officials are authorized to execute this Purchase Contract, (ii) the representations, agreements and warranties of the District herein are true and correct in all material respects as of the date of Closing, (iii) the District has complied with all the terms of the Resolutions and this Purchase Contract to be complied with by the District prior to or concurrently with the Closing, and, as to the District, such documents are in full force and effect, (iv) such District officials have reviewed the Official Statement and on such basis certify that the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, (v) the Bonds being delivered on the date of Closing to the Underwriter under this Purchase Contract substantially conform to the descriptions thereof contained in the Resolutions, (vi) no event concerning the District has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement thereto, but should be disclosed in order to make the statements in the Official Statement in light of the circumstances in which they were made not misleading, and (vii) there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by



any court or public body, pending or, to the best knowledge of such officials, threatened against the District, contesting in any way the completeness or accuracy of the Official Statement, the issuance of the Bonds by the County on behalf of the District or the due adoption of the Resolutions;

(5) County Certificate. A certificate signed by appropriate officials of the County to the effect that (i) such officials are authorized to execute this Purchase Contract, (ii) the representations, agreements and warranties of the County herein are true and correct in all material respects as of the date of Closing, (iii) the County has complied with all the terms of the Resolutions and this Purchase Contract to be complied with by the County prior to or concurrently with the Closing, and, as to the County, such documents are in full force and effect, and (iv) the Bonds being delivered on the date of Closing to the Underwriter under this Purchase Contract substantially conform to the descriptions thereof contained in the Resolutions.

(6) Arbitrage. A nonarbitrage and tax certificate of the District in form satisfactory to Bond Counsel;

(7) Ratings. Evidence satisfactory to the Underwriter that (i) the Bonds shall have been rated “\_\_\_” by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC (“S&P”) (or such other equivalent rating as such rating agencies may give), and (ii) that any such ratings have not been revoked or downgraded;

(8) District Resolution. A certificate, together with fully executed copies of the District Resolution, of the Clerk of the District Board of Education to the effect that:

(i) such copies are true and correct copies of the District Resolution; and

(ii) that the District Resolution was duly adopted and has not been modified, amended, rescinded or revoked and is in full force and effect on the date of Closing.

(9) County Resolution. A certificate, together with fully executed copies of the Resolution, of the Clerk of the County Board of Supervisors to the effect that:

(i) such copies are true and correct copies of the County Resolution; and

(ii) that the County Resolution was duly adopted and has not been modified, amended, rescinded or revoked and is in full force and effect on the date of Closing.

(10) Official Statement. A certificate of the appropriate official of the District evidencing his or her determinations respecting the Preliminary Official Statement in accordance with the Rule;

(11) Continuing Disclosure Certificate. An executed copy of the Continuing Disclosure Certificate, substantially in the form presented in the Official Statement as Appendix \_\_ thereto, along with evidence satisfactory to Disclosure Counsel and the Underwriter that the District is in compliance with its disclosure obligations under the Rule;

(12) County Counsel Opinion. An opinion of County Counsel, addressed to the County, to the District and the Underwriter, in substantially the form attached as Appendix B hereto;

(13) Underwriter's Counsel Opinion. An opinion of Kutak Rock LLP, counsel to the Underwriter ("Underwriter's Counsel"), dated as of the Closing, and in a form and substance satisfactory to the Underwriter;

(14) Certificate of the Paying Agent. A certificate of the Paying Agent, signed by a duly authorized officer thereof, and in form and substance satisfactory to the Underwriter, substantially to the effect that, to the best of such officer's knowledge, no litigation is pending or threatened (either in state or federal courts) (i) seeking to restrain or enjoin the delivery by the Paying Agent of any of the Bonds, or (ii) in any way contesting or affecting any authority of the Paying Agent for the delivery of the Bonds or the validity or enforceability of the Bonds or any agreement with the Paying Agent; and

(15) Other Documents. Such additional legal opinions, certificates, proceedings, instruments and other documents as Bond Counsel or the Underwriter may reasonably request to evidence compliance (i) by the District and the County with legal requirements, (ii) the truth and accuracy, as of the time of Closing, of the representations of the District and the County herein contained and of the Official Statement, and (iii) the due performance or satisfaction by the District and the County at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the District and the County, respectively.

(f) Termination. Notwithstanding anything to the contrary herein contained, if for any reason whatsoever the Bonds shall not have been delivered by the County to the Underwriter as provided in Section 6 hereof, then the obligation to purchase Bonds hereunder shall terminate and be of no further force or effect except with respect to the obligations of the District and the Underwriter under Section 13 hereof.

If the District is unable to satisfy the conditions to the Underwriter's obligations contained in this Purchase Contract or if the Underwriter's obligations shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract may be cancelled by the Underwriter at, or at any time prior to, the time of Closing. Notice of such cancellation shall be

given to the District in writing, or by telephone confirmed in writing. Notwithstanding any provision herein to the contrary, the performance of any and all obligations of the District hereunder and the performance of any and all conditions contained herein for the benefit of the Underwriter may be waived by the Underwriter in writing in its sole discretion.

**12. Conditions to Obligations of the District and the County.** The performance by the County and the District of their respective obligations under this Purchase Contract is conditioned upon (i) the performance by the Underwriter of its obligations hereunder; and (ii) receipt by the County, the District and the Underwriter of opinions and certificates being delivered at the Closing by persons and entities other than themselves.

**13. Expenses.** (a) The District shall pay, and the Underwriter shall have no obligation to pay, the following expenses incident to the issuance of the Bonds: (i) the cost of the preparation and reproduction of the Resolutions; (ii) the fees and disbursements of Bond Counsel, Disclosure Counsel and the Financial Advisor; (iii) the cost of the preparation, printing and delivery of the Bonds; (iv) the fees for bond ratings; (v) the cost of the printing and distribution of the Preliminary Official Statement and the Official Statement; (vi) the initial fees, if any, of the Paying Agent; (vii) expenses for travel, lodging, and meals related to rating agency visits and other meetings connected to the authorization, sale, issuance and distribution of the Bonds; and (viii) all other fees and expenses incident to the issuance and sale of the Bonds. The Underwriter is hereby directed to wire at the Closing a portion of the purchase price of the Bonds equal to \$\_\_\_\_\_ to Zions First National Bank, as fiscal agent on behalf of the District, for the payment of the above-described costs.

(b) Notwithstanding any of the foregoing, the Underwriter shall pay all out-of-pocket expenses of the Underwriter, including the California Debt and Investment Advisory Commission fee, the fees of counsel to the Underwriter, and other expenses (except those expressly provided above) without limitation, except travel and related expenses in connection with the bond ratings.

(c) Notwithstanding Section 11(f) hereof, the District hereby agrees, in the event the purchase and sale of the Bonds does not occur as contemplated hereunder, to reimburse the Underwriter for any costs described in Subsection 13(a)(vii) above that are attributable to District personnel.

**14. Notices.** Any notice or other communication to be given under this Purchase Contract (other than the acceptance hereof as specified in the first paragraph hereof) may be given by delivering the same in writing, if to the County, to the Treasurer-Tax Collector, County of Riverside, 4080 Lemon Street, 4th Floor, Riverside, California 92501, if to the District, to the Val Verde Unified School District, 975 West Morgan Street, Perris, California 92571, Attention: Darrin Watters, Deputy Superintendent, Business Services, or if to the Underwriter, to Piper Jaffray & Co., 50 California Street, Suite 3100, San Francisco, California 94111, Attention: Jeffrey A. Baratta.

**15. Parties in Interest; Survival of Representations and Warranties.** This Purchase Contract when accepted by the County and the District in writing as heretofore specified shall constitute the entire agreement among the County, the District and the

Underwriter. This Purchase Contract is made solely for the benefit of the County and the District and the Underwriter (including the successors or assigns of the Underwriter). No person shall acquire or have any rights hereunder or by virtue hereof. All representations, warranties and agreements of the County and the District in this Purchase Contract shall survive regardless of (a) any investigation or any statement in respect thereof made by or on behalf of the Underwriter, (b) delivery of and payment by the Underwriter for the Bonds hereunder, and (c) any termination of this Purchase Contract.

**16. Execution in Counterparts.** This Purchase Contract may be executed in several counterparts each of which shall be regarded as an original and all of which shall constitute but one and the same document.

**17. Applicable Law.** This Purchase Contract shall be interpreted, governed and enforced in accordance with the laws of the State of California applicable to contracts made and performed in such State.

Very truly yours,

**PIPER JAFFRAY & CO., as Underwriter**

By: \_\_\_\_\_  
Managing Director

The foregoing is hereby agreed to and accepted at \_\_\_\_ p.m., California Time, as of the date first above written:

**VAL VERDE UNIFIED SCHOOL DISTRICT**

By: \_\_\_\_\_  
R. Darrin Watters  
Deputy Superintendent, Business Services

The foregoing is hereby agreed to and accepted at \_\_\_\_ p.m., California Time, as of the date first above written:

**COUNTY OF RIVERSIDE, CALIFORNIA**

By: \_\_\_\_\_  
Treasurer-Tax Collector

Approved as to form:

**COUNTY COUNSEL**

By: \_\_\_\_\_  
Deputy County Counsel

**APPENDIX A**

**PRINCIPAL AMOUNTS, INTEREST RATES,  
YIELDS, MATURITIES, AND REDEMPTION PROVISIONS**

**\$ \_\_\_\_\_  
VAL VERDE UNIFIED SCHOOL DISTRICT  
(Riverside County, California)  
General Obligation Bonds, 2012 Election, Series 2016C**

<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
--------------------------------	-----------------------------	--------------------------	--------------

<sup>(1)</sup> Yield to call at par on August 1, 20\_\_.

## REDEMPTION PROVISIONS

**Optional Redemption.** The Bonds maturing on or before August 1, 20\_\_ are not subject to redemption prior to their fixed maturity dates. The Bonds maturing on or after August 1, 20\_\_ are subject to redemption on any date on or after August 1, 20\_\_, at the option of the District, as a whole or in part, at a redemption price equal to the principal amount of the Bonds called for redemption plus interest accrued thereon to the date fixed for redemption, without premium.

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

Redemption Date (August 1)	Principal Amount
-------------------------------	------------------

\_\_\_\_\_  
(1) Maturity.

**APPENDIX B**

**OPINION OF COUNTY COUNSEL**

[Closing Date]

County of Riverside  
Treasurer-Tax Collector's Office  
4080 Lemon Street, 4<sup>th</sup> Floor  
Riverside, California 92501

Board of Education  
Val Verde Unified School District  
975 West Morgan Street  
Perris, California 92571

Piper Jaffray & Co.  
50 California Street, Suite 3100  
San Francisco, California 94111

Re: \$ \_\_\_\_\_ Val Verde Unified School District General Obligation Bonds, 2012  
Election, Series 2016C

Ladies and Gentlemen:

This opinion is rendered and delivered in connection with the issuance by the Board of Supervisors of the County of Riverside (the "County") on behalf of the Val Verde Unified School District (the "District") of \$ \_\_\_\_\_ aggregate principal or issue amount of the District's General Obligation Bonds, 2012 Election, Series 2016C (the "Bonds"). The Bonds are being issued pursuant to a resolution of the Board of Supervisors of the County adopted on August 30, 2016 (the "County Resolution"), at the request of the District made pursuant to a resolution adopted by its Board of Education on August 16, 2016 (the "District Resolution").

In rendering this opinion, we have examined the County Resolution, the Bond Purchase Contract, dated \_\_\_\_\_, 2016 (the "Purchase Contract"), by and among the County, the District and Piper Jaffray & Co., as Underwriter, and such other documents, records and instruments and made such investigations of law and fact as we have deemed necessary to render the opinions expressed herein.

Based upon the foregoing, and solely with respect to the laws of the State of California (the "State"), we are of the opinion, as of the date hereof, that:

1. The County is a political subdivision duly organized and validly existing pursuant to the Constitution and the laws of the State.

2. The County Resolution approving and authorizing the execution, sale and delivery of the Purchase Contract and the issuance of the Bonds was duly adopted at a meeting of the governing body of the County, which was called and held pursuant to law and with all



public notice required by law and at which a quorum was present and acting at the time of adoption, has not been modified, amended, rescinded or revoked and is in full force and effect on the date hereof.

3. To the best of my knowledge, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public agency or body pending, in which service of process has been completed, or threatened against the County (a) affecting the existence of the County or the titles of its officers who have acted with respect to the proceedings for issuance and sale of the Bonds to their respective offices; (b) seeking to prohibit, restrain or enjoin the execution of the Purchase Contract or the issuance of the Bonds or in any way contesting or affecting the validity or enforceability of the Bonds, the Purchase Contract, or the County Resolution; (c) contesting the powers of the County or its authority to enter into, adopt or perform its obligations under the County Resolution or the Purchase Contract; or (d) seeking to restrain or enjoin the levy or collection of tax revenues to be used for payment of the Bonds.

4. The Purchase Contract has been duly authorized, executed and delivered by the County and the Bonds have been duly authorized by the County, executed by the County on behalf of the District and delivered by the County and, assuming due authorization, execution and delivery by the other parties thereto, the Purchase Contract will constitute the legal, valid and binding agreement of the County enforceable against the County in accordance with its terms.

With respect to the opinions we have expressed above, enforcement of the rights and obligations under the County Resolution, the Purchase Contract and the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws affecting the enforcement of creditors' rights generally, by the application of equitable principles if equitable remedies are sought, and by limitations on legal remedies imposed in actions against public entities in the State. We express no opinion as to the availability of equitable remedies in connection with enforcement of the County Resolution, the Purchase Contract or the Bonds.

Very truly yours,

County Counsel

By: \_\_\_\_\_  
Deputy County Counsel

**VAL VERDE UNIFIED SCHOOL DISTRICT**

**RESOLUTION NO. \_\_\_\_\_**

**RESOLUTION AUTHORIZING THE ISSUANCE OF THE VAL VERDE UNIFIED SCHOOL DISTRICT (RIVERSIDE COUNTY, CALIFORNIA) GENERAL OBLIGATION BONDS, 2012 ELECTION, SERIES 2016C, AND ACTIONS RELATED THERETO**

**WHEREAS**, a duly called election was held in the Val Verde Unified School District (the "District"), Riverside County (the "County"), State of California, on June 5, 2012 (the "Election") and thereafter canvassed pursuant to law;

**WHEREAS**, at the Election there was submitted to and approved by the requisite fifty-five percent or more vote of the qualified electors of the District a question as to the issuance and sale of general obligation bonds of the District for various purposes set forth in the ballot submitted to the voters, in the maximum amount of \$178,000,000, payable from the levy of an ad valorem property tax by the County against the taxable property in the District (the "2012 Authorization");

**WHEREAS**, the County has previously issued and sold, on behalf of the District, \$40,540,000 aggregate principal amount of its General Obligation Bonds, 2012 Election, 2013 Series A and \$38,949,540.30 aggregate principal amount of its General Obligation Bonds, 2012 Election, Series 2015B, all under the 2012 Authorization;

**WHEREAS**, Section 15140 of the Education Code of the State of California (the "Education Code") authorizes the Board of Supervisors of the County (the "County Board") to borrow funds through the issuance of bonds in the name and on behalf of the District, following the adoption of a resolution of the District Board;

**WHEREAS**, at this time this Board of Education (the "Board") has determined that it is necessary and desirable to issue the third series of bonds under the 2012 Authorization in an aggregate principal amount not-to-exceed \$21,000,000, and to be styled as "Val Verde Unified School District (Riverside County, California) General Obligation Bonds, 2012 Election, Series 2016C" (the "Bonds");

**WHEREAS**, pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Government Code"), the Bonds are authorized to be issued for purposes set forth in the ballot submitted to the voters at the Election;

**WHEREAS**, this Board desires to request the County Board to issue the Bonds in one or more Series of Taxable or Tax-Exempt Current Interest Bonds (as such terms are defined herein);

**WHEREAS**, this Board desires to appoint certain professionals to provide services related to the issuance of the Bonds; and

**WHEREAS**, all acts, conditions and things required by law to be done or performed have been done and performed in strict conformity with the laws authorizing the issuance of general

obligation bonds of the District, and the indebtedness of the District, including this proposed issue of Bonds, is within all limits prescribed by law;

**NOW, THEREFORE, BE IT FOUND, DETERMINED AND RESOLVED BY THE BOARD OF EDUCATION OF THE VAL VERDE UNIFIED SCHOOL DISTRICT, RIVERSIDE COUNTY, CALIFORNIA, AS FOLLOWS:**

**SECTION 1. Authorization for Issuance of the Bonds.** The Board hereby requests the County Board to issue the Bonds pursuant to Government Code sections 53506 *et seq.*, and to the extent applicable, Education Code Sections 15100 *et seq.* and 15264 *et seq.*, in an aggregate principal amount not-to-exceed \$21,000,000, in one or more Series of Taxable or Tax-Exempt Current Interest Bonds, to be styled as the “Val Verde Unified School District (Riverside County, California) General Obligation Bonds, 2012 Election, Series 2016C,” with appropriate additional Series designation if more than one Series of Bonds are issued, to raise money for certain purposes authorized by the voters of the District at the Election (the “Projects”), and to pay all necessary legal, financial, engineering and contingent costs in connection therewith. The Bonds shall be dated as of a date to be determined by the Authorized Officers (defined below), shall bear interest at a rate not to exceed that authorized at the Election, shall be payable upon such terms and provisions as shall be set forth in the Bonds, and shall mature on the dates and in the amounts set forth in the Official Statement (defined herein).

**SECTION 2. Paying Agent.** The Board hereby appoints the Paying Agent, as defined in Section 5 hereof, to act as paying agent, bond registrar, authentication agent and transfer agent for the Bonds on behalf of the District. The Board hereby approves the payment of the reasonable fees and expenses of the Paying Agent, including its third-party agents, as they shall become due and payable. The fees and expenses of the Paying Agent which are not paid as a cost of issuance of the Bonds may be paid in each year from *ad valorem* property taxes levied and collected for the payment thereof, insofar as permitted by law, including specifically Section 15232 of the Education Code.

**SECTION 3. Terms and Conditions of Sale.** The Bonds are hereby authorized to be sold to the Underwriter (defined herein) at a negotiated sale upon the direction of the Superintendent of the District (the “Superintendent”) or the Deputy Superintendent, Business Services (the “Deputy Superintendent, Business Services,” and together with the Superintendent, the “Authorized Officers”). A negotiated sale will allow the District to (i) integrate the sale of the Bonds with other public financings undertaken, or to be undertaken, by the District in order to fund its public education facilities; (ii) utilize the services of consultants who are familiar with the financial needs, status and plans of the District; and (iii) control the timing of the sale of the Bonds to the municipal bond market and, potentially, take advantage of interest rate opportunities for favorable sale of the Bonds to such market. The Bonds shall be sold pursuant to the terms and conditions set forth in the Purchase Contract, as described below.

**SECTION 4. Approval of Purchase Contract.** The form of Purchase Contract by and among the County, the District and the Underwriter relating to the Bonds, substantially in the form on file with the Clerk to the Board, is hereby approved and the Authorized Officers, each alone, are hereby authorized to execute and deliver the Purchase Contract, with such changes therein, deletions therefrom and modifications thereto as the Authorized Officer executing the same may approve, such approval to be conclusively evidenced by his or her execution and delivery thereof; provided, however, that (i) the maximum interest rates on the Bonds shall not exceed that authorized by law, and (ii) the underwriting discount, excluding original issue discount, shall not exceed 0.45% of the aggregate principal amount of the Bonds issued. The Authorized Officers, each alone, are further authorized to determine the principal amount of the Bonds to be specified in the Purchase Contract for sale by the District up to \$21,000,000 and to enter into and execute the Purchase Contract with the Underwriter, if the conditions set forth in this Resolution are satisfied.

**SECTION 5. Certain Definitions.** As used in this Resolution, the terms set forth below shall have the meanings ascribed to them (unless otherwise set forth in the Purchase Contract):

(a) **“Bond Counsel”** means Nossaman LLP or any other firm selected by the District that is a nationally recognized bond counsel firm.

(b) **“Building Fund”** means the fund known as the “Val Verde Unified School District General Obligation Bonds, 2012 Election, Series 2016C Building Fund” created pursuant to the County Resolution.

(c) **“Continuing Disclosure Certificate”** means that certain contractual undertaking of the District pursuant to paragraph (b)(5) of Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, and relating to the Bonds, dated as of the date of issuance thereof, as amended from time to time in accordance with the provisions thereof.

(d) **“Costs of Issuance”** means all of the authorized costs of issuing the Bonds as described in Section 15145(a) of the Education Code, including but not limited to, all printing and document preparation expenses in connection with this Resolution, the Bonds and the Preliminary Official Statement and the Official Statement pertaining to the Bonds and any and all other agreements, instruments, certificates or other documents prepared in connection therewith; rating agency fees; auditor’s fees; CUSIP service bureau charges; legal fees and expenses of counsel with respect to the financing, including the fees and expenses of Bond Counsel and Disclosure Counsel; the fees and expenses of the Financial Advisor; the fees and expenses of the Paying Agent; fees for credit enhancement (if any) relating to the Bonds; the discount of the Underwriter; and other fees and expenses incurred in connection with the issuance of the Bonds, to the extent such fees and expenses are approved by the District.

(e) **“County Resolution”** means the resolution of the County authorizing the issuance of the Bonds.

(f) **“Current Interest Bonds”** means Bonds, the interest on which is payable semiannually on each Interest Payment Date specified for each such Bond as designated and maturing in the years and in the amounts set forth in the Official Statement.

(g) **“Date of Delivery”** means the date of initial issuance and delivery of the Bonds, or such other date as shall be set forth in the Purchase Contract or Official Statement.

(h) **“Debt Service”** shall mean the Principal of, premium, if any, and interest on the Bonds then-due for payment.

(i) **“Disclosure Counsel”** means Orrick, Herrington & Sutcliffe LLP, as the firm selected by the District to prepare the Preliminary Official Statement and final Official Statement.

(j) **“Financial Advisor”** means Fieldman Rolapp & Associates, as Financial Advisor to the District.

(k) **“Interest Payment Date”** means February 1 and August 1 in each year, commencing on February 1, 2017, or as otherwise specified in the Purchase Contract.

(l) **“Official Statement”** means the Official Statement for the Bonds, as described in Section 9 hereof.

(m) **“Paying Agent”** means initially the Treasurer, or any other Paying Agent as shall be named in the Purchase Contract or Official Statement, and afterwards any successor financial institution, acting as paying agent, transfer agent, authentication agent and bond registrar for the Bonds. The Treasurer is authorized to contract with a third party to carry out the services of Paying Agent hereunder and has initially selected Zions First National Bank to serve as its agent with respect to its Paying Agent duties with respect to the Bonds.

(n) **“Principal”** or **“Principal Amount”** means, with respect to any Bond, the initial principal amount thereof.

(o) **“Projects”** means the capital improvements delineated in the ballot presented to and approved by the voters of the District at the Election.

(p) **“Series”** means any Bonds executed, authenticated and delivered pursuant to the provisions hereof identified as a separate series of Bonds.

(q) **“Taxable Bonds”** means any Bonds not issued as Tax-Exempt Bonds.

(r) **“Tax-Exempt Bonds”** means any Bonds the interest on which is excludable from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of calculating the federal alternative minimum tax, as further described in an opinion of Bond Counsel supplied to the original purchasers of such Bonds.

(s) **“Treasurer”** means the Treasurer and Tax Collector of the County, or any designated deputy thereof.

(t) **“Underwriter”** means Piper Jaffray & Co.

**SECTION 6. Costs of Issuance.** Costs of Issuance are hereby authorized to be paid either from premium withheld by the Underwriter upon the sale of the Bonds, or from the Principal Amount of the Bonds. To the extent Costs of Issuance are paid from such proceeds, the District may direct that a portion of the proceeds of the Bonds received from the Underwriter, in lieu of being deposited into the Building Fund, be deposited in the fund of the District known as the “Val Verde Unified School District General Obligation Bonds, 2012 Election, Series 2016C Costs of Issuance Fund” (the “Costs of Issuance Fund”) and kept separate and distinct from all other District funds, and those proceeds shall be used solely for the purpose of paying Costs of Issuance of the Bonds. The Costs of Issuance Fund may be held and administered by the Paying Agent or any other fiscal agent designated by the District. Notwithstanding the foregoing, all or a portion of the Costs of Issuance may be paid by the Underwriter, by the Paying Agent or by a fiscal agent designated for such purpose.

Any amounts retained for payment of Costs of Issuance to be returned to the District pursuant to the Purchase Contract, to the extent such amounts were retained from the Principal Amount of the Bonds, shall be transferred to the Building Fund. Any amounts retained for payment of Costs of Issuance to be returned to the District pursuant to the Purchase Contract, to the extent such amounts were retained from premium withheld by the Underwriter upon the sale of the Bonds, shall be transferred to the fund known as the “Val Verde Unified School District General Obligation Bonds, 2012 Election, Series 2016C Debt Service Fund” (the “Debt Service Fund”) created pursuant to the County Resolution.

**SECTION 7. Tax Covenant.** In order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds, the District hereby covenants to comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Internal Revenue Code of 1986, as amended. In furtherance of these covenants, the District agrees to comply with the covenants contained in the Tax Certificate of the District to be delivered in connection with the issuance of the Bonds (the “Tax Certificate”). The District hereby agrees to deliver instructions to the Paying Agent as may be necessary in order to comply with the Tax Certificate.

**SECTION 8. Legislative Determinations.** The Board hereby determines that all acts and conditions necessary to be performed thereby or to have been met precedent to and in the issuing of the Bonds in order to make them legal, valid and binding general obligations of the District have been performed and have been met, or will at the time of delivery of the Bonds have been performed and have been met, in regular and due form as required by law; and that no statutory or constitutional limitation of indebtedness or taxation will have been exceeded in the issuance of the Bonds.

**SECTION 9. Official Statement.** The Preliminary Official Statement relating to the Bonds, substantially in the form on file with the Clerk to the Board is hereby approved and the Authorized Officers, each alone, are hereby authorized and directed, for and in the name and on behalf of the District, to deliver such Preliminary Official Statement to the Underwriter to be used in connection with the offering and sale of the Bonds. The Authorized Officers, each alone, are hereby authorized and directed, for and in the name and on behalf of the District, to deem the

Preliminary Official Statement “final” pursuant to Rule 15c2-12 of the Securities Exchange Act of 1934, prior to its distribution and to execute and deliver to the Underwriter a final Official Statement, substantially in the form of the Preliminary Official Statement, with such changes therein, deletions therefrom and modifications thereto as an Authorized Officer executing such final Official Statement shall approve. The Underwriter is hereby authorized to distribute copies of the Preliminary Official Statement to persons who may be interested in the purchase of the Bonds and is directed to deliver copies of any final Official Statement to the purchasers of the Bonds. Execution of the Official Statement shall conclusively evidence the District’s approval of the Official Statement.

The Board understands and agrees that the County shall have no responsibility or obligation whatsoever in connection with the preparation and approval of the Preliminary Official Statement and the Official Statement, nor for satisfying any obligations of the District under Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934 (the “Rule”).

**SECTION 10. Insurance.** Should any Authorized Officer, upon consultation and advice of the Financial Advisor and Bond Counsel, determine it is in the best interests of the District to obtain municipal bond insurance for the Bonds to improve their marketability, the Authorized Officers, each alone, are hereby authorized and directed to sign documents to secure such credit enhancement on such terms and subject to such conditions as may be established by the Authorized Officer signing such agreements, in agreements relating to such credit enhancement.

**SECTION 11. Request of the County; Resolution to Treasurer.** The County Board is hereby requested to assist the District in the issuance and sale of the Bonds; in order to meet the requirements of law and the procedures of the County with respect to such a request, the Clerk of the Board is hereby directed to lodge a certified copy of this Resolution with the Clerk of the County Board and with the Superintendent of Schools of the County promptly following adoption hereof.

**SECTION 12. Request to County to Levy Tax.** The Board of Supervisors and officers of the County are obligated by statute to provide for the levy and collection of *ad valorem* property taxes in each year sufficient to pay all Debt Service coming due on the Bonds in such year, and to pay from such taxes all amounts due on the Bonds. The District hereby requests the Board of Supervisors to annually levy a tax upon all taxable property in the District sufficient to pay all such principal and interest coming due on the Bonds in such year, and to pay from such taxes all amounts due on the Bonds.

**SECTION 13. Nonliability of County.** Notwithstanding anything to the contrary contained herein, in the Bonds or in any other document mentioned herein, except as set forth in the resolution to be adopted by the County Board authorizing the issuance of the Bonds, neither the County, nor its officials, officers, employees or agents shall have any liability in connection with the transactions contemplated hereby, the Bonds are not a debt of the County or a pledge of the County's full faith and credit, and the Bonds and any liability in connection therewith shall be paid solely from *ad valorem* property taxes lawfully levied to pay the Debt Service on the Bonds, which taxes shall be unlimited as to rate or amount. The County shall bear no responsibility for the acquisition, construction or installation of the Projects, or any part thereof.

**SECTION 14. Reimbursement of County Costs.** The District shall reimburse the County for all costs and expenses incurred by the County, its officials, officers, agents and employees in issuing or otherwise in connection with the issuance of the Bonds.

**SECTION 15. Other Actions, Determinations and Approvals.**

(a) Officers of the Board, District officials and staff are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to proceed with the issuance of the Bonds and otherwise carry out, give effect to and comply with the terms and intent of this Resolution. Such actions heretofore taken by such officers, officials and staff are hereby ratified, confirmed and approved.

(b) The Board hereby appoints Piper Jaffray & Co., as the Underwriter. The Board hereby also appoints Fieldman Rolapp & Associates, as Financial Advisor, Nossaman LLP, as Bond Counsel, and Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel, all with respect to issuance and sale of the Bonds.

**SECTION 16. Continuing Disclosure.** The District hereby covenants and agrees that it will comply with and carry out all of the provisions of that certain Continuing Disclosure Certificate executed by the District and dated as of the Date of Delivery, as originally executed and as it may be amended from time to time in accordance with the terms thereof. The Board hereby approves the form of Continuing Disclosure Certificate appended to the Preliminary Official Statement on file with the Clerk to the Board, and the Authorized Officers, each alone, are hereby authorized to execute the Continuing Disclosure Certificate with such changes thereto as the Authorized Officers executing the same shall approve, such approval to be conclusively evidenced by such execution and delivery. Noncompliance with the Continuing Disclosure Certificate shall not result in acceleration of the Bonds.

**SECTION 17. Further Actions Authorized.** It is hereby covenanted that the District, and its appropriate officials, have duly taken all actions necessary to be taken by them, and will take any additional actions necessary to be taken by them, for carrying out the provisions of this Resolution.

**SECTION 18. Conflicts.** If there is any inconsistency or conflict between any provision of this Resolution and any provision of the Purchase Contract, the Purchase Contract prevails to the extent of the inconsistency or conflict. If there is any inconsistency or conflict



between any provision of this Resolution and any provision of the Tax Certificate, the Tax Certificate prevails to the extent of the inconsistency or conflict.

**SECTION 19.**        **Recitals.** All the recitals in this Resolution above are true and correct and the Board so finds, determines and represents.

**SECTION 20.**        **Effective Date.** This Resolution shall take effect immediately upon its passage.

**PASSED AND ADOPTED** this 16th day of August, 2016.

AYES:

NOES:

ABSENT:

ABSTENTIONS:

---

President, Board of Education  
Val Verde Unified School District

Attest:

---

Clerk to the Board of Education  
Val Verde Unified School District

**CLERK'S CERTIFICATE**

I, Julio Gonzalez, Clerk to the Board of Education of the Val Verde Unified School District (the "District"), hereby certify as follows:

The foregoing is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Board of Education of the District duly and regularly and legally held at the regular meeting place thereof on August 16, 2016, of which meeting all of the members of the Board had due notice and at which a quorum was present.

I have carefully compared the same with the original minutes of said meeting on file and of record in my office and the foregoing is a full, true and correct copy of the original resolution adopted at said meeting and entered in said minutes.

Said resolution has not been amended, modified or rescinded since the date of its adoption, and the same is now in full force and effect.

Dated: September \_\_, 2016

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Clerk to the Board of Education  
Val Verde Unified School District

PRELIMINARY OFFICIAL STATEMENT DATED \_\_\_\_\_, 2016

NEW ISSUES — BOOK-ENTRY ONLY

Rating: Standard & Poor's "\_\_\_"  
(See "MISCELLANEOUS – Rating" herein.)

In the opinion of Nossaman LLP, Irvine, California, Bond Counsel, based on existing statutes, regulations, rulings and court decisions and assuming, among other matters, compliance with certain covenants, interest on the Series 2016 Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Series 2016 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxable income, although Bond Counsel observes that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income. In the further opinion of Bond Counsel, interest on the Series 2016 Bonds is, under existing law, exempt from State of California personal income taxes. Bond Counsel expresses no opinion regarding other federal or State tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS."

VAL VERDE UNIFIED SCHOOL DISTRICT  
(Riverside County, California)

\$ \_\_\_\_\_ \*  
General Obligation Bonds,  
2012 Election, Series 2016C

\$ \_\_\_\_\_ \*  
2016 General Obligation Refunding Bonds,  
Series A (2018 Crossover Refunding)

Dated: Date of Delivery

Due: August 1, as shown herein

This cover page is not a summary of this issue; it is only a reference to the information contained in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Val Verde Unified School District (Riverside County, California) General Obligation Bonds, 2012 Election, Series 2016C (the "Series 2016C Bonds") are issued by the County of Riverside, California (the "County"), on behalf of the Val Verde Unified School District, located in the County (the "District"), to finance specific construction, repair and improvement projects approved by the voters of the District. The Series 2016C Bonds were authorized at an election of the voters of the District held on June 5, 2012, at which at least 55% of the voters voting on the proposition voted to authorize the issuance and sale of \$178,000,000 principal amount of bonds of the District. The Series 2016C Bonds are being issued under the laws of the State of California (the "State") and pursuant to a resolution of the Board of Supervisors of the County, adopted on August 30, 2016, and a resolution of the Board of Education of the District, adopted on August 16, 2016.

The Val Verde Unified School District (Riverside County, California) 2016 General Obligation Refunding Bonds, Series A (2018 Crossover Refunding) (the "Series 2016 Refunding Bonds") are being issued by the District (i) to pay, when due, the interest on the Series 2016 Refunding Bonds to and including August 1, 2018 (the "Crossover Date"), (ii) to advance refund on, a crossover basis, a portion of the outstanding Val Verde Unified School District (Riverside County, California) General Obligation Bonds, 2008 Election, 2008 Series A (such refunded portion being referred to herein as the "Prior Bonds"), and (iii) to pay costs of issuance of the Series 2016 Refunding Bonds. The Series 2016 Refunding Bonds are being issued under the laws of the State and pursuant to a resolution of the Board of Education of the District, adopted on August 16, 2016. The Series 2016C Bonds and the Series 2016 Refunding Bonds are referred to collectively herein as the "Series 2016 Bonds."

The Series 2016C Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law. The Board of Supervisors of the County is empowered and obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Series 2016C Bonds, all as more fully described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS" herein.

Prior to and on the Crossover Date, the Series 2016 Refunding Bonds will be secured by and payable solely from proceeds of the Series 2016 Refunding Bonds deposited into an escrow fund established therefor and earnings thereon. After the Crossover Date, the Series 2016 Refunding Bonds will be, without any further action on the part of the District or the owners or beneficial owners of the Series 2016 Refunding Bonds, payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law. Subject to the redemption of the Prior Bonds on the Crossover Date, the Board of Supervisors of the County is empowered and obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Series 2016 Refunding Bonds due after the Crossover Date, all as more fully described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS" herein.

The Series 2016 Bonds will be issued as current interest bonds in denominations of \$5,000 principal amount or any integral multiple thereof, all as shown on the inside front cover hereof. Interest on the Series 2016 Bonds is payable on each February 1 and August 1 to maturity, commencing February 1, 2017. Principal of the Series 2016 Bonds is payable on August 1 in each of the years and in the amounts set forth on the inside front cover hereof.

Each series of the Series 2016 Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for each series of the Series 2016 Bonds. Individual purchases of the Series 2016 Bonds will be made in book-entry form only. Purchasers will not receive physical delivery of the Series 2016 Bonds purchased by them. See "THE SERIES 2016 BONDS – Form and Registration" herein. Payments of the principal of and interest on the Series 2016 Bonds will be made by Zions Bank, a division of ZB, National Association, as paying agent, registrar and transfer agent with respect to each series of the Series 2016 Bonds, to DTC for subsequent disbursement to DTC Participants, who will remit such payments to the beneficial owners of the Series 2016 Bonds. See "THE SERIES 2016 BONDS – Payment of Principal and Interest" herein.

\* Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful.

**The Series 2016 Bonds are subject to redemption prior to maturity as described herein. See “THE Series 2016 Bonds — Redemption” herein.**

*Each series of the Series 2016 Bonds will be offered when, as and if issued by the District and received by the Underwriter, subject to the approval of legality by Nossaman LLP, California, Bond Counsel to the District. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Irvine, California, as Disclosure Counsel to the District; and for the Underwriter by Kutak Rock LLP, Denver, Colorado, as Underwriter’s Counsel. It is anticipated that the Series 2016 Bonds, in definitive form, will be available for delivery through the facilities of DTC on or about September \_\_, 2016.*

**Piper Jaffray & Co.**

Dated: \_\_\_\_\_, 2016

**MATURITY SCHEDULE\***

BASE CUSIP<sup>1</sup>: \_\_\_\_\_

\$ \_\_\_\_\_ \*

**VAL VERDE UNIFIED SCHOOL DISTRICT  
(Riverside County, California)**

**General Obligation Bonds, 2012 Election, Series 2016C**

\$ \_\_\_\_\_ Serial Current Interest Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP Number <sup>1</sup>	Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP Number <sup>1</sup>
2018	\$	%	%		2032	\$	%	%	
2019					2033				
2020					2034				
2021					2035				
2022					2036				
2023					2037				
2024					2038				
2025					2039				
2026					2040				
2027					2041				
2028					2042				
2029					2043				
2030					2044				
2031					2045				

\$ \_\_\_\_\_ % Term Series 2016C Bonds due August 1, 20\_\_ – Yield \_\_\_% CUSIP Number<sup>1</sup> – \_\_\_

\$ \_\_\_\_\_ \*

**VAL VERDE UNIFIED SCHOOL DISTRICT  
(Riverside County, California)**

**2016 General Obligation Refunding Bonds, Series A (2018 Crossover Refunding)**

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP Number <sup>1</sup>
2019	\$	%	%	
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				

\$ \_\_\_\_\_ % Term Series 2016 Refunding Bonds due August 1, 20\_\_ – Yield \_\_\_% CUSIP Number<sup>1</sup> – \_\_\_

\* Preliminary; subject to change.

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**VAL VERDE UNIFIED SCHOOL DISTRICT  
(RIVERSIDE COUNTY, CALIFORNIA)**

**BOARD OF EDUCATION**

Shelly Yarbrough, *President*  
Suzanne Stotlar, *Vice President*  
Julio Gonzalez, *Clerk*  
Marla Kirkland, *Member*  
Michael M. Vargas, *Member*

**DISTRICT ADMINISTRATORS**

Michael R. McCormick, *Superintendent*  
R. Darrin Watters, *Deputy Superintendent*  
Kristin Merritt, *Director of Fiscal Services*

**PROFESSIONAL SERVICES**

**Financial Advisor**

Fieldman, Rolapp & Associates  
*Irvine, California*

**Disclosure Counsel**

Orrick, Herrington & Sutcliffe LLP  
*Irvine, California*

**Paying Agent, Escrow Agent, Registrar and  
Transfer Agent**

Zions Bank, a division of ZB, National Association  
*Los Angeles, California*

**Bond Counsel**

Nossaman LLP  
*Irvine, California*

**Underwriter's Counsel**

Kutak Rock LLP  
*Denver, Colorado*

**Verification Agent**

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

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This Official Statement does not constitute an offering of any security other than the original offering of the Series 2016 Bonds by the District. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District.

The Series 2016 Bonds are exempt from registration under the Securities Act of 1933, as amended, pursuant to Section 3(a)2 thereof. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy Series 2016 Bonds in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth herein other than that furnished by the District, although obtained from sources which are believed to be reliable, is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Series 2016 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used, such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to those forward-looking statements if or when their expectations, or events, conditions or circumstances on which such statements are based, occur.

The District maintains a website. However, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2016 Bonds.

**In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market prices of the Series 2016 Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Series 2016 Bonds to certain securities dealers and dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside front cover page hereof and said public offering prices may be changed from time to time by the Underwriter.**

**VAL VERDE UNIFIED SCHOOL DISTRICT  
(Riverside County, California)**

§ \_\_\_\_\_\*  
**General Obligation Bonds,  
2012 Election, Series 2016C**

§ \_\_\_\_\_\*  
**2016 General Obligation Refunding Bonds,  
Series A (2018 Crossover Refunding)**

**INTRODUCTION**

*This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Series 2016 Bonds to potential investors is made only by means of the entire Official Statement.*

**General**

This Official Statement, which includes the cover page and appendices hereto, is provided to furnish information in connection with the sale of (i) \$ \_\_\_\_\_\* aggregate principal amount of Val Verde Unified School District (Riverside County, California) General Obligation Bonds, 2012 Election, Series 2016C (the "Series 2016C Bonds"), and (ii) \$ \_\_\_\_\_\* aggregate principal amount of Val Verde Unified School District (Riverside County, California) 2016 General Obligation Refunding Bonds, Series A (2018 Crossover Refunding) (the "Series 2016 Refunding Bonds"), all as indicated on the inside front cover hereof, to be offered by the Val Verde Unified School District (the "District"). The Series 2016C Bonds and the Series 2016 Refunding Bonds are collectively referred to herein as the "Series 2016 Bonds."

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The District has no obligation to update the information in this Official Statement, except as required by the Continuing Disclosure Certificates to be executed by the District. See "OTHER LEGAL MATTERS – Continuing Disclosure."

The purpose of this Official Statement is to supply information to prospective buyers of the Series 2016 Bonds. Quotations from and summaries and explanations of the Series 2016 Bonds, the resolutions of the Board of Education of the District providing for the issuance of each series of the Series 2016 Bonds, the resolution of the Board of Supervisors of the County of Riverside (the "County") providing for the issuance of the Series 2016C Bonds and the constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is hereby made to said documents, constitutional provisions and statutes for the complete provisions thereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or owners of any of the Series 2016 Bonds.

Copies of documents referred to herein and information concerning the Series 2016 Bonds are available from the District by contacting: Val Verde Unified School District, 975 West Morgan Street, Perris, California 92571, Attention: Deputy Superintendent. The District may impose a charge for copying, handling and mailing such requested documents.

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\* Preliminary; subject to change.

## **The District**

The District services an area of approximately 67 square miles located in the County, including portions of the Cities of Moreno Valley and Perris and adjacent unincorporated areas of the County and has a fiscal year 2016-17 enrollment of approximately 19,965 students. The District currently operates 12 elementary schools, four middle schools, three high schools, one continuation high school, one virtual academy, one opportunity school and one preschool. Total assessed valuation of taxable property in the District in fiscal year 2015-16 is \$6,700,970,746. The District operates under the jurisdiction of the Riverside County Superintendent of Schools.

For additional information about the District, see APPENDIX A – “INFORMATION RELATING TO THE DISTRICT’S OPERATIONS AND BUDGET” and APPENDIX B – “FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2015.”

## **THE SERIES 2016 BONDS**

### **Authority for Issuance; Plan of Finance**

**Series 2016C Bonds.** The Series 2016C Bonds are issued under the provisions of California Government Code Section 53506 *et seq.*, applicable provisions of California Education Code (the “Education Code”) Section 15100 *et seq.* and Article XIII A of the California Constitution and pursuant to a resolution of the Board of Supervisors of the County, adopted on August 30, 2016 (the “County New Money Resolution”), and a resolution of the Board of Education of the District, adopted on August 16, 2016 (the “District New Money Resolution” and, together with the County New Money Resolution, the “New Money Resolutions”).

At an election held on June 5, 2012, the District received authorization under Measure L to issue bonds of the District in an aggregate principal amount not to exceed \$178,000,000 to update computers and technology in classrooms, science labs and libraries, provide facilities and equipment for career training education, and construct new high school facilities (the “2012 Authorization”). Measure L required approval by at least 55% of the votes cast by eligible voters within the District and received an approval vote of approximately 62%. The County, on behalf of the District, has previously issued the Val Verde Unified School District (County of Riverside, California) General Obligation Bonds, 2012 Election, 2013 Series A (the “Series 2013A Bonds”) and Val Verde Unified School District (County of Riverside, California) General Obligation Bonds, 2012 Election, Series 2015B (the “Series 2015B Bonds”), in the respective aggregate principal amounts of \$40,540,000 and \$38,949,540.30. The Series 2016C Bonds represent the third series of the authorized bonds to be issued under the 2012 Authorization and are being issued to finance authorized projects. See “– *Application and Investment of Series 2016 Bond Proceeds*” herein.

**Series 2016 Refunding Bonds.** The Series 2016 Refunding Bonds are issued by the District pursuant to the Constitution and laws of the State, including Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code and other applicable provisions of law, and pursuant to a resolution adopted by the Board of Education of the District on August 16, 2016, providing for the issuance of the Series 2016 Refunding Bonds (the “Refunding Resolution” and, together with the New Money Resolutions, the “Resolutions”). Proceeds from the Series 2016 Refunding Bonds will be used by the District (i) to pay, when due, the interest on the Series 2016 Refunding Bonds to and including August 1, 2018 (the “Crossover Date”), (ii) to advance refund on, a crossover basis, a portion of the outstanding Val Verde Unified School District (Riverside County, California) General Obligation Bonds, 2008

Election, 2008 Series A (the “Series 2008A Bonds”), and (iii) to pay costs of issuance of the Series 2016 Refunding Bonds.

Concurrently with the issuance of the Series 2016 Refunding Bonds, the District will enter into an Escrow Agreement (defined herein), pursuant to which the District will deposit a portion of the proceeds of the Series 2016 Refunding Bonds into the Escrow Fund (defined herein), and such proceeds will be used to purchase certain United States Obligations (defined herein), the maturing principal of which, together with interest earnings thereon and any other proceeds of the Series 2016 Refunding Bonds held as cash, will be sufficient to pay (i) the interest on the Series 2016 Refunding Bonds due prior to the Crossover Date, and (ii) the principal of the Series 2008A Bonds to be refunded on the Crossover Date. See “–Plan of Refunding” and “–Estimated Sources and Uses of Funds” below.

### **Form and Registration**

Each series of the Series 2016 Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 principal amount or integral multiples thereof. Each series of the Series 2016 Bonds will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository of the Series 2016 Bonds. Purchases of Series 2016 Bonds under the DTC book-entry system must be made by or through a DTC participant, and ownership interests in Series 2016 Bonds will be recorded as entries on the books of said participants. Except in the event that use of this book-entry system is discontinued for the Series 2016 Bonds, beneficial owners (“Beneficial Owners”) will not receive physical certificates representing their ownership interests. See APPENDIX F – “BOOK-ENTRY ONLY SYSTEM.”

### **Payment of Principal and Interest**

The Series 2016 Bonds will be issued as current interest bonds, all as set forth on the inside front cover page hereof. The Series 2016 Bonds will be dated as of their date of delivery, and bear interest at the rates set forth on the inside front cover page of this Official Statement, payable on February 1 and August 1 of each year (each, an “Interest Payment Date”), commencing on February 1, 2017, computed on the basis of a 360-day year consisting of twelve 30-day months. Each Series 2016 Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Interest Payment Date to that Interest Payment Date, inclusive, in which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on or before the 15th day of the calendar month immediately preceding the first Interest Payment Date, in which event it shall bear interest from the date of delivery of the Series 2016 Bonds.

The principal of the Series 2016 Bonds is payable in lawful money of the United States of America upon the surrender thereof at the principal corporate trust office of Zions Bank, a division of ZB, National Association as paying agent (the “Paying Agent”) at the maturity thereof or upon redemption prior to maturity. Interest on the Bonds is payable in lawful money of the United States of America by check mailed on each Interest Payment Date (if a business day, or on the next business day if the Interest Payment Date does not fall on a business day) to the registered owner thereof (the “Owner”) at such Owner’s address as it appears on the bond registration books kept by the Paying Agent or at such address as the Owner may have filed with the Paying Agent for that purpose, except that the payment shall be made by wire transfer of immediately available funds to any Owner of at least \$1,000,000 of outstanding Series 2016 Bonds who shall have requested in writing such method of payment of interest prior to the close of business on the 15th day of the calendar month immediately preceding an Interest Payment Date. So long as the Series 2016 Bonds are held by Cede & Co., as nominee of DTC, payment shall be made by wire transfer. See APPENDIX F – “BOOK-ENTRY ONLY SYSTEM.”





aside, the Series 2016 Bonds designated for redemption shall become due and payable on the specified redemption date and interest shall cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Series 2016 Bonds at the place specified in the notice of redemption, such Series 2016 Bonds shall be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Series 2016 Bonds so called for redemption after such redemption date shall look for the payment of such Series 2016 Bonds and the redemption premium thereon, if any, only to moneys on deposit for the purpose in the respective interest and sinking fund of the District within the County treasury (each "Debt Service Fund") or the trust fund established for such purpose pursuant to the respective Resolutions. All Series 2016 Bonds redeemed shall be cancelled forthwith by the Paying Agent and shall not be reissued.

***Right to Rescind Notice.*** The District may rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Series 2016 Bonds so called for redemption. Any optional redemption and notice thereof shall be rescinded if for any reason on the date fixed for redemption moneys are not available in the related Debt Service Fund of the District or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Series 2016 Bonds called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Series 2016 Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

#### **Defeasance of Series 2016 Bonds**

The District may pay and discharge any or all of any series of the Series 2016 Bonds by depositing in trust with the Paying Agent for such series or an escrow agent at or before maturity, money or non-callable Government Obligations, in an amount which will, together with any amounts transferred from the related Debt Service Fund and the interest to accrue thereon and available moneys then on deposit in the related Debt Service Fund of the District, be fully sufficient to pay and discharge the indebtedness on such Series 2016 Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

Pursuant to the New Money Resolutions, the term "Government Obligations" means "direct and general obligations of the United States of America, obligations that are unconditionally guaranteed as to principal and interest by the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips), or "prerefunded" municipal obligations rated in the highest rating category by Moody's Investors Service, its successors and assigns, except that if such corporation shall no longer perform the functions of a securities rating ("Moody's") or S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, its successors and assigns ("S&P"). In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed at least as high as direct and general obligations of the United States of America by either Moody's or S&P."

## Unclaimed Moneys

All money which the Paying Agent has received from any source and set aside for the purpose of paying or redeeming any of the Series 2016 Bonds is required to be held in trust for the respective Owners of such Series 2016 Bonds, but any money which shall be so set aside or deposited by the Paying Agent and which shall remain unclaimed by the Owners of such Series 2016 Bonds for a period of one year after the date on which any payment or redemption with respect to such Series 2016 Bonds shall have become due and payable is required to be transferred to the General Fund of the District; provided, however, that the Paying Agent, before making such payment, is required to cause notice to be mailed to the Owners of such Series 2016 Bonds, by first-class mail, postage prepaid, not less than 90 days prior to the date of such payment to the effect that said money has not been claimed and that after a date named therein any unclaimed balance of said money then remaining is required to be transferred to the General Fund of the District. Thereafter, the Owners of such Series 2016 Bonds shall look only to the General Fund of the District for payment of such Series 2016 Bonds.

## Plan of Refunding

The proceeds of the Series 2016 Refunding Bonds will be issued by the District (i) to pay, when due, the interest on the Series 2016 Refunding Bonds to and including the Crossover Date, (ii) to advance refund on, a crossover basis, the District's outstanding Series 2008A Bonds, maturing on August 1 in the years [2019 through 2024, inclusive, 2027, 2030 and 2033] (the "Prior Bonds"), and (iii) to pay costs of issuance of the Series 2016 Refunding Bonds.

### VAL VERDE UNIFIED SCHOOL DISTRICT (Riverside County, California) Prior Bonds to be Refunded

Maturities to be Refunded	Principal Amount to be Refunded	CUSIP Number <sup>(2)</sup> (91882R)	Redemption Date	Redemption Price
August 1, 2019	\$980,000	AS1	August 1, 2018	100%
August 1, 2020	1,040,000	AT9	August 1, 2018	100
August 1, 2021	1,110,000	AU6	August 1, 2018	100
August 1, 2022	1,180,000	AV4	August 1, 2018	100
August 1, 2023	1,270,000	AW2	August 1, 2018	100
August 1, 2024	1,365,000	AX0	August 1, 2018	100
August 1, 2027	4,625,000	AY8	August 1, 2018	100
August 1, 2030	5,375,000	AZ5	August 1, 2018	100
August 1, 2033	6,615,000	BA9	August 1, 2018	100

The maturities of the District's outstanding Series 2008 Bonds listed in the following table will not be refunded with proceeds of the Series 2016 Refunding Bonds.

<sup>(2)</sup> CUSIP numbers are provided for convenience of reference only. Neither the District nor the Underwriter takes any responsibility for the accuracy of such CUSIP numbers.



**VAL VERDE UNIFIED SCHOOL DISTRICT  
(Riverside County, California)  
Unrefunded Series 2008 Bonds**

Maturity Date	Unrefunded Principal Amount	CUSIP Number <sup>(2)</sup>
August 1, 2017	\$860,000	797138FN9
August 1, 2018	915,000	797138 FS8

The proceeds of the Series 2016 Refunding Bonds will be deposited in accordance with the Escrow Agreement, dated as of \_\_\_\_\_ 1, 2016 (the “Escrow Agreement”) by and between the District and Zions Bank, a division of ZB, National Association, as escrow bank (the “Escrow Bank”) in a special fund or funds to be held by the Escrow Bank (the “Escrow Fund”). The amounts deposited in the Escrow Fund will be used to purchase [non-callable direct obligations of the United States of America or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America] (collectively, the “United States Obligations”), the principal of and interest on which (together with any uninvested amount) will be sufficient to enable the Escrow Bank (i) for the benefit of the registered owners of the Series 2016 Refunding Bonds, to pay, when due, the interest on the Series 2016 Refunding Bonds to the Crossover Date, and (ii) on the Crossover Date (provided there are sufficient funds on such date to pay the interest due on the Series 2016 Refunding Bonds and to redeem the Prior Bonds at the redemption price), for the benefit of Owners of the Prior Bonds, to pay the redemption price of the Prior Bonds (equal to 100% of the principal amount thereof), which amounts shall be held in trust by the Escrow Bank for the registered owners of the Series 2016 Refunding Bonds and the Prior Bonds.

The sufficiency of the amounts deposited into and of the investments held in the Escrow Fund to effect the payment of interest on the Series 2016 Refunding Bonds to the Crossover Date and the refunding of the Prior Bonds will be verified by Verification Agent (defined herein). See “ESCROW VERIFICATION” herein. After the Crossover Date, the Series 2016 Refunding Bonds will be payable solely from the proceeds of *ad valorem* property taxes levied therefor. See “SECURITY AND SOURCES OF PAYMENTS FOR THE SERIES 2016 BONDS” herein.

Amounts on deposit with the Escrow Bank pursuant to the Escrow Agreement are not available to pay debt service on the Series 2016C Bonds or, subsequent to the Crossover Date, the Series 2016 Refunding Bonds. The Series 2016C Bonds and, after the Crossover Date, the Series 2016 Refunding Bonds are payable from *ad valorem* taxes to be levied on property within the District pursuant to the California Constitution and other State law. The Board of Supervisors of the County is empowered and obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Series 2016C Bonds and, after the Crossover Date, the Series 2016 Refunding Bonds. The proceeds of the levy shall be deposited to the credit of the related Debt Service Fund of the District. Such proceeds shall be applied for the payment of principal of and interest on the Series 2016C Bonds and, after the Crossover Date, the Series 2016 Refunding Bonds. Moneys in such Debt Service Fund will be invested on behalf of the District in any one or more investments generally permitted to school districts authorized pursuant to Section 53601 et seq. or Section 53635 et seq. of the California Government Code by the County Treasurer Tax-Collector, and consistent with the investment policy of the County. See APPENDIX E – “COUNTY OF RIVERSIDE POOLED INVESTMENT FUND AND INVESTMENT POLICY.”

### **Application and Investment of Series 2016 Bond Proceeds**

The proceeds from the sale of the Series 2016C Bonds, to the extent of the principal amount thereof, will be deposited in the County treasury to the credit of the building fund of the District established with respect to the Series 2016C Bonds pursuant to the New Money Resolutions (the "Building Fund") and shall be accounted for together with the proceeds of other bonds of the District separately from all other District and County funds. Such proceeds shall be applied solely for the purposes for which the Series 2016C Bonds were authorized. The purchase price received to the extent of any accrued interest, shall be paid to the County to the credit of the Debt Service Fund for the Series 2016C Bonds and used for payment of principal of, premium, if any, and interest on the Series 2016C Bonds then-due for payment, and for no other purpose. A portion of the premium received from the sale of the Series 2016C Bonds may be transferred to the respective Debt Service Fund or applied to the payment of the costs of issuance of the Series 2016C Bonds, or some combination of deposits.

All funds held by the Riverside County Treasurer-Tax Collector (the "County Treasurer") in the Building Fund and the related Debt Service Fund are expected to be invested at the sole discretion of the County Treasurer on behalf of the District in such investments as are authorized by Section 53601 and following of the California Government Code and the investment policy of the County, as either may be amended or supplemented from time to time. See APPENDIX E – "COUNTY OF RIVERSIDE POOLED INVESTMENT FUND AND INVESTMENT POLICY" for a description of the permitted investments under the investment policy of the County.

**Estimated Sources and Uses of Funds**

The proceeds of the Series 2016C Bonds are expected to be applied as follows:

**VAL VERDE UNIFIED SCHOOL DISTRICT  
(Riverside County, California)  
General Obligation Bonds, 2012 Election, Series 2016C**

**Estimated Sources and Uses of Funds**

Sources of Funds:

Aggregate Principal Amount of Series 2016C Bonds [Plus/Less] Original Issue [Premium/Discount]	\$	
Total Sources of Funds	\$	

Uses of Funds:

Deposit to Building Fund	\$	
Deposit to Debt Service Fund <sup>(1)</sup>		
Costs of Issuance <sup>(2)</sup>		
Underwriter's Discount <sup>(3)</sup>		
Total Uses of Funds	\$	

<sup>(1)</sup> Consists of premium received by the District.

<sup>(2)</sup> Includes legal fees, rating agency fees, financial advisory fees, bond insurance premium, if any, printing fees and other miscellaneous expenses the Underwriter has contracted to pay.

<sup>(3)</sup> Exclusive of costs of issuance the Underwriter has contracted to pay.

The proceeds of the Series 2016 Refunding Bonds are expected to be applied as follows:

**VAL VERDE UNIFIED SCHOOL DISTRICT  
(Riverside County, California)  
2016 General Obligation Refunding Bonds, Series A (2018 Crossover Refunding)**

**Estimated Sources and Uses of Funds**

Sources of Funds:

Aggregate Principal Amount of Series 2016 Refunding Bonds	\$	
[Plus/Less] Original Issue [Premium/Discount]		
Total Sources of Funds	\$	

Uses of Funds:

Escrow Fund	\$	
Costs of Issuance <sup>(1)</sup>		
Underwriter's Discount		
Total Uses of Funds	\$	

<sup>(1)</sup> Includes legal fees, rating agency fees, financial advisory fees, bond insurance premium, in any, printing fees, verification agent fees and other miscellaneous expenses.

**Debt Service**

Debt service on each series of the Series 2016 Bonds, assuming no early redemptions, is as shown in the following tables.

**VAL VERDE UNIFIED SCHOOL DISTRICT  
(Riverside County, California)  
General Obligation Bonds, 2012 Election, Series 2016C  
and  
2016 General Obligation Refunding Bonds, Series A (2018 Crossover Refunding)**

Period Ending August 1,	Series 2016C Bonds		Series 2016 Refunding Bonds		Total Debt Service
	Principal	Interest	Principal	Interest	
2018	\$	\$	\$	\$	\$
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
2039					
2040					
2041					
2042					
2043					
2044					
2045					
<b>Total:</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

## Outstanding Bonds

In addition to each series of the Series 2016 Bonds (and not accounting for the planned refunding of the Prior Bonds with proceeds of the Series 2016 Refunding Bonds), the District has outstanding four additional series of general obligation bonds, each of which is secured by *ad valorem* taxes upon all property subject to taxation by the District on a parity with the Series 2016 Bonds.

The District received authorization at an election held on June 3, 2008, to issue bonds of the District in an aggregate principal amount not to exceed \$43,440,000 to rehabilitate inadequate heating, ventilation, sewer, drainage and safety/security systems, upgrade school technology, replace portables with permanent classrooms and renovate, acquire, construct and equip classrooms and schools (the “2008 Authorization”). On August 27, 2008, the County, on behalf of the District, issued the Series 2008A Bonds as its first series of authorized bonds to be issued under the 2008 Authorization. On February 25, 2010, the County, on behalf of the District, issued the Val Verde Unified School District (County of Riverside, California) General Obligation Bonds, 2008 Election, 2010 Series B, in the initial aggregate principal amount of \$13,436,947.70 (the “Series 2010B Bonds”) as its second and final series of authorized bonds to be issued under the 2008 Authorization.

The District received authorization at an election held on June 5, 2012, to issue bonds of the District in an aggregate principal amount not to exceed \$178,000,000 to construct authorized projects under the 2012 Authorization. On March 20, 2013, the County, on behalf of the District, issued the Series 2013A Bonds in the aggregate principal amount of \$40,540,000 as its first series of authorized bonds to be issued under the 2012 Authorization. On March 4, 2015, the County, on behalf of the District, issued the Series 2015B Bonds in the initial aggregate principal amount of \$38,949,540.30 as its second series of authorized bonds to be issued under the 2012 Authorization. The District applied a portion of the proceeds of the Series 2015B Bonds to defease the District’s then-outstanding 2013 General Obligation Bond Anticipation Notes. See APPENDIX A – “INFORMATION RELATING TO THE DISTRICT’S OPERATIONS AND BUDGET – District Debt Structure.”

A summary of the District’s general obligation bonded debt is set forth on the following page.

## Aggregate Debt Service

The following table summarizes the annual aggregate debt service requirements of all outstanding bonds of the District (including each series of the Series 2016 Bonds), assuming no early redemptions.

### VAL VERDE UNIFIED SCHOOL DISTRICT (Riverside County, California) General Obligation Bonds – Aggregate Debt Service

Period Ending August 1,	2008 Authorization			2012 Authorization			Total
	Series 2008A Bonds <sup>(1)</sup>	Series 2010B Bonds	Series 2016 Refunding Bonds	Series 2013A Bonds	Series 2015B Bonds	Series 2016C Bonds	
2016	-	\$1,875,950.00	\$	\$1,697,162.50	\$1,357,268.76	\$	\$4,930,381.26
2017	-	1,951,750.00		1,697,162.50	1,477,268.76		5,126,181.26
2018	\$2,201,931.26	468,000.00		1,752,162.50	1,552,268.76		5,974,362.52
2019	2,229,187.50	-		1,821,062.50	1,612,268.76		5,662,518.76
2020	2,247,537.50	-		1,893,562.50	1,677,268.76		5,818,368.76
2021	2,272,037.50	-		1,969,562.50	1,747,268.76		5,988,868.76
2022	2,292,087.50	-		2,051,162.50	1,812,268.76		6,155,518.76
2023	2,317,187.50	139,037.50		2,130,062.50	1,887,268.76		6,473,556.26
2024	2,342,337.50	139,037.50		2,216,262.50	1,965,768.76		6,663,406.26
2025	2,362,262.50	139,037.50		2,304,462.50	2,044,268.76		6,850,031.26
2026	2,385,612.50	139,037.50		2,394,512.50	2,127,268.76		7,046,431.26
2027	2,348,712.50	139,037.50		2,496,262.50	2,204,268.76		7,188,281.26
2028	2,349,450.00	139,037.50		2,593,137.50	2,295,268.76		7,376,893.76
2029	2,371,500.00	139,037.50		2,699,825.00	2,385,268.76		7,595,631.26
2030	2,347,225.00	856,164.15		2,804,050.00	2,485,268.76		8,492,707.91
2031	2,438,825.00	889,461.50		2,913,200.00	2,590,268.76		8,831,755.26
2032	2,439,700.00	1,014,037.50		3,036,925.00	2,685,268.76		9,175,931.26
2033	2,479,250.00	1,110,650.00		3,154,525.00	2,795,268.76		9,539,693.76
2034	-	488,175.00		3,281,000.00	2,905,268.76		6,674,443.76
2035	-	-		3,415,750.00	3,020,268.76		6,436,018.76
2036	-	-		3,548,750.00	3,145,268.76		6,694,018.76
2037	-	-		3,689,500.00	3,270,268.76		6,959,768.76
2038	-	-		3,837,000.00	3,405,268.76		7,242,268.76
2039	-	-		3,995,250.00	3,535,268.76		7,530,518.76
2040	-	-		4,153,000.00	3,680,268.76		7,833,268.76
2041	-	-		4,319,500.00	3,825,268.76		8,144,768.76
2042	-	-		2,068,500.00	6,402,768.76		8,471,268.76
2043	-	-		-	8,809,768.76		8,809,768.76
2044	-	-		-	9,163,018.76		9,163,018.76
2045	-	-		-	-		-
Total	\$37,424,843.76	\$9,627,450.65	\$	\$73,933,312.50	\$87,864,044.04	\$	\$208,849,650.95

<sup>(1)</sup> Does not reflect the planned refunding of the Prior Bonds from proceeds of the Series 2016 Refunding Bonds.

## SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS

### Security Before and After the Crossover Date

The Series 2016C Bonds are payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law. The Board of Supervisors of the County is empowered and obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Series 2016C Bonds, all as more fully described herein.

Prior to and on the Crossover Date, the Series 2016 Refunding Bonds will be secured by and payable solely from proceeds of the Series 2016 Refunding Bonds deposited into an escrow fund established therefor and the investment income and other earnings thereon and any uninvested money then held in the Escrow Fund. After the Crossover Date, the Series 2016 Refunding Bonds will be, without any further action on the part of the District or the owners or beneficial owners of the Series 2016 Refunding Bonds, payable from *ad valorem* taxes to be levied within the District pursuant to the California Constitution and other State law. Subject to the redemption of the Prior Bonds on the Crossover Date, the Board of Supervisors of the County is empowered and obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Series 2016 Refunding Bonds due after the Crossover Date, all as more fully described herein.

### Levy of *Ad Valorem* Taxes

In order to provide sufficient funds for repayment of principal and interest when due on a school district's general obligation bonds (excluding general obligation bonds issued on a crossover basis prior to the crossover date therefor), the board of supervisors of the county, the superintendent of schools of which has jurisdiction over such school district, is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by such school district, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to other taxes levied upon property within the school district. The assessor of the county in which the school district lies must annually certify to the board of supervisors the assessed value of all taxable property in the county situated in the school district's boundaries. The board of supervisors must levy upon the property of the school district within its own county the rate of tax that will be sufficient to raise not less than the amount needed to pay the interest and any portion of the principal of the general obligation bonds (excluding general obligation bonds issued on a crossover basis prior to the crossover date therefor) that is to become due during the year.

Accordingly, the Board of Supervisors of the County must levy upon the property of the District the rate of tax that will be sufficient to provide sufficient funds for repayment of principal and interest when due on the Series 2016C Bonds and, subsequent to the Crossover Date, the Series 2016 Refunding Bonds. When collected, the tax revenues will be deposited by the County in the applicable Debt Service Fund, which is required to be maintained by the County and to be used solely for the payment of bonds of the District. Moneys in each Debt Service Fund will be invested by the County on behalf of the District in any one or more investments generally permitted to school districts authorized pursuant to Section 53601 *et seq.* or Section 53635 *et seq.* of the California Government Code by the Treasurer-Tax Collector, and consistent with the investment policy of the County. See APPENDIX E – "COUNTY OF RIVERSIDE POOLED INVESTMENT FUND AND INVESTMENT POLICY" herein.

## **Statutory Lien on Taxes (Senate Bill 222)**

Pursuant to Section 53515 of the California Government Code (which became effective on January 1, 2016), all general obligation bonds issued by local agencies, including refunding bonds, will be secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax. Section 53515 provides that the lien will automatically arise, without the need for any action or authorization by the local agency or its governing board, and will be valid and binding from the time the bonds are executed and delivered. Section 53515 further provides that the revenues received pursuant to the levy and collection of the tax will be immediately subject to the lien, and the lien will immediately attach to the revenues and be effective, binding and enforceable against the local agency, its successor, transferees and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

## **Property Taxation System**

Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the District. School districts receive property taxes for payment of voter-approved bonds as well as for general operating purposes.

Local property taxation is the responsibility of various county officers. For each school district located in a county, the county assessor computes the value of locally assessed taxable property. Based on the assessed value of property and the scheduled debt service on outstanding bonds in each year, the county auditor-controller computes the rate of tax necessary to pay such debt service, and presents the tax rolls (including rates of tax for all taxing jurisdictions in the county) to the county board of supervisors for approval. The county treasurer-tax collector prepares and mails tax bills to taxpayers and collects the taxes. In addition, the county treasurer-tax collector, the superintendent of schools of which has jurisdiction over the school district, holds school district funds, including taxes collected for payment of school bonds, and is charged with payment of principal and interest on the bonds when due, as ex-officio treasurer of the school district.

## **Assessed Valuation of Property Within the District**

Taxable property located in the District has a 2015-16 assessed value of \$6,700,970,746. All property (real, personal and intangible) is taxable unless an exemption is granted by the California Constitution or United States law. Under the State Constitution, exempt classes of property include household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories, and property used for religious, hospital, scientific and charitable purposes. The State Legislature may create additional exemptions for personal property, but not for real property. Most taxable property is assessed by the assessor of the county in which the property is located. Some special classes of property are assessed by the State Board of Equalization, as described below.

Taxes are levied for each fiscal year on taxable real and personal property assessed as of the preceding January 1, at which time the lien attaches. The assessed value is required to be adjusted during the course of the year when property changes ownership or new construction is completed. State law also affords an appeal procedure to taxpayers who disagree with the assessed value of any property. When necessitated by changes in assessed value during the course of a year, a supplemental assessment is prepared so that taxes can be levied on the new assessed value before the next regular assessment roll is completed. See “– *Appeals of Assessed Valuation; Blanket Reductions of Assessed Values*” below.

Under the State Constitution, the State Board of Equalization assesses property of State-regulated transportation and communications utilities, including railways, telephone and telegraph companies, and



companies transmitting or selling gas or electricity. The Board of Equalization also is required to assess pipelines, flumes, canals and aqueducts lying within two or more counties. The value of property assessed by the Board of Equalization is allocated by a formula to local jurisdictions in the county, including school districts, and taxed by the local county tax officials in the same manner as for locally assessed property. Taxes on privately owned railway cars, however, are levied and collected directly by the Board of Equalization. Property used in the generation of electricity by a company that does not also transmit or sell that electricity is taxed locally instead of by the Board of Equalization. Thus, the reorganization of regulated utilities and the transfer of electricity-generating property to non-utility companies, as often occurred under electric power deregulation in California, affects how those assets are assessed, and which local agencies benefit from the property taxes derived. In general, the transfer of State-assessed property located in the District to non-utility companies will increase the assessed value of property in the District, since the property's value will no longer be divided among all taxing jurisdictions in the County. The transfer of property located and taxed in the District to a State-assessed utility will have the opposite effect: generally reducing the assessed value in the District, as the value is shared among the other jurisdictions in the County. The District is unable to predict future transfers of State-assessed property in the District and the County, the impact of such transfers on its utility property tax revenues, or whether future legislation or litigation may affect ownership of utility assets, the State's methods of assessing utility property, or the method by which tax revenues of utility property is allocated to local taxing agencies, including the District.

Locally taxed property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed property and property (real or personal) for which there is a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. All other property is "unsecured," and is assessed on the "unsecured roll." Secured property assessed by the State Board of Equalization is commonly identified for taxation purposes as "utility" property.

The following table sets forth the assessed valuation of the various classes of property in the District's boundaries in fiscal years 2011-12 through 2015-16.

**VAL VERDE UNIFIED SCHOOL DISTRICT  
(Riverside County, California)  
Assessed Valuations  
Fiscal Years 2011-12 through 2015-16**

Fiscal Year	Local Secured	Utility	Unsecured	Total
2011-12	\$4,971,937,047	\$1,330,306	\$170,443,268	\$5,143,710,621
2012-13	4,894,739,424	222,020	181,358,021	5,076,319,465
2013-14	5,079,876,787	222,020	201,956,215	5,282,055,022
2014-15	5,827,920,130	222,020	205,348,024	6,033,490,174
2015-16	6,349,895,666	222,020	350,853,060	6,700,970,746

Source: California Municipal Statistics, Inc.

Assessments may be adjusted during the course of the year when real property changes ownership or new construction is completed. Assessments may also be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc. When necessitated by changes in assessed value in the course of a year, taxes are pro-rated for each

portion of the tax year. See also “–*Appeals of Assessed Valuation; Blanket Reductions of Assessed Values*” below.

***Appeals of Assessed Valuation; Blanket Reductions of Assessed Values.*** There are two basic types of property tax assessment appeals provided for under State law. The first type of appeal, commonly referred to as a base year assessment appeal, involves a dispute on the valuation assigned by the assessor immediately subsequent to an instance of a change in ownership or completion of new construction. If the base year value assigned by the assessor is reduced, the valuation of the property cannot increase in subsequent years more than 2% annually unless and until another change in ownership and/or additional new construction or reconstruction activity occurs.

The second type of appeal, commonly referred to as a Proposition 8 appeal (which Proposition 8 was approved by the voters in 1978), can result if factors occur causing a decline in the market value of the property to a level below the property’s then current taxable value (escalated base year value). Pursuant to State law, a property owner may apply for a Proposition 8 reduction of the property tax assessment for such owner’s property by filing a written application, in the form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. A property owner desiring a Proposition 8 reduction of the assessed value of such owner’s property in any one year must submit an application to the county assessment appeals board (the “Appeals Board”). Following a review of the application by the county assessor’s office, the county assessor may offer to the property owner the opportunity to stipulate to a reduced assessment, or may confirm the assessment. If no stipulation is agreed to, and the applicant elects to pursue the appeal, the matter is brought before the Appeals Board (or, in some cases, a hearing examiner) for a hearing and decision. The Appeals Board generally is required to determine the outcome of appeals within two years of each appeal’s filing date. Any reduction in the assessment ultimately granted applies only to the year for which application is made and during which the written application is filed. The assessed value increases to its pre-reduction level (escalated to the inflation rate of no more than 2%) following the year for which the reduction application is filed. However, the county assessor has the power to grant a reduction not only for the year for which application was originally made, but also for the then current year and any intervening years as well. In practice, such a reduced assessment may and often does remain in effect beyond the year in which it is granted.

In addition, Article XIII A of the State Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a 2% increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. This measure is computed on a calendar year basis. According to representatives of the County assessor’s office, the County has in the past, pursuant to Article XIII A of the State Constitution, ordered blanket reductions of assessed property values and corresponding property tax bills on single family residential properties when the value of the property has declined below the current assessed value as calculated by the County.

No assurance can be given that property tax appeals and/or blanket reductions of assessed property values will not significantly reduce the assessed valuation of property within the District in the future.

See APPENDIX A – “INFORMATION RELATING TO THE DISTRICT’S OPERATIONS AND BUDGET – CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Limitations on Revenues” for a discussion of other limitations on the valuation of real property with respect to *ad valorem* taxes.

**Bonding Capacity.** As a unified school district, the District may issue bonds in an amount up to 2.50% of the assessed valuation of taxable property within its boundaries. The District’s fiscal year 2016-17 gross bonding capacity (also commonly referred to as the “bonding limit” or “debt limit”) is approximately \$167.5 million and its net bonding capacity is approximately \$63.04 million (taking into account current outstanding debt before issuance of each series of the Series 2016 Bonds). Refunding bonds may be issued without regard to this limitation; however, once issued, the outstanding principal of any refunding bonds is included when calculating the District’s bonding capacity.

**Assessed Valuation by Jurisdiction.** The following table sets forth the percentage and value of the total assessed value of the District that resides in the cities of Moreno Valley and Perris and unincorporated portion of the County.

**VAL VERDE UNIFIED SCHOOL DISTRICT  
(Riverside County, California)  
2015-16 Assessed Valuation by Jurisdiction<sup>(1)</sup>**

Jurisdiction	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
City of Moreno Valley	\$2,632,595,172	39.29%	\$13,224,174,633	19.91%
City of Perris	2,684,227,029	40.06	\$4,721,296,127	56.85%
Unincorporated Riverside County	1,384,148,545	20.66	\$36,331,022,777	3.81%
Total District	\$6,700,970,746	100.00%		
 Total Riverside County	 \$6,700,970,746	 100.00%	 \$238,256,114,839	 2.81%

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

**Assessed Valuation by Land Use.** The following table sets forth a distribution of taxable property located in the District on the fiscal year 2015-16 tax roll by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

**VAL VERDE UNIFIED SCHOOL DISTRICT  
(Riverside County, California)  
2015-16 Assessed Valuation and Parcels by Land Use**

Type of Property	2015-16 Assessed Valuation <sup>(1)</sup>	% of Total	No. of Parcels	% of Total
<b>Non-Residential:</b>				
Agricultural/Rural	\$132,915,163	2.09%	384	1.54%
Commercial/Industrial	2,005,386,328	31.58	472	1.89
Vacant Commercial/Industrial	429,583,380	6.77	915	3.66
Other Vacant/Miscellaneous	69,760,831	1.10	1,167	4.67
Subtotal Non-Residential	<u>\$2,637,645,702</u>	<u>41.54%</u>	<u>2,938</u>	<u>11.75%</u>
<b>Residential:</b>				
Single Family Residence	\$3,303,094,678	52.02%	16,130	64.50%
Condominium/Townhouse	53,243,950	0.84	540	2.16
Mobile Homes/Lots	202,799,150	3.19	3,042	12.16
2-4 Residential Units	30,221,074	0.48	119	0.48
5+ Residential Units/Apartments	42,995,033	0.68	9	0.04
Miscellaneous Residential	1,340,548	0.02	10	0.04
Vacant Residential	78,555,531	1.24	2,221	8.88
Subtotal Residential	<u>\$3,712,249,964</u>	<u>58.46%</u>	<u>22,071</u>	<u>88.25%</u>
<b>TOTAL</b>	<b>\$6,349,895,666</b>	<b>100.00%</b>	<b>25,009</b>	<b>100.00%</b>

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

*Assessed Valuation of Single-Family Homes.* The following table sets forth the assessed valuation of single-family homes in the District for fiscal year 2015–16.

**VAL VERDE UNIFIED SCHOOL DISTRICT  
(Riverside County, California)  
2015-16 Per Parcel Assessed Valuation of Single Family Homes**

	Number of Parcels		2015-16 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation	
Single Family Residential	16,130		\$3,303,094,678	\$204,780	\$195,960	
2015-16 Assessed Valuation	No. of Parcels <sup>(1)</sup>	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$24,999	23	0.143	0.143%	\$431,410	0.013%	0.013%
\$25,000 - \$49,999	65	0.403	0.546	2,476,714	0.075	0.088
\$50,000 - \$74,999	125	0.775	1.321	8,185,254	0.248	0.336
\$75,000 - \$99,999	499	3.094	4.414	44,416,328	1.345	1.681
\$100,000 - \$124,999	1,029	6.379	10.794	116,810,107	3.536	5.217
\$125,000 - \$149,999	1,835	11.376	22.170	253,846,775	7.685	12.902
\$150,000 - \$174,999	2,414	14.966	37.136	393,038,358	11.899	24.801
\$175,000 - \$199,999	2,393	14.836	51.971	447,008,490	13.533	38.334
\$200,000 - \$224,999	1,916	11.878	63.850	406,055,510	12.293	50.627
\$225,000 - \$249,999	2,022	12.536	76.386	479,484,809	14.516	65.144
\$250,000 - \$274,999	1,434	8.890	85.276	374,947,901	11.351	76.495
\$275,000 - \$299,999	892	5.530	90.806	254,449,058	7.705	84.200
\$300,000 - \$324,999	531	3.292	94.098	165,002,829	4.995	89.195
\$325,000 - \$349,999	363	2.250	96.348	121,509,987	3.679	92.874
\$350,000 - \$374,999	245	1.519	97.867	88,656,007	2.684	95.558
\$375,000 - \$399,999	160	0.992	98.859	61,726,332	1.869	97.427
\$400,000 - \$424,999	61	0.378	99.237	25,077,070	0.759	98.186
\$425,000 - \$449,999	41	0.254	99.492	17,922,575	0.543	98.728
\$450,000 - \$474,999	41	0.254	99.746	18,950,900	0.574	99.302
\$475,000 - \$499,999	12	0.074	99.820	5,779,001	0.175	99.477
\$500,000 and greater	29	0.180	100.000	17,269,263	0.523	100.000
<b>Total</b>	<b>16,130</b>	<b>100.000%</b>		<b>\$3,303,044,678</b>	<b>100.000%</b>	

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

**Largest Taxpayers in District.** The following table sets forth the 20 taxpayers with the greatest combined ownership of taxable property in the District on the fiscal year 2015-16 tax roll, and the assessed valuation of all property owned by those taxpayers in all taxing jurisdictions within the District, are set forth below.

**VAL VERDE UNIFIED SCHOOL DISTRICT  
(Riverside County, California)  
Largest 2015-16 Local Secured Taxpayers**

	Property Owner	Primary Land Use	2015-16 Assessed Valuation	Percent of Total <sup>(1)</sup>
1.	Ross Dress for Less Inc.	Industrial	\$268,839,456	4.23%
2.	DB Reef Perris CA Inc.	Industrial	135,292,820	2.13
3.	First Industrial	Industrial	116,000,068	1.83
4.	Walgreen Co.	Industrial	111,078,305	1.75
5.	FR Cal Indian Avenue	Industrial	110,449,884	1.74
6.	Lowes HIW Inc.	Industrial	85,516,613	1.35
7.	IIT Inland Empire 3700 Indian Ave.	Industrial	85,280,394	1.34
8.	I215 Logistics	Industrial	83,965,386	1.32
9.	Knox Logistix	Industrial	80,076,453	1.26
10.	HD California DFDC Landlord	Industrial	63,650,701	1.00
11.	Moreno Knox	Industrial	61,797,683	0.97
12.	FR Cal Moreno Valley	Industrial	57,928,860	0.91
13.	CLPF 16850 Heacock Street	Industrial	48,940,795	0.77
14.	Broadstone Lasselle Prop Owner	Apartments	44,700,000	0.70
15.	Stratford Ranch 1	Vacant	40,805,540	0.64
16.	Perris Ramona	Industrial	40,275,939	0.63
17.	Halle Properties	Industrial	30,787,643	0.48
18.	O'Reilly Auto Enterprises	Industrial	26,088,361	0.41
19.	CA Boulder Springs Holdings	Residential Development	25,379,565	0.40
20.	Duke Realty LP	Vacant	25,024,000	0.39
			<b>\$1,541,878,466</b>	<b>24.28%</b>

<sup>(1)</sup> 2015-16 local secured assessed valuation: \$6,349,895,666  
Source: California Municipal Statistics, Inc.

The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness, if any, in such taxpayer's financial situation and ability or willingness to pay property taxes in a timely manner. Furthermore, assessments may be appealed by taxpayers seeking a reduction as a result of economic and other factors beyond the District's control. See "*Appeals of Assessed Valuation; Blanket Reductions of Assessed Values*" above.

**Tax Rates**

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

The rate of tax necessary to pay fixed debt service on the Series 2016 Bonds in a given year depends on the assessed value of taxable property in that year. (The rate of tax imposed on unsecured property for repayment of the Series 2016C Bonds and, after the Crossover Date, the Series 2016 Refunding Bonds is based on the prior year's secured property tax rate.) Economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by

State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, drought, etc., could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Series 2016 Bonds. Issuance of additional authorized bonds in the future might also cause the tax rate to increase.

**Typical Tax Rate Area.** The following table sets forth *ad valorem* property tax rates for the last five fiscal years in a typical Tax Rate Area of the District (TRA 21-388). This Tax Rate Area comprises approximately 7.55% of the total assessed value of the District.

**VAL VERDE UNIFIED SCHOOL DISTRICT  
(Riverside County, California)  
Typical Total Tax Rates per \$100 of Assessed Valuation (TRA 11-001)  
Fiscal Years 2011-12 through 2015-16**

	2011-12	2012-13	2013-14	2014-15	2015-16
General Tax Rate	\$1.00000	\$1.00000	\$1.00000	\$1.00000	\$1.00000
Val Verde Unified School District	0.03160	0.08383	0.07235	0.07882	0.07135
Riverside City Community College District	0.01700	0.01702	0.01768	0.01791	0.01725
Metropolitan Water District	0.00370	0.00350	0.00350	0.00350	0.00350
Eastern Municipal Water District I.D. U-22	0.03000	0.03000	0.03000	0.01100	0.01100
Total Tax Rate	\$1.08230	\$1.13435	\$1.12353	\$1.11123	\$1.10310

Source: California Municipal Statistics, Inc.

In accordance with the law which permitted the Series 2016C Bonds to be approved by at least 55% popular vote, bonds approved by the District's voters at the June 5, 2012 election may not be issued unless the District projects that repayment of all outstanding bonds approved at such election will require a tax rate no greater than \$60.00 per \$100,000 of assessed value. Based on the assessed value of taxable property in the District at the time of issuance of the Series 2016C Bonds, the District projects that the maximum tax rate required to repay the Series 2016C Bonds and all other outstanding bonds approved at the June 5, 2012 election will be within that legal limit. The tax rate test applies only when new bonds are issued, and is not a legal limitation upon the authority of the County Board of Supervisors to levy taxes at such rate as may be necessary to pay debt service on the Series 2016C Bonds in each year

**Tax Charges and Delinquencies**

A school district's share of the 1% countywide tax is based on the actual allocation of property tax revenues to each taxing jurisdiction in the county in fiscal year 1978-79, as adjusted according to a complicated statutory process enacted since that time. Revenues derived from special *ad valorem* taxes for voter-approved indebtedness, including the Series 2016C Bonds, are reserved to the taxing jurisdiction that approved and issued the debt, and may only be used to repay that debt.

The county treasurer-tax collector prepares the property tax bills. Property taxes on the regular secured assessment roll are due in two equal installments: the first installment is due on November 1, and becomes delinquent after December 10. The second installment is due on February 1 and becomes delinquent after April 10. If taxes are not paid by the delinquent date, a 10% penalty attaches and a \$10 cost is added to unpaid second installments. If taxes remain unpaid by June 30, the tax is deemed to be in default, and a \$15 state redemption fee applies. Interest then begins to accrue at the rate of 1.5% per month. The property owner has the right to redeem the property by paying the taxes, accrued penalties,

and costs within five years of the date the property went into default. If the property is not redeemed within five years, it is subject to sale at a public auction by the county treasurer-tax collector.

Property taxes on the unsecured roll are due in one payment on the lien date, January 1, and become delinquent after August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue on November 1. To collect unpaid taxes, the county treasurer-tax collector may obtain a judgment lien upon and cause the sale of all property owned by the taxpayer in the county, and may seize and sell personal property, improvements and possessory interests of the taxpayer. The county treasurer-tax collector may also bring a civil suit against the taxpayer for payment.

The date on which taxes on supplemental assessments are due depends on when the supplemental tax bill is mailed. The following table sets forth a recent history of real property tax collections and delinquencies in the District.

The following table sets forth a recent history of real property tax collections and delinquencies in the District.

**VAL VERDE UNIFIED SCHOOL DISTRICT  
(Riverside County, California)  
Secured Tax Charges and Delinquencies  
Fiscal Years 2010-11 through 2014-15**

Fiscal Year	Secured Tax Charge <sup>(1)</sup>	Amount Delinquent (As of June 30)	Percentage Delinquent (As of June 30)
2010-11	\$1,622,026.59	\$59,734.20	3.68%
2011-12	1,524,752.52	39,559.73	2.59
2012-13	4,030,798.94	80,663.84	2.00
2013-14	3,634,817.05	62,114.18	1.71
2014-15	4,546,073.76	74,652.11	1.64

<sup>(1)</sup> Debt service levy.

Source: California Municipal Statistics, Inc.

**Teeter Plan**

In 1993, the County adopted the alternative method of secured property tax apportionment available under Chapter 3, Part 8, Division 1 (commencing Section 4701) of the Revenue and Taxation Code of the State (also known as the "Teeter Plan"). This alternative method provides for funding each taxing entity included in the Teeter Plan with its total secured property taxes during the year the taxes are levied, including any amount uncollected at fiscal year end. Under the Teeter Plan, the County assumes an obligation under a debenture or similar demand obligation to advance funds to cover expected delinquencies, and, by such financing, its general fund receives the full amount of secured property taxes levied each year and, therefore, no longer experiences delinquent taxes. In addition, the County's general fund benefits from future collections of penalties and interest on all delinquent taxes collected on behalf of participants in this alternative method of apportionment.

Upon adopting the Teeter Plan in 1993, the County was required to distribute to participating local agencies, 95% of the then-accumulated, secured roll property tax delinquencies and to place the remaining 5% in a tax losses reserve fund. Taxing entities that maintain funds in the County Treasury are all included in the Teeter Plan; other taxing entities may elect to be included in the Teeter Plan. Taxing



entities that do not elect to participate in the Teeter Plan will be paid as taxes are collected. The District is included in the Teeter Plan.

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

### **Direct and Overlapping Debt**

Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. effective August 1, 2016 for debt issued as of July 14, 2016. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of the date of the schedule and whose territory overlaps the District in whole or in part. Column two shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in column three, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

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

**VAL VERDE UNIFIED SCHOOL DISTRICT  
(Riverside County, California)  
Statement of Direct and Overlapping Bonded Debt**

2015-16 Assessed Valuation: \$6,700,970,746

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 8/1/16</u>
Metropolitan Water District	0.273%	\$253,521
Eastern Municipal Water District Improvement District No. U-9	79.489	2,201,845
Eastern Municipal Water District Improvement District No. U-22	34.958	890,380
Riverside County Flood Control District Zone No. 4	14.777	3,051,451
Riverside City Community College District	7.589	19,895,680
Val Verde Unified School District	100.000	105,556,488 <sup>(1)</sup>
Val Verde Unified School District Community Facilities District	100.000	40,440,000
Eastern Municipal Water District Community Facilities District No. 2003-25, Improvement Area C and D	85.071 & 100.000	5,262,960
City of Perris Community Facilities Districts	51.025-100.000	99,665,747
County Community Facilities Districts	92.725	<u>5,076,694</u>
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$282,294,766</b>
 <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	2.813%	\$25,030,967
Riverside County Pension Obligation Bonds	2.813	8,566,148
Riverside County Board of Education Certificates of Participation	2.813	26,302
Val Verde Unified School District Certificates of Participation	100.000	69,190,000
City of Moreno Valley Certificates of Participation	19.907	<u>14,129,590</u>
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$116,943,007</b>
Less: Riverside County supported obligations		<u>175,445</u>
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>		<b>\$116,767,562</b>
 <u>OVERLAPPING TAX INCREMENT DEBT:</u>		
Successor Agency to Perris Redevelopment Agency	48.400-52.458%	\$33,196,875
Successor Agency to Riverside County Redevelopment Agency	5.588-36.413	63,012,018
Successor Agency to Moreno Valley Redevelopment Agency	0.871	<u>404,492</u>
<b>TOTAL OVERLAPPING TAX INCREMENT DEBT</b>		<b>\$96,613,385</b>
 <b>GROSS COMBINED TOTAL DEBT</b>		 <b>\$495,851,158<sup>(2)</sup></b>
<b>NET COMBINED TOTAL DEBT</b>		<b>\$495,675,713</b>

<sup>(1)</sup> Excludes the Series 2016 Bonds described herein but includes the Prior Bonds to be refunded.

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

Ratios to 2015-16 Assessed Valuation:

Direct Debt (\$105,556,488) .....	1.58%
Total Overlapping Tax and Assessment Debt.....	4.21%
Combined Direct Debt (\$174,746,488).....	2.61%
Gross Combined Total Debt .....	7.40%
Net Combined Total Debt.....	7.40%

Ratios to Redevelopment Incremental Valuation (\$1,555,253,654):

Overlapping Tax Increment Debt .....	6.21%
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Source: California Municipal Statistics, Inc.

## TAX MATTERS

*General.* In the opinion of Bond Counsel, based on existing statutes, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Series 2016 Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2016 Bonds is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A copy of the proposed opinion of Bond Counsel is set forth in Appendix C hereto.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2016 Bonds. The City has covenanted to comply with certain restrictions designed to assure that interest on the Series 2016 Bonds will not be includable in federal gross income. Failure to comply with these covenants may result in interest on the Series 2016 Bonds being includable in federal gross income, possibly from the date of issuance of the Series 2016 Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2016 Bonds may affect the value of, or the tax status of interest on the Series 2016 Bonds. Further, no assurance can be given that pending or future legislation or amendments to the Code will not adversely affect the value of, or the tax status of interest on, the Series 2016 Bonds. Prospective owners are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

If the initial offering price to the public (excluding bond houses and brokers) at which a maturity of the Series 2016 Bonds is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which a maturity of the Series 2016 Bonds is sold is greater than the amount payable at maturity thereof, then the excess of the tax basis of a purchaser of such Series 2016 Bond (other than a purchaser who holds such Series 2016 Bond as inventory, stock in trade or for sale to customers in the ordinary course of business) over the principal amount of such Series 2016 Bond constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes.

Under the Code, original issue discount is excludable from gross income for federal income tax purposes to the same extent as the interest on the Series 2016 Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis compounded semiannually (with straight-line interpolations between compounding dates) over the term of each such Series 2016 Bond and the basis of such Series 2016 Bond acquired at such initial offering price by an initial purchaser of each such Series 2016 Bond will be increased by the amount of such accrued discount. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of such Series 2016 Bonds who purchase such Series 2016 Bonds after the initial offering of a substantial amount thereof. Owners who do not purchase such Series 2016 Bonds in the initial offering at the initial offering prices should consult their own tax advisors with respect to the tax consequences of ownership of such Series 2016 Bonds. All holders of such Series 2016 Bonds should consult their own tax advisors with respect to the allowance of a deduction for any loss on a sale or other disposition to the extent that calculation of such loss is based on accrued original issue discount.

Under the Code, original issue premium is amortized for federal income tax purposes over the term of such a Series 2016 Bond based on the purchaser's yield to maturity in such Series 2016 Bond,

except that in the case of such a Series 2016 Bond callable prior to its stated maturity, the amortization period and the yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Series 2016 Bond. A purchaser of such a Series 2016 Bond is required to decrease his or her adjusted basis in such Series 2016 Bond by the amount of bond premium attributable to each taxable year in which such purchaser holds such Series 2016 Bond. The amount of bond premium attributable to a taxable year is not deductible for federal income tax purposes. Purchasers of such Series 2016 Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the amount of bond premium attributable to each taxable year and the effect of bond premium on the sale or other disposition of such a Series 2016 Bond, and with respect to the state and local tax consequences of owning and disposing of such a Series 2016 Bond.

Certain agreements, requirements and procedures contained or referred to in the Indenture and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in those documents, upon the advice or with the approving opinion of nationally recognized bond counsel. Bond Counsel expresses no opinion as to the effect on any Series 2016 Bond or the interest payable with respect thereto if any change occurs or action is taken or omitted upon the advice or approval of counsel other than Bond Counsel.

Although Bond Counsel has rendered an opinion that interest on the Series 2016 Bonds is excludable from federal gross income under Section 103 of the Code, and is exempt from State of California personal income taxes, the ownership or disposition of the Series 2016 Bonds, and the accrual or receipt of interest on the Series 2016 Bonds may otherwise affect an Owner's state or federal tax liability. The nature and extent of these other tax consequences will depend upon each Owner's particular tax status and the Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future rulings, court decisions, legislative proposals, if enacted into law, or clarification of the Code may cause interest on the Series 2016 Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent Owners from realizing the full current benefit of the tax status of such interest. For example, Representative Dave Camp, Chair of the House Ways and Means Committee released draft legislation that would subject interest on the Series 2016 Bonds to a federal income tax at an effective rate of 10% or more for individuals, trusts, and estates in the highest tax bracket, and the Obama Administration proposed legislation that would limit the exclusion from gross income of interest on the Series 2016 Bonds to some extent for high-income individuals. There can be no assurance that such future rulings, court decisions, legislative proposals, if enacted into law, or clarification of the Code enacted or proposed after the date of issuance of the Series 2016 Bonds will not have an adverse effect on the tax exempt status or market price of the Series 2016 Bonds.

**Internal Revenue Service Audit of Tax-Exempt Issues.** The Internal Revenue Service ("IRS") has initiated an expanded program for the auditing of tax-exempt issues, including both random and targeted audits. It is possible that the Certificates will be selected for audit by the IRS. It is also possible that the market value of the Certificates might be affected as a result of such an audit of the Certificates (or by an audit of similar obligations).

**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 Series 2016 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 a Series 2016 Bond 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 Series 2016 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.

**Form of Opinion.** A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix C. The statutes, regulations, rulings, and court decisions on which such opinions will be based are subject to change.

## **OTHER LEGAL MATTERS**

### **Legal Opinion**

The validity of each series of the Series 2016 Bonds and certain other legal matters are subject to the approving opinions of Nossaman LLP, Bond Counsel to the District. Bond Counsel expects to deliver an opinion with respect to each series of the Series 2016 Bonds at the time of issuance of such series substantially in the form[s] set forth in Appendix C hereto. Bond Counsel, as such, undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel to the District, and for the Underwriter by Kutak Rock LLP.

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

Under the provisions of the California Financial Code, each series of the Series 2016 Bonds is a legal investment for commercial banks in California to the extent that the Series 2016 Bonds, in the informed opinion of the bank, is prudent for the investment of funds of depositors, and, under provisions of the California Government Code, each series of the Series 2016 Bonds is eligible securities for deposit of public moneys in the State.

### **Continuing Disclosure**

The District has covenanted for the benefit of the holders and Beneficial Owners of each series of the Series 2016 Bonds to provide, or to cause to be provided, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system or such other electronic system designated by the Municipal Securities Rulemaking Board (the “EMMA System”) certain annual financial information and operating data relating to the District (the “Annual Report”) by not later than 240 days following the end of the District’s fiscal year (currently ending June 30), commencing with the report for the 2016-17 fiscal year (which is due no later than March 27, 2017) and notice of the occurrence of certain enumerated events (“Notice Events”) in a timely manner not in excess of ten business days after the occurrence of such a Notice Event. The specific nature of the information to be contained in the Annual Report and the notices of Notice Events is set forth in APPENDIX D – “FORMS OF CONTINUING DISCLOSURE CERTIFICATES.” These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”).

A review of the District's compliance with its previous continuing disclosure undertakings was conducted and it was found that, during the preceding five years, the District did not timely file certain of its annual reports and/or audited financial statements for certain fiscal years and, with respect to some of its annual reports, it appears the District did not include certain operating or financial data as was required by its previous continuing disclosure undertakings. Moreover, the District's audited financial statements for certain fiscal years were not correctly linked with CUSIP numbers for all of its obligations as was required by its previous continuing disclosure undertakings. In addition, the District did not timely file notice of certain notice events relating to rating changes. The District has decided to self-report to the U.S. Securities and Exchange Commission (the "SEC") under the SEC's Municipal Continuing Disclosure Cooperation Initiative ("MCDC Initiative") with respect to certain of its statements in prior official statements regarding the District's compliance with its prior continuing disclosure undertakings pursuant to the Rule. The District has subsequently filed all required portions of such reports and is now current on all filings pursuant to its previous continuing disclosure undertakings. The District is working to put in place policies and procedures, and provide continuing disclosure training, to enhance ongoing compliance with its continuing disclosure undertakings in the future. The District has also hired third parties to assist the District in complying with its continuing disclosure undertakings.

#### **[Litigation & IRS Audit]**

No litigation is pending or threatened concerning or contesting the validity of the Series 2016 Bonds or the District's ability to receive *ad valorem* taxes and to collect other revenues, or contesting the District's ability to issue and retire the Series 2016 Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the title to their offices of District officers who will execute the Series 2016 Bonds or District officials who will sign certifications relating to the Series 2016 Bonds, or the powers of those offices. A certificate (or certificates) to that effect will be furnished to the Underwriter at the time of the original delivery of the Series 2016 Bonds.

The District is occasionally subject to lawsuits and claims. 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 financial position or operations of the District.

[Discuss IRS audit and findings]

#### **ESCROW VERIFICATION**

The arithmetical accuracy of certain computations included in the schedules provided by the Underwriter relating to the computation of projected receipts of principal and interest on the government obligations, and the projected payments of principal, redemption premium, if any, and interest to retire the Prior Bonds to be refunded will be verified by Causey, Demgen & Moore, P.C., Denver, Colorado (the "Verification Agent"). Such computations will be based solely on assumptions and information supplied by the District and the Underwriter. The Verification Agent will restrict its procedures to verifying the arithmetical accuracy of certain computations and will not make any study to evaluate the assumptions and information on which the computations are based, and will express no opinion on the data used, the reasonableness of the assumptions or the achievability of the projected outcome.

## MISCELLANEOUS

### Rating

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC has assigned its rating of “\_\_” to the Series 2016 Bonds. A rating agency generally bases its rating on its own investigations, studies and assumptions. The rating reflects only the view of the rating agency furnishing the same, and any explanation of the significance of such rating should be obtained only from the rating agency providing the same. Such rating is not a recommendation to buy, sell or hold the Series 2016 Bonds. There is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating agency providing the same, if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Series 2016 Bonds. Neither the Underwriter nor the District have undertaken any responsibility after the offering of the Series 2016 Bonds to assure the maintenance of the rating or to oppose any such revision or withdrawal.

### Professionals Involved in the Offering

Nossaman LLP, Irvine, California, is acting as Bond Counsel with respect to each series of the Series 2016 Bonds, and will receive compensation contingent upon the sale and delivery of each series of the Series 2016 Bonds. Fieldman, Rolapp & Associates, Inc., Irvine, California, is acting as the District's Financial Advisor with respect to the Series 2016 Bonds. Orrick, Herrington & Sutcliffe LLP, Irvine, California, is acting as Disclosure Counsel to the District. Kutak Rock LLP, Denver, Colorado, is acting as Underwriter's Counsel with respect to the Series 2016 Bonds. Payment of the fees and expenses of the Financial Advisor, Disclosure Counsel and Underwriter's Counsel is also contingent upon the sale and delivery of the Series 2016 Bonds. From time to time, Bond Counsel represents the Underwriter on matters unrelated to the Series 2016 Bonds.

### Underwriting

The Series 2016C Bonds are being purchased for reoffering to the public by Piper Jaffray & Co. (the “Underwriter”), pursuant to the terms of a purchase contract executed on \_\_\_\_\_, 2016, by and between the Underwriter and the District (the “Series 2016C Purchase Contract”). The Underwriter has agreed to purchase the Series 2016C Bonds at a price of \$ \_\_\_\_\_ (representing the principal amount of the Series 2016C Bonds, [plus/less] [net] original issue [premium/discount] of \$ \_\_\_\_\_ and less the Underwriter's discount of \$ \_\_\_\_\_). The Series 2016C Purchase Contract provides that the Underwriter will purchase all of the Series 2016C Bonds, subject to certain terms and conditions set forth in the Series 2016C Purchase Contract, including the approval of certain legal matters by counsel.

The Series 2016 Refunding Bonds are being purchased for reoffering to the public by the Underwriter, pursuant to the terms of a purchase contract executed on \_\_\_\_\_, 2016, by and between the Underwriter and the District (the “Refunding Purchase Contract”). The Underwriter has agreed to purchase the Series 2016 Refunding Bonds at a price of \$ \_\_\_\_\_ (representing the principal amount of the Series 2016 Refunding Bonds, [plus/less] [net] original issue [premium/discount] of \$ \_\_\_\_\_, and less an Underwriter's discount of \$ \_\_\_\_\_). The Refunding Purchase Contract provides that the Underwriter will purchase all of the Series 2016 Refunding Bonds, subject to certain terms and conditions set forth in the Refunding Purchase Contract, including the approval of certain legal matters by counsel.

The Underwriter may offer and sell the Series 2016 Bonds to certain dealers and others at prices lower than the public offering prices shown on the inside front cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriter.

The Underwriter has provided the following paragraphs for inclusion in the section "Underwriting." The District cannot and does not make any representation as to the accuracy or the completeness thereof.

The Underwriter has entered into a distribution agreement ("Distribution Agreement") with Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings, including the Series 2016 Bonds, at the original issue prices. Pursuant to the Distribution Agreement, CS&Co. will purchase Series 2016 Bonds from the Underwriter at the original issue price less a negotiated portion of the selling concession applicable to any Series 2016 Bonds that CS&Co. sells.

The Underwriter made a contribution to a bond referendum campaign or provided in-kind election related assistance to a bond referendum campaign and the campaign resulted in voter authorization for the Series 2016C Bonds being underwritten.

**ADDITIONAL INFORMATION**

The purpose of this Official Statement is to supply information to purchasers of the Series 2016 Bonds. Quotations from and summaries and explanations of the Series 2016 Bonds and of the statutes and documents contained herein do not purport to be complete, and reference is made to such documents and statutes for full and complete statements of their provisions.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners of any of the Series 2016 Bonds.

The District has duly authorized the delivery of this Official Statement.

**VAL VERDE UNIFIED SCHOOL  
DISTRICT**

By: \_\_\_\_\_  
Superintendent



## APPENDIX A

### INFORMATION RELATING TO THE DISTRICT'S OPERATIONS AND BUDGET

*The information in this appendix concerning the operations of the Val Verde Unified School District (the "District"), the District's finances, and State of California (the "State") funding of education, is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Series 2016 Bonds is payable from the general fund of the District or from State revenues. Prior to and on the Crossover Date, the Series 2016 Refunding Bonds will be secured by and payable solely from proceeds of the Series 2016 Refunding Bonds deposited into an escrow fund established therefor and the investment income and other earnings thereon and any uninvested money then held in the escrow fund. The Series 2016C Bonds and, after the Crossover Date, the Series 2016 Refunding Bonds are payable from ad valorem taxes to be levied on property within the District pursuant to the California Constitution and other State law. The Board of Supervisors of the County is empowered and obligated to levy ad valorem taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Series 2016C Bonds and, after the Crossover Date, the Series 2016 Refunding Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS" in the front portion of this Official Statement.*

### THE DISTRICT

#### Introduction

The District services an area of approximately 67 square miles located in County of Riverside (the "County"), including portions of the Cities of Moreno Valley and Perris and adjacent unincorporated areas of the County and has a fiscal year 2016-17 enrollment of approximately 19,965 students. The District currently operates 12 elementary schools, four middle schools, three high schools, one continuation high school, one virtual academy, one opportunity school and one preschool. Total assessed valuation of taxable property in the District in fiscal year 2015-16 is \$6,700,970,746. The District operates under the jurisdiction of the Riverside County Superintendent of Schools.

#### Board of Education

The District is governed by a five-member Board of Education (the "District Board"), each member of which was elected by voters within the District to serve alternating four-year terms. Commencing with the election to be held in November 2016, members of the District Board will be elected by residents of their respective trustee area rather than at-large throughout the District. The District Board consists of five voting members. The voting members are elected to four-year terms in alternate slates of two and three and elections are held every two years. Each December the District Board elects a President, Vice President and Clerk to serve one year terms. Current voting members of the District Board, together with their office and the date their term expires, are listed below.

**VAL VERDE UNIFIED SCHOOL DISTRICT  
(Riverside County, California)**

**Board of Education**

Name	Office	Term Expires
Shelly Yarbrough	President	December 2018
Suzanne Stotlar	Vice President	December 2016
Julio Gonzalez	Clerk	December 2018
Marla Kirkland	Member	December 2016
Michael M. Vargas	Member	December 2018

**Superintendent and Financial and Fiscal Administrative Personnel**

The Superintendent of the District is appointed by the District Board and reports to the District Board. The Superintendent is responsible for management of the District’s day-to-day operations and supervises the work of other key District administrators. Mr. Michael McCormick was board-appointed as Superintendent in March 2015. Mr. R. Darrin Waters is the Deputy Superintendent, Business Services, and reports to the Superintendent.

**DISTRICT FINANCIAL MATTERS**

**State Funding of Education; State Budget Process**

*General.* As is true for all school districts in California, the District’s operating income consists primarily of two components: a State portion funded from the State’s general fund in accordance with the Local Control Funding Formula (see “– Allocation of State Funding to School Districts; Local Control Funding Formula” herein) and a local portion derived from the District’s share of the 1% local *ad valorem* tax authorized by the State Constitution (see “– Local Sources of Education Funding” herein). In addition, school districts may be eligible for other special categorical funding from State and federal government programs. The District budgeted to receive approximately 73.4% of its general fund revenues from State funds (not including the local portion derived from the District’s share of the local *ad valorem* tax), budgeted at approximately \$178.3 million in fiscal year 2016-17. Such amount includes both the State funding provided under the LCFE (as defined herein) as well as other State revenues (see “–Allocation of State Funding to School Districts; Local Control Funding Formula – Attendance and LCFE” and “–Other District Revenues – Other State Revenues” below). As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may significantly affect the District’s revenues and operations.

Under Proposition 98, a constitutional and statutory amendment adopted by the State’s voters in 1988 and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the Constitution), a minimum level of funding is guaranteed to school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs. Recent years have seen frequent disruptions in State personal income taxes, sales and use taxes, and corporate taxes, making it increasingly difficult for the State to meet its Proposition 98 funding mandate, which normally commands about 45% of all State general fund revenues, while providing for other fixed State costs and priority programs and services. Because education funding constitutes such a large part of the State’s general fund expenditures, it is generally at the center of annual budget negotiations and adjustments.

In connection with the State Budget Act for fiscal year 2013-14, the State and local education agencies therein implemented a new funding formula for school finance system called the Local Control Funding Formula (the “Local Control Funding Formula” or “LCFF”). Funding from the LCFF replaced the revenue limit funding system and most categorical programs. See “– Allocation of State Funding to School Districts; Local Control Funding Formula” herein for more information.

**State Budget Process.** According to the State Constitution, the Governor must propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted no later than June 15. Historically, the budget required a two-thirds vote of each house of the State Legislature for passage. However, on November 2, 2010, the State’s voters approved Proposition 25, which amended the State Constitution to lower the vote requirement necessary for each house of the State Legislature to pass a budget bill and send it to the Governor. Specifically, the vote requirement was lowered from two-thirds to a simple majority (50% plus one) of each house of the State Legislature. The lower vote requirement also applies to trailer bills that appropriate funds and are identified by the State Legislature “as related to the budget in the budget bill.” The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. Under Proposition 25, a two-thirds vote of the State Legislature is still required to override any veto by the Governor. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the fiscal year 2016-17 State budget on June 27, 2016.

When the State budget is not adopted on time, basic appropriations and the categorical funding portion of each school district’s State funding are affected differently. Under the rule of *White v. Davis* (also referred to as *Jarvis v. Connell*), a State Court of Appeal decision reached in 2002, there is no constitutional mandate for appropriations to school districts without an adopted budget or emergency appropriation, and funds for State programs cannot be disbursed by the State Controller until that time, unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the State Constitution (such as appropriations for salaries of elected State officers), or (iii) mandated by federal law (such as payments to State workers at no more than minimum wage). The State Controller has consistently stated that basic State funding for schools is continuously appropriated by statute, but that special and categorical funds may not be appropriated without an adopted budget. Should the State Legislature fail to pass a budget or emergency appropriation before the start of any fiscal year, the District might experience delays in receiving certain expected revenues. The District is authorized to borrow temporary funds to cover its annual cash flow deficits, and as a result of the *White v. Davis* decision, the District might find it necessary to increase the size or frequency of its cash flow borrowings, or to borrow earlier in the fiscal year. The District does not expect the *White v. Davis* decision to have any long-term effect on its operating budgets.

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

If, at year-end, the guaranteed amount is calculated to be higher than the amount actually appropriated in that year, the difference becomes an additional education funding obligation, referred to

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

Although the California Constitution requires the State to approve a balanced State Budget Act each fiscal year, the State’s response to fiscal difficulties in some years has had a significant impact upon the Proposition 98 minimum guarantee and the treatment of settle-up payments with respect to years in which the Proposition 98 minimum guarantee was suspended. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the guaranteed amount. In response, teachers’ unions, the State Superintendent and others sued the State or Governor in 1995, 2005, 2009 and 2011 to force them to fund schools in the full amount required. The settlement of the 1995 and 2005 lawsuits has so far resulted in over \$4 billion in accrued State settle-up obligations. However, legislation enacted to pay down the obligations through additional education funding over time, including the Quality Education Investment Act of 2006, have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years’ Proposition 98 minimum funding levels rather than current year increases; by temporarily deferring apportionments of Proposition 98 funds from one fiscal year to the next; by permanently deferring apportionments of Proposition 98 funds from one fiscal year to the next; by suspending Proposition 98, as the State did in fiscal year 2004-05, fiscal year 2010-11, fiscal year 2011-12 and fiscal year 2012-13; and by proposing to amend the State Constitution’s definition of the guaranteed amount and settle-up requirement under certain circumstances.

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

***Rainy Day Fund; SB 858.*** In connection with the 2014-15 State Budget, the Governor proposed certain constitutional amendments (“Proposition 2”) to the rainy day fund (the “Rainy Day Fund”) for the November 2014 Statewide election. Senate Bill 858 (2014) (“SB 858”) amended the Education Code to, among other things, limit the amount of reserves that may be maintained by a school district subject to certain State budget matters. Upon the approval of Proposition 2, SB 858 became operational. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 2” herein.

**AB 1469.** As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 (“AB 1469”) which implemented a new funding strategy for the California State Teachers’ Retirement System (“CalSTRS”), increased the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll and authorized additional increases to the employer contribution rate in subsequent fiscal years. See “– Retirement Benefits – CalSTRS” herein for more information about CalSTRS and AB 1469.

**2015-16 State Budget.** The Governor signed the fiscal year 2015-16 State budget (the “2015-16 State Budget”) on June 24, 2015. The 2015-16 State Budget represents a multiyear plan that is balanced and that continues to focus on paying down budgetary debt from prior years and setting aside reserves. The 2015-16 State Budget increases spending on education, health care, in-home supportive services, workforce development, drought assistance and the judiciary. The 2015-16 State Budget projects \$115 billion in revenues and transfers, a 3% increase over fiscal year 2014-15. By the end of fiscal year 2015-16, the State’s Rainy Day Fund is expected to have a balance of approximately \$3.5 billion. Under the 2015-16 State Budget, the State is expected to repay the remaining \$1 billion in deferrals to schools and community colleges, make the final payment on the \$15 billion in Economic Recovery Bonds used to cover budget deficits since 2002, and reduce outstanding mandate liabilities owed to schools and community colleges by \$3.8 billion.

As it relates to K-12 education, the 2015-16 State Budget provides total funding of \$83.2 billion (\$49.7 billion in general funds and \$33.5 billion in other funds). The 2015-16 State Budget provides Proposition 98 funding for all K-14 education of \$68.4 billion, an increase of \$7.6 billion over fiscal year 2014-15. Since fiscal year 2011 12, Proposition 98 funding for K 12 education has grown by more than \$18.6 billion, representing an increase of more than \$3,000 per student.

Certain budget adjustments for K-12 programs include the following:

- **Local Control Funding Formula.** An increase of \$6 billion in Proposition 98 general funds to continue the State’s transition to the Local Control Funding Formula. This formula commits most new funding to districts serving English language learners, students from low-income families and youth in foster care. This increase will close the remaining funding implementation gap by more than 51%.
- **Career Technical Education.** The 2015-16 State Budget establishes the Career Technical Education (“CTE”) Incentive Grant Program and provides \$400 million, \$300 million and \$200 million Proposition 98 general funds in fiscal years 2015-16, 2016-17, and 2017-18, respectively, for local education agencies to establish new or expand high quality CTE programs.
- **Educator Support.** An increase of \$500 million in one-time Proposition 98 general funds for educator support. Of this amount, \$490 million is for activities that promote educator quality and effectiveness, including beginning teacher and administrator support and mentoring, support for teachers who have been identified as needing improvement, and professional development aligned to the State academic content standards. These funds will be allocated to school districts, county offices of education, charter schools, and the State special schools in an equal amount per certificated staff and are available for expenditure over the next three years.
- **Special Education.** The 2015-16 State Budget includes \$60.1 million in Proposition 98 general funds (\$50.1 million ongoing and \$10 million one time) to implement selected program changes recommended by the task force, making targeted investments that

improve service delivery and outcomes for all disabled students, with a particular emphasis on early education.

- K-12 High-Speed Internet Access. An increase of \$50 million in one-time Proposition 98 funds to support additional investments in internet connectivity and infrastructure, building on the \$26.7 million in one time Proposition 98 funding that was provided in fiscal year 2014-15. This second installment of funding will further upgrade internet infrastructure to reflect the increasing role that technology plays in classroom operations to support teaching and learning.
- K-12 Mandates. An increase of \$3.2 billion in one time Proposition 98 general funds to reimburse K 12 local educational agencies for the costs of State mandated programs. These funds are expected to provide a significant down payment on outstanding mandate debt, while providing school districts, county offices of education and charter schools with discretionary resources to support critical investments such as Common Core implementation.
- K-12 Deferrals. The 2015-16 State Budget provides \$897 million Proposition 98 in general funds to eliminate deferrals consistent with the revenue trigger included in the fiscal year 2014-15 State budget.

The complete 2015-16 State Budget is available from the California Department of Finance website at [www.dof.ca.gov](http://www.dof.ca.gov). The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

**2016-17 State Budget.** The Governor signed the fiscal year 2016-17 State budget (the “2016-17 State Budget”) on June 27, 2016. The 2016-17 State Budget sets forth a balanced budget for Fiscal Year 2016-17 and allocates funds from Proposition 2 to pay down outstanding budgetary borrowing and retirement liabilities of the State and University of California. The 2016-17 State Budget estimates that total resources available in fiscal year 2015-16 totaled approximately \$120.45 billion (including a prior year balance of \$3.4 billion) and total expenditures in fiscal year 2015-16 totaled approximately \$115.57 billion. The 2016-17 State Budget projects total resources available for fiscal year 2016-17 of \$125.18 billion, inclusive of revenues and transfers of \$120.31 billion and a prior year balance of \$4.87 billion. The 2016-17 State Budget projects total expenditures of \$122.47 billion, inclusive of non-Proposition 98 expenditures of \$71.42 billion and Proposition 98 expenditures of \$51.05 billion. The 2016 17 State Budget proposes to allocate \$966 million of the General Fund’s projected fund balance to the Reserve for Liquidation of Encumbrances and \$1.75 billion of such fund balance to the State’s Special Fund for Economic Uncertainties. In addition, the 2016-17 State Budget estimates the Rainy Day Fund will have a fund balance of \$6.71 billion.

Certain budgeted adjustments for K-12 education set forth in the 2016-17 State Budget include the following:

- School District Local Control Funding Formula. The 2016-17 State Budget includes an increase of more than \$2.9 billion to continue the implementation of the Local Control Funding Formula. The 2016-17 State Budget proposes to commit most new funding to Supplemental Grants and Concentration Grants. The Governor estimates that the budgeted increase will bring the total Local Control Funding Formula implementation to 96%.

- Proposition 98 Minimum Guarantee. The 2016-17 State Budget includes Proposition 98 funding of \$71.9 billion, inclusive of State and local funds, for fiscal year 2016-17. Such amount is expected to satisfy the Proposition 98 minimum guarantee for fiscal year 2016-17.
- Mandate Claims. The 2016-17 State Budget proposes to allocate approximately \$1.3 billion in one-time moneys to reduce outstanding mandate claims by K-12 local education agencies. The State expects such funds to be used for activities including, among others, deferred maintenance, professional development, induction for beginning teachers, instructional materials, technology and the implementation of new educational standards.
- College Readiness Block Grant. The 2016-17 State Budget includes a one-time increase of \$200 million to the Proposition 98 General Fund for grants to school districts and charter schools that serve high school students. The State will direct grant recipients to such funds be used to support access to higher education and transition to higher education.
- Integrated Teacher Preparation Grant Program. The 2016-17 State Budget includes a one-time allocation of \$10 million from the Proposition 98 portion of the General Fund to the Integrated Teacher Preparation Grant Program, which provides competitive grants to colleges and universities to develop or improve teacher credential programs.
- Classified School Employees Credentialing Program. The 2016-17 State Budget includes a one-time allocation of \$20 million from the Proposition 98 portion of the General Fund to establish a credentialing program that recruits non-certified school employees and prepares them to become certificated classroom teachers.
- California Center on Teacher Careers. The 2016-17 State Budget includes a one-time increase of \$5 million of Proposition 98 General Fund to establish a multi-year competitive grant, which will be awarded to a local education agency to establish and operate the California Center on Teaching Careers. The California Center on Teaching Careers, once established, will recruit individuals to the teaching profession, host a referral database for teachers seeking employment, develop and distribute recruitment publications, conduct outreach activities to high school and college students, provide statewide public service announcements related to teacher recruitment, and provide prospective teachers information on credential requirements, financial aid and loan assistance programs.
- California Collaborative for Educational Excellence. The 2016-17 State Budget provides a one-time increase of \$24 million to the Proposition 98 portion of the General Fund for the California Collaborative for Educational Excellence to, among other things, support statewide professional development training relating to evaluation methods and metrics and implement a pilot program related to advising and assisting local education agencies on improving pupil outcomes.
- Safe Drinking Water in Schools. The 2016-17 State Budget includes an increase of \$9.5 million of one-time Proposition 98 General Fund to create a grant program to improve access to safe drinking water for schools located in isolated areas and economically disadvantaged areas. The program will be developed and administered by the State Water Resources Control Board in consultation with the California Department of Education.

- Charter School Startup Grants. The 2016-17 State Budget allocates an increase of \$20 million of one-time Proposition 98 General Fund resources to support operational startup costs for new charter schools in 2016 and 2017. Such allocation is expected to partially offset the loss of federal funding previously available for such purpose.
- Multi-Tiered Systems of Support. The 2016-17 State Budget allocates an increase of \$20 million of one-time Proposition 98 General Fund resources to build upon the \$10 million investment included in the 2015-16 State Budget for an increased number of local educational agencies to provide academic and behavioral supports in a coordinated and systematic way. The State expects such funds to, among other things, assist local education agencies as they provide services that support academic, behavioral, social and emotional needs and improve outcomes for students.
- Proposition 47. Proposition 47 (2014) requires a portion of any State savings which have resulted from the State's reduced penalties for certain non-serious and non-violent property and drug offenses, to be allocated to K-12 truancy and dropout prevention, victim services, and mental health and drug treatment. The 2016-17 State Budget includes an increase of \$18 million on a one-time basis to the Proposition 98 portion of the General Fund allocated to a grant program for truancy and dropout prevention.

The complete 2016-17 State Budget is available from the California Department of Finance website at [www.dof.ca.gov](http://www.dof.ca.gov). The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted therein, and such information is not incorporated herein by such reference.

***Changes in State Budget.*** The District cannot predict the impact that the 2016-17 State Budget, or subsequent budgets, will have on its finances and operations. The 2016-17 State Budget may be affected by national and State economic conditions and other factors which the District cannot predict.

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

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. One effect of this amendment will be to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert \$1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset



State general fund spending for education and other programs, and included another diversion in the adopted 2009-10 State budget of \$1.7 billion in local property tax revenues from local redevelopment agencies, which local redevelopment agencies have now been dissolved (see “–Dissolution of Redevelopment Agencies” below). Redevelopment agencies had sued the State over this latter diversion. However, the lawsuit was decided against the California Redevelopment Association on May 1, 2010. Because Proposition 22 reduces the State’s authority to use or shift certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget in some years—such as reducing State spending or increasing State taxes, and school and community college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State’s general fund.

***Dissolution of Redevelopment Agencies.*** The adopted State budget for fiscal 2011-12, as signed by the Governor of the State on June 30, 2011, included as trailer bills Assembly Bill No. 26 (First Extraordinary Session) (“AB1X 26”) and Assembly Bill No. 27 (First Extraordinary Session) (“AB1X 27”), which the Governor signed on June 29, 2011. AB1X 26 suspended most redevelopment agency activities and prohibited redevelopment agencies from incurring indebtedness, making loans or grants, or entering into contracts after June 29, 2011. AB1X 26 dissolved all redevelopment agencies in existence and designated “successor agencies” and “oversight boards” to satisfy “enforceable obligations” of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies. Certain provisions of AB1X 26 are described further below.

In July 2011, various parties filed an action before the Supreme Court of the State of California (the “Court”) challenging the validity of AB1X 26 and AB1X 27 on various grounds (*California Redevelopment Association v. Matosantos*). On December 29, 2011, the Court rendered its decision in *Matosantos* upholding virtually all of AB1X 26 and invalidating AB1X 27. In its decision, the Court also modified various deadlines for the implementation of AB1X 26. The deadlines for implementation of AB1X 26 below take into account the modifications made by the Court in *Matosantos*.

On February 1, 2012, and pursuant to *Matosantos*, AB1X 26 dissolved all redevelopment agencies in existence and designated “successor agencies” and “oversight boards” to satisfy “enforceable obligations” of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies. With limited exceptions, all assets, properties, contracts, leases, records, buildings and equipment, including cash and cash equivalents of a former redevelopment agency will be transferred to the control of its successor agency and, unless otherwise required pursuant to the terms of an enforceable obligation, distributed to various related taxing agencies pursuant to AB1X 26.

AB1X 26 requires redevelopment agencies to continue to make scheduled payments on and perform obligations required under its “enforceable obligations.” For this purpose, AB1X 26 defines “enforceable obligations” to include “bonds, including the required debt service, reserve set-asides, and any other payments required under the indenture or similar documents governing the issuance of outstanding bonds of the former redevelopment agency” and “any legally binding and enforceable agreement or contract that is not otherwise void as violating the debt limit or public policy.” AB1X 26 specifies that only payments included on an “enforceable obligation payment schedule” adopted by a redevelopment agency shall be made by a redevelopment agency until its dissolution. However, until a successor agency adopts a “recognized obligation payment schedule” the only payments permitted to be made are payments on enforceable obligations included on an enforceable obligation payment schedule. A successor agency may amend the enforceable obligation payment schedule at any public meeting, subject to the approval of its oversight board.

Under AB1X 26, commencing February 1, 2012, property taxes that would have been allocated to each redevelopment agency if the agencies had not been dissolved will instead be deposited in a

“redevelopment property tax trust fund” created for each former redevelopment agency by the related county auditor-controller and held and administered by the related county auditor-controller as provided in AB1X 26. AB1X 26 generally requires each county auditor-controller, on May 16, 2012 and June 1, 2012 and each January 16 and June 1 (now each January 2 and June 1 pursuant to AB 1484, as described below) thereafter, to apply amounts in a related redevelopment property tax trust fund, after deduction of the county auditor-controller’s administrative costs, in the following order of priority:

- To pay pass-through payments to affected taxing entities in the amounts that would have been owed had the former redevelopment agency not been dissolved; provided, however, that if a successor agency determines that insufficient funds will be available to make payments on the recognized obligation payment schedule and the county auditor-controller and State Controller verify such determination, pass-through payments that had previously been subordinated to debt service may be reduced;
- To the former redevelopment agency’s successor agency for payments listed on the successor agency’s recognized obligation payment schedule for the ensuing six-month period;
- To the former redevelopment agency’s successor agency for payment of administrative costs; and
- Any remaining balance to school entities and local taxing agencies.

It is possible that there will be additional legislation proposed and/or enacted to “clean up” various inconsistencies contained in AB1X 26 and there may be additional legislation proposed and/or enacted in the future affecting the current scheme of dissolution and winding up of redevelopment agencies currently contemplated by AB1X 26. For example, AB 1484 was signed by the Governor on June 27, 2012, to clarify and amend certain aspects of AB1X 26. AB 1484, among other things, attempts to clarify the role and requirements of successor agencies, provides successor agencies with more control over agency bond proceeds and properties previously owned by redevelopment agencies and adds other new and modified requirements and deadlines. AB 1484 also provides for a “tax claw back” provision, wherein the State is authorized to withhold sales and use tax revenue allocations to local successor agencies to offset payment of property taxes owed and not paid by such local successor agencies to other local taxing agencies. This “tax claw back” provision has been challenged in court by certain cities and successor agencies. The District cannot predict the outcome of such litigation and what effect, if any, it will have on the District. Additionally, no assurances can be given as to the effect of any such future proposed and/or enacted legislation on the District.

***Future Budgets and Budgetary Actions.*** The District cannot predict what future actions will be taken by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors beyond the District’s ability to predict or control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State’s ability to fund schools during future fiscal years. Certain factors, like an economic recession, could result in State budget shortfalls in any fiscal year and could have a material adverse financial impact on the District.

#### **Allocation of State Funding to School Districts; Local Control Funding Formula**

Prior to the implementation of the Local Control Funding Formula in fiscal year 2013-14, under California Education Code Section 42238 and following, each school district was determined to have a

target funding level: a “base revenue limit” per student multiplied by the district’s student enrollment measured in units of average daily attendance. The base revenue limit was calculated from the district’s prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district was the amount needed to reach that district’s base revenue limit after taking into account certain other revenues, in particular, locally generated property taxes. This is referred to as State “equalization aid.” To the extent local tax revenues increased due to growth in local property assessed valuation, the additional revenue was offset by a decline in the State’s contribution; ultimately, a school district whose local property tax revenues exceeded its base revenue limit was entitled to receive no State equalization aid, and received only its special categorical aid, which is deemed to include the “basic aid” of \$120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts were known as “basic aid districts,” which are now referred to as “community funded districts.” School districts that received some equalization aid were commonly referred to as “revenue limit districts,” which are now referred to as “LCFF districts.” The District is an LCFF district.

Beginning in fiscal year 2013-14, the LCFF replaced the revenue limit funding system and most categorical programs, and distributes combined resources to school districts through a base grant (“Base Grant”) per unit of average daily attendance (“A.D.A.”) with additional supplemental funding (the “Supplemental Grant”) allocated to local educational agencies based on their proportion of English language learners, students from low-income families and foster youth. The LCFF has an eight year implementation program to incrementally close the gap between actual funding and the target level of funding, as described below. The LCFF includes the following components:

- A Base Grant for each local education agency. The Base Grants are based on four uniform, grade-span base rates. For fiscal year 2016-17, the LCFF provided to school districts and charter schools: (a) a Target Base Grant for each LEA equivalent to \$7,820 per A.D.A. for kindergarten through grade 3; (b) a Target Base Grant for each LEA equivalent to \$7,189 per A.D.A. for grades 4 through 6; (c) a Target Base Grant for each LEA equivalent to \$7,403 per A.D.A. for grades 7 and 8; (d) a Target Base Grant for each LEA equivalent to \$8,801 per A.D.A. for grades 9 through 12. However, the amount of actual funding allocated to the Base Grant, Supplemental Grants and Concentration Grants will be subject to the discretion of the State. This amount includes an adjustment of 10.4% to the Base Grant to support lowering class sizes in grades K-3, and an adjustment of 2.6% to reflect the cost of operating career technical education programs in grades 9-12.
- A 20% Supplemental Grant for the unduplicated number of English language learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.
- An additional Concentration Grant of up to 50% of a local education agency’s Base Grant, based on the number of English language learners, students from low-income families and foster youth served by the local education agency that comprise more than 55% of enrollment.
- An Economic Recovery Target (the “ERT”) that is intended to ensure that almost every local education agency receives at least their pre-recession funding level (i.e., the fiscal year 2007-08 revenue limit per unit of A.D.A.), adjusted for inflation, at full implementation of the LCFF. Upon full implementation, local education agencies would receive the greater of the Base Grant or the ERT.

Under the new formula, for community funded districts, local property tax revenues would be used to offset up to the entire allocation under the new formula. However, community funded districts would continue to receive the same level of State aid as allocated in fiscal year 2012-13.

**Local Control Accountability Plans.** A feature of the LCFE is a system of support and intervention for local educational agencies. School districts, county offices of education and charter schools are required to develop, implement and annually update a three-year local control and accountability plan (“LCAP”). Each LCAP must be developed with input from teachers, parents and the community, and should describe local goals as they pertain to eight areas identified as state priorities, including student achievement, parent engagement and school climate, as well as detail a course of action to attain those goals. Moreover, the LCAPs must be designed to align with the district’s budget to ensure adequate funding is allocated for the planned actions.

Each school district must submit its LCAP annually on or before July 1 for approval by its county superintendent. The county superintendent then has until August 15 to seek clarification regarding the contents of the LCAP, and the school district must respond in writing. The county superintendent can submit recommendations for amending the LCAP, and such recommendations must be considered, but are not mandatory. A school district’s LCAP must be approved by its county superintendent by October 8 of each year if such superintendent finds (i) the LCAP adheres to the State template, and (ii) the district’s budgeted expenditures are sufficient to implement the strategies outlined in the LCAP.

Performance evaluations are to be conducted to assess progress toward goals and guide future actions. County superintendents are expected to review and provide support to the school districts under their jurisdiction, while the State Superintendent of Public Instruction performs a corresponding role for county offices of education. The California Collaborative for Education Excellence (the “Collaborative”), a newly established body of educational specialists, was created to advise and assist local education agencies in achieving the goals identified in their LCAPs. For local education agencies that continue to struggle in meeting their goals, and when the Collaborative indicates that additional intervention is needed, the State Superintendent of Public Instruction would have authority to make changes to a local education agency’s LCAP.

**Attendance and Base Revenue Limit.** The following table sets forth the District’s actual A.D.A., enrollment and base revenue limit per unit of A.D.A. for fiscal years 2011-12 and 2012-13 for grades kindergarten through grade 12 (“K-12”), including special education.

**VAL VERDE UNIFIED SCHOOL DISTRICT  
(Riverside County, California)  
Average Daily Attendance, Enrollment and Base Revenue Limit  
Fiscal Years 2011-12 through 2012-13**

Fiscal Year	Average Daily Attendance <sup>(1)</sup>	Enrollment <sup>(2)</sup>	Base Revenue Limit Per Unit of Average Daily Attendance
2011-12 <sup>(3)</sup>	18,816	19,613	\$6,836
2012-13 <sup>(4)</sup>	18,965	19,832	7,048

<sup>(1)</sup> A.D.A. for the second period of attendance, typically in mid-April of each school year.

<sup>(2)</sup> Reflects enrollment as of October report submitted to the California Basic Educational Data System (“CBEDS”) in each school year.

<sup>(3)</sup> The District had a 20.602% base revenue limit deficit factor and a 2.24% cost of living adjustment in fiscal year 2011-12, which resulted in a funded base revenue limit of \$5,428, per unit of A.D.A.

<sup>(4)</sup> The District had a 22.272% base revenue limit deficit factor and a 3.243% cost of living adjustment in fiscal year 2012-13, which resulted in a funded base revenue limit of \$5,478, per unit of A.D.A.

Source: Val Verde Unified School District.

**Attendance and LCFF.** The following table sets forth the District’s actual and budgeted A.D.A., enrollment (including percentage of students who are English language learners, from low-income families and/or foster youth (collectively, “EL/LI Students”)), and targeted Base Grant per unit of A.D.A. for fiscal years 2013-14 through 2016-17, respectively. The A.D.A. and enrollment numbers reflected in the following table include special education.

**VAL VERDE UNIFIED SCHOOL DISTRICT  
(Riverside County, California)  
Average Daily Attendance, Enrollment And Targeted Base Grant  
Fiscal Years 2013-14 through 2016-17**

Fiscal Year		A.D.A./Base Grant				Total A.D.A.	Enrollment <sup>(7)</sup>	
		K-3	4-6	7-8	9-12		Total Enrollment	Unduplicated Percentage of EL/LI Students
2013-14	A.D.A. <sup>(2)</sup> :	5,925	4,369	2,993	5,728	19,015	19,796	84.41%
	Targeted Base Grant <sup>(3)</sup> :	\$7,676	\$7,056	\$7,266	\$8,638	--	--	--
2014-15	A.D.A. <sup>(2)</sup> :	5,849	4,435	2,949	5,671	18,904	19,841	82.43%
	Targeted Base Grant <sup>(3)(4)</sup> :	\$7,740	\$7,116	\$7,328	\$8,712	--	--	--
2015-16	A.D.A. <sup>(2)</sup> :	5,676	4,567	2,994	5,767	19,005	19,862	82.8%
	Targeted Base Grant <sup>(3)(5)</sup> :	\$7,820	\$7,189	\$7,403	\$8,801	--	--	--
2016-17 <sup>(1)</sup>	A.D.A. <sup>(2)</sup> :	5,600	4,561	2,957	5,980	19,098	19,965	82.04%
	Targeted Base Grant <sup>(3)(6)</sup> :	\$7,820	\$7,189	\$7,403	\$8,801	--	--	--

<sup>(1)</sup> Figures are projections.

<sup>(2)</sup> A.D.A. for the second period of attendance, typically in mid-April of each school year.

<sup>(3)</sup> Such amounts represent the targeted amount of Base Grant per unit of A.D.A., and do not include any supplemental and concentration grants under the LCFF. Such amounts are not expected to be fully funded in fiscal years 2013-14 and 2014-15.

<sup>(4)</sup> Targeted fiscal year 2014-15 Base Grant amounts reflect a 0.85% cost of living adjustment from targeted fiscal year 2013-14 Base Grant amounts.

<sup>(5)</sup> Targeted fiscal year 2015-16 Base Grant amounts reflect a 1.02% cost of living adjustment from targeted fiscal year 2014-15 Base Grant amounts.

<sup>(6)</sup> Targeted fiscal year 2016-17 Base Grant amounts reflect a 0.00% cost of living adjustment from targeted fiscal year 2015-16 Base Grant amounts.

<sup>(7)</sup> Reflects enrollment as of October report submitted to the California Department of Education through CBEDS for the 2013-14 and 2014-15 school years and CALPADS for the 2015-16 school year. For purposes of calculating Supplemental and Concentration Grants, a school district’s fiscal year 2013-14 percentage of unduplicated EL/LI Students will be expressed solely as a percentage of its fiscal year 2013-14 total enrollment. For fiscal year 2014-15, the percentage of unduplicated EL/LI Students enrollment will be based on the two-year average of EL/LI Students enrollment in fiscal years 2013-14 and 2014-15. Beginning in fiscal year 2015-16, a school district’s percentage of unduplicated EL/LI Students will be based on a rolling average of such school district’s EL/LI Students enrollment for the then-current fiscal year and the two immediately preceding fiscal years.

Source: Val Verde Unified School District.

The District received approximately \$172.88 million (estimated) in aggregate revenues reported under LCFF sources in fiscal year 2015-16, and has budgeted to receive approximately \$185.75 million in aggregate revenues under the LCFF in fiscal year 2016-17 (or approximately 76.45% of its general fund revenues in fiscal year 2016-17). Such amount includes supplemental grants and concentration grants budgeted to be approximately \$38.9 million, collectively, in fiscal year 2016-17.

***Effect of Changes in Enrollment.*** Changes in local property tax income and A.D.A. affect LCFF districts and community funded districts differently. The District is an LCFF district.

In an LCFF district, increasing enrollment increases the total amount distributed under the LCFF and thus generally increases a district's entitlement to State equalization aid, while increases in property taxes do nothing to increase district revenues, but only offset the State funding requirement of equalization aid. Operating costs increase disproportionately slowly to enrollment growth; and only at the point where additional teachers and classroom facilities are needed. Declining enrollment has the reverse effect on LCFF districts, generally resulting in a loss of State equalization aid, while operating costs decrease slowly and only when, for example, the district decides to lay off teachers or close schools.

In community funded districts, the opposite is generally true: increasing enrollment increases the amount to which the district would be entitled were it an LCFF district, but since all LCFF income (and more) is already generated by local property taxes, there is no increase in State income, other than the \$120 per student in basic aid, as described above. Meanwhile, as new students impose increased operating costs, property tax income is stretched further. Declining enrollment does not reduce property tax income, and has a negligible impact on State aid, but eventually reduces operating costs, and thus can be financially beneficial to a community funded district.

### **Local Sources of Education Funding**

The principal component of local revenues is a school district's property tax revenues, i.e., each district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. California Education Code Section 42238(h) itemizes the local revenues that are counted towards the amount allocated under the LCFF (and formerly, the base revenue limit) before calculating how much the State must provide in State aid. The more local property taxes a district receives, the less State aid it is entitled to receive. Prior to the implementation of the LCFF, a school district whose local property tax revenues exceeded its base revenue limit was entitled to receive no State aid, and received only its special categorical aid which is deemed to include the "basic aid" of \$120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts were known as "basic aid districts." School districts that received some State aid were commonly referred to as "revenue limit districts." The District was a revenue limit district and is now referred to as an LCFF district.

Under the LCFF, local property tax revenues are used to offset up to the entire State aid collection under the new formula; however, community funded districts would continue to receive, at a minimum, the same level of State aid as allotted in fiscal year 2012-13. See "Allocation of State Funding to School Districts: Local Control Funding Formula" herein for more information.

Local property tax revenues are budgeted to be approximately 13.95% of the District's aggregate revenues reported under LCFF sources, and are budgeted to be approximately \$25.94 million, or 10.7% of total general fund revenues in fiscal year 2016-17.

Beginning in fiscal year 2011-12, local property tax dollars applicable to the District's revenue limit funding were used to backfill certain cities and counties. Riverside County is one of two counties which have negative Educational Revenue Augmentation Fund (ERAF) property tax adjustments that reduce the amount of local property taxes paid to school districts that were formerly known as revenue limit districts prior to the implementation of the LCFF in order to fund the State's economic recovery bond program (commonly known as the "Triple Flip") and vehicle license fees. Such negative ERAF is repaid to school districts, like the District, with State aid dollars and, therefore, is not applicable to basic aid districts. In the absence of such negative ERAF, the District would have received approximately \$2.8

million in local property tax revenue, or appropriately 1.5% of its aggregate revenues allocated under the LCFF. Such reduction and repayment of local property taxes is limited to the District's 1% general fund apportionment and does not affect the ad valorem taxes levied to repay the District's general obligation bonds, including the Series 2016C Bonds and, after the Crossover Date, the Series 2016 Refunding Bonds.

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

### **Other District Revenues**

**Federal Revenues.** The federal government provides funding for several District programs, including special education programs. Federal revenues, most of which are restricted, comprise approximately 5.17% (or approximately \$12.56 million) of the District's general fund budgeted revenues for fiscal year 2016-17.

**Other State Revenues.** In addition to State apportionments for Proposition 98 funding through the Local Control Funding Formula, the District receives other State revenues which comprise approximately 7.58% (or approximately \$18.41 million) of the District's general fund budgeted revenues for fiscal year 2016-17. A significant portion of such other State revenues are amounts the District expects to receive from State lottery funds, which may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities, or the financing of research. School districts receive lottery funds proportional to their total A.D.A. The District's State lottery revenue is budgeted at approximately \$3.57 million for fiscal year 2016-17.

**Other Local Revenues.** In addition to *ad valorem* property taxes, the District receives additional local revenues from items, such as interest earnings and other local sources. Other local revenues comprise approximately 10.80% (or approximately \$26.24 million) of the District's general fund budgeted revenues for fiscal year 2016-17.

### **Significant Accounting Policies and Audited Financial Reports**

The State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-12 districts. Financial transactions are accounted for in accordance with the Department of Education's California School Accounting Manual. This manual, according to Section 41010 of the Education Code, is to be followed by all California school districts, including the District. Significant accounting policies followed by the District are explained in Note 1 to the District's audited financial statements for the fiscal year ended June 30, 2015, which are included as Appendix B.

Independently audited financial reports are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. The following tables contain data abstracted from financial statements prepared by the District's independent auditor, Vavrinek, Trine, Day & Co., LLP, for fiscal years 2011-12 through 2014-15.

Vavrinek, Trine, Day & Co., LLP has not been requested to consent to the use or to the inclusion of its report in this Official Statement, and it has not audited nor reviewed this Official Statement. The District is required by law to adopt its audited financial statements after a public meeting to be conducted no later than January 31 following the close of each fiscal year.

The following table sets forth the statement of revenues, expenditures and changes in fund balances for the District's general fund for the fiscal years 2011-12 through 2014-15.

**VAL VERDE UNIFIED SCHOOL DISTRICT**  
**(Riverside County, California)**  
**Statement of General Fund Revenues, Expenditures and Changes in Fund Balance**  
**Fiscal Years 2011-12 through 2014-15**

	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15
<b>REVENUES</b>				
Revenue limit/LCFF sources <sup>(1)</sup>	\$103,817,284	\$105,200,350	\$125,188,130	\$146,448,573
Federal sources	11,801,070	9,153,415	10,149,443	10,735,085
Other State sources	20,792,494	22,518,293	16,277,893	12,650,693
Other local sources	22,827,909	24,451,832	22,936,055	25,657,856
<b>Total Revenues</b>	<b>159,238,757</b>	<b>161,323,890</b>	<b>174,551,521</b>	<b>195,492,207</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
Instruction	103,266,451	101,565,308	110,996,736	115,798,043
Instruction-related activities:				
Supervision of instruction	5,158,817	5,807,398	6,470,286	7,620,192
Instructional library, media, and technology	1,288,298	1,391,048	1,466,713	1,569,825
School site administration	9,317,474	10,705,169	11,690,946	12,533,967
Pupil services:				
Home-to-school transportation	1,927,556	2,122,318	2,308,782	2,158,304
Food services	160,891	19,603	81,790	-
All other pupil services	9,639,544	10,419,005	11,730,098	13,501,842
Administration:				
Data processing	2,261,211	2,021,903	2,117,253	2,172,637
All other administration	7,736,982	6,291,418	7,253,881	7,453,095
Plant services	15,252,363	16,138,568	17,981,332	19,693,297
Facility acquisition and construction	3,374,826	1,655,346	2,938,886	1,411,098
Ancillary services	859,805	913,145	974,640	1,327,788
Other outgo	(7,775)	6,398	508,760	391,603
Debt service				
Principal	112,010	27,382	-	70,636
Interest and other	51,670	357,348	481,082	33,384
<b>Total Expenditures</b>	<b>160,400,123</b>	<b>159,441,357</b>	<b>177,001,185</b>	<b>185,735,711</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(1,161,366)</b>	<b>1,882,533</b>	<b>(2,449,664)</b>	<b>9,756,496</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	1,143,055	42,980	-
Other sources	149,476	-	-	101,964
Transfers out	(5,562,184)	(4,317,042)	(6,363,602)	(2,419,497)
<b>Net Financing Sources (Uses)</b>	<b>(5,412,708)</b>	<b>(3,173,987)</b>	<b>(6,320,622)</b>	<b>(2,317,533)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(6,574,074)</b>	<b>(1,291,454)</b>	<b>(8,770,286)</b>	<b>7,438,963</b>
<b>Fund Balances – Beginning</b>	<b>41,869,529</b>	<b>35,295,455</b>	<b>34,004,001</b>	<b>25,233,715</b>
<b>Fund Balances - Ending</b>	<b>\$35,295,455</b>	<b>\$34,004,001</b>	<b>\$25,233,715</b>	<b>\$32,672,678</b>

<sup>(1)</sup> The LCFF was implemented beginning in fiscal year 2013-14.

Source: Val Verde Unified School District Audited Financial Reports for fiscal years 2011-12 through 2014-15.



The following table sets forth the general fund balance sheet of the District for fiscal years 2011-12 through 2014-15.

**VAL VERDE UNIFIED SCHOOL DISTRICT**  
**(Riverside County, California)**  
**Summary of General Fund Balance Sheet**  
**Fiscal Years 2011-12 through 2014-15**

	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15
<b>ASSETS</b>				
Deposits and investments	\$22,353,607	\$33,531,997	\$20,711,722	\$32,680,463
Receivables	43,545,540	26,439,883	25,818,783	8,004,068
Due from other funds	1,809,078	2,767,616	3,519,675	1,942,838
Stores inventories	46,644	49,438	42,991	73,279
<b>Total Assets</b>	<b>\$67,754,869</b>	<b>\$62,788,934</b>	<b>\$50,093,171</b>	<b>\$42,700,648</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$6,444,942	\$4,437,023	\$6,177,869	\$8,045,379
Due to other funds	2,508,658	897,471	2,283,940	1,941,394
Current loan	23,300,000	22,800,000	15,740,000	-
[Deferred/unearned] revenue	205,814	650,439	657,647	41,197
<b>Total Liabilities</b>	<b>32,459,414</b>	<b>28,784,933</b>	<b>24,859,456</b>	<b>10,027,970</b>
<b>Fund Balances:</b>				
Nonspendable	71,644	74,438	67,991	98,729
Restricted	4,112,579	4,956,342	7,114,674	5,698,449
Assigned	1,729,649	11,647,285	861,579	-
Unassigned	29,381,583	17,325,936	17,189,471	26,875,500
<b>Total Fund Balances</b>	<b>35,295,455</b>	<b>34,004,001</b>	<b>25,233,715</b>	<b>32,672,678</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$67,754,869</b>	<b>\$62,788,934</b>	<b>\$50,093,171</b>	<b>\$42,700,648</b>

Source: Val Verde Unified School District Audited Financial Reports for fiscal years 2011-12 through 2014-15.

## **District Budget Process and County Review**

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

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

The county superintendent must review and approve, conditionally approve or disapprove the budget no later than August 15. The county superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance with the established standards. If the budget is disapproved, it is returned to the District with recommendations for revision. The District is then required to revise the budget, hold a public hearing thereon, adopt the revised budget, and file it with the county superintendent no later than September 8. Pursuant to State law, the county superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved. After approval of an adopted budget, the school district's administration may submit budget revisions for governing board approval.

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

A State law adopted in 1991 (known as "A.B. 1200") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the county superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county superintendent 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 is deemed 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 two subsequent fiscal years. A school district that receives a qualified or negative certification may not issue tax and revenue anticipation notes or certificates of participation without approval by the county superintendent in that fiscal year or in the next succeeding year.

For school districts under fiscal distress, the county superintendent of schools is authorized to take a number of actions to ensure that the school district meets its financial obligations, including budget revisions. However, the county superintendent is not authorized to approve any diversion of revenue from ad valorem taxes levied to pay debt service on district general obligation bonds. A school district that becomes insolvent may, upon the approval of a fiscal plan by the county superintendent of schools, receive an emergency appropriation from the State, the acceptance of which constitutes an agreement to submit to management of the school district by a Superintendent appointed administrator.

In the event the State elects to provide an emergency appropriation to a school district, such appropriation may be accomplished through the issuance of "State School Fund Apportionment Lease Revenue Bonds" to be issued by the California Infrastructure and Economic Development Bank, on behalf of the school district. State law provides that so long as such bonds are outstanding, the recipient school district (via its State-appointed administrator) cannot file for bankruptcy. In the last five years, the District has not received a qualified or negative certification in connection with its first interim reports or second interim reports.

[In the last five years, the District received a qualified certification in connection with its first interim report and second interim report for fiscal year 2012-13.]

The following table summarizes the District's adopted general fund budgets for fiscal years 2013-14 through 2016-17, unaudited actuals for fiscal years 2013-14 and 2014-15 and estimated actuals for fiscal year 2015-16.

**VAL VERDE UNIFIED SCHOOL DISTRICT**  
**(Riverside County, California)**  
**General Fund Budgets for Fiscal Years 2013-14 through 2016-17,**  
**Unaudited Actuals for Fiscal Years 2013-14 and 2014-15**  
**and Estimated Actuals for Fiscal Year 2015-16**

	<b>2013-14 Original Adopted Budget</b>	<b>2013-14 Unaudited Actuals<sup>(1)</sup></b>	<b>2014-15 Original Adopted Budget</b>	<b>2014-15 Unaudited Actuals</b>	<b>2015-16 Original Adopted Budget</b>	<b>2015-16 Estimated Actuals</b>	<b>2016-17 Original Adopted Budget</b>
<b>REVENUES</b>							
Revenue Limit/LCFF Sources <sup>(2)</sup>	\$110,526,483.00	\$125,188,131.31	\$145,175,047.00	\$146,448,573.45	\$172,781,333.00	\$172,884,964.00	\$185,754,601.00
Federal Revenue	10,819,189.00	10,149,442.34	11,124,955.00	10,735,085.68	11,537,964.00	12,094,092.00	12,562,899.00
Other State Revenue	18,873,251.00	12,620,562.84	9,797,001.00	12,650,693.31	18,874,635.00	24,812,152.00	18,412,736.00
Other Local Revenue	20,297,819.00	22,911,396.24	21,048,224.00	25,630,899.07	24,020,415.00	26,263,687.00	26,240,489.00
<b>TOTAL REVENUES</b>	<b>160,516,742.00</b>	<b>170,869,532.73</b>	<b>187,145,227.00</b>	<b>195,465,251.51</b>	<b>227,214,347.00</b>	<b>236,054,895.00</b>	<b>242,970,725.00</b>
<b>EXPENDITURES</b>							
Certificated Salaries	74,298,498.00	79,726,680.07	81,423,843.00	80,491,666.35	85,216,265.00	89,607,182.00	95,525,017.00
Classified Salaries	24,684,048.00	26,307,158.42	27,024,468.00	27,104,597.80	28,745,485.00	28,792,594.00	33,036,371.99
Employee Benefits	26,641,346.00	27,367,919.22	31,732,630.00	35,504,341.85	36,217,860.00	42,134,177.00	49,138,070.00
Books and Supplies	7,091,129.00	8,095,502.29	12,427,039.00	11,703,984.78	32,231,836.00	15,513,983.00	21,642,236.00
Services, Other Operating Expenses	27,191,401.00	28,676,454.67	31,322,507.00	29,312,580.34	33,737,997.00	32,849,407.00	35,661,154.00
Capital Outlay	539,283.00	3,340,167.85	2,432,113.00	1,936,522.39	1,816,770.00	8,095,951.00	7,926,323.00
Other Outgo (excluding Direct Support/Indirect Costs)	6,112,935.00	5,471,239.14	3,891,358.00	2,502,628.68	5,048,455.00	4,913,613.00	5,932,670.00
Other Outgo - Transfers of Indirect Costs	(699,914.00)	(684,724.24)	(694,312.00)	(743,430.47)	(659,309.00)	(667,936.00)	(671,970.00)
<b>TOTAL EXPENDITURES</b>	<b>165,858,726.00</b>	<b>178,300,397.42</b>	<b>189,559,646.00</b>	<b>187,812,891.72</b>	<b>222,355,359.00</b>	<b>221,238,971.00</b>	<b>248,189,871.00</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(5,341,984.00)</b>	<b>(7,430,864.69)</b>	<b>(2,414,419.00)</b>	<b>(7,652,359.79)</b>	<b>4,858,988.00</b>	<b>14,815,924.00</b>	<b>(5,219,146.00)</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Inter-fund Transfers In	-	42,980.13	-	-	-	3,600,000.00	-
Inter-fund Transfers Out	(942,712.00)	(1,407,059.47)	(1,256,521.00)	342,318.18	(300,147.00)	349,885.00	(474,010.00)
Other Sources (Uses)	-	-	-	101,964.39	-	-	-
Contributions	-	-	-	-	-	-	-
<b>TOTAL, OTHER FINANCING SOURCES (USES)</b>	<b>(942,712.00)</b>	<b>(1,364,079.34)</b>	<b>(1,256,521.00)</b>	<b>(240,353.79)</b>	<b>(300,147.00)</b>	<b>3,250,115.00</b>	<b>(474,010.00)</b>
<b>NET INCREASE (DECREASE) IN FUND BALANCE</b>	<b>(6,284,696.00)</b>	<b>(8,794,944.03)</b>	<b>(3,670,940.00)</b>	<b>7,412,006.00</b>	<b>4,558,841.00</b>	<b>18,066,039.00</b>	<b>(5,693,156.00)</b>
<b>BEGINNING BALANCE, as of July 1</b>	<b>23,929,145.00</b>	<b>26,620,316.98</b>	<b>17,126,414.00</b>	<b>17,825,372.95</b>	<b>19,167,215.00</b>	<b>25,237,379.00</b>	<b>43,303,418.00</b>
<b>ENDING BALANCE</b>	<b>\$17,644,449.00</b>	<b>\$17,825,372.95</b>	<b>\$13,455,474.00</b>	<b>\$25,237,378.95</b>	<b>\$23,726,056.00</b>	<b>\$43,303,418.00</b>	<b>\$37,610,262.00</b>
<b>Unrestricted Balance</b>	<b>\$13,908,674.00</b>	<b>\$10,680,698.80</b>	<b>\$8,959,304.00</b>	<b>\$19,538,929.08</b>	<b>\$19,179,392.00</b>	<b>\$36,208,616.00</b>	<b>34,734,542.00</b>
<b>Restricted Balance</b>	<b>\$3,735,775.00</b>	<b>\$7,144,674.15</b>	<b>\$4,496,170.00</b>	<b>\$5,698,449.87</b>	<b>\$4,546,664.00</b>	<b>\$7,094,802.00</b>	<b>2,875,720.00</b>

<sup>(1)</sup> Total revenues and total expenditures do not match the District's audited financial statements because the District does not include contributions to the State Teacher's Retirement System made by the State on behalf of the District in its internal financial reports, which amounts are included in the actual revenues and expenditures in the District's audited financial statements. Such on behalf of payments amounted to \$3,657,331 and \$4,087,216 for fiscal years 2013-14 and 2014-15, respectively. In addition, due to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects for reporting purposes in the general fund, additional revenues and expenditures pertaining to this other fund is included in the revenues and expenditures in the District's audited financial statements, but is not included in the District's internal financial reports.

<sup>(2)</sup> The LCFF was implemented beginning in fiscal year 2013-14.

Source: Val Verde Unified School District Adopted general fund budgets for fiscal years 2013-14 through 2016-17; unaudited actuals for fiscal years 2013-14 and 2014-15 and estimated actuals for fiscal year 2015-16.

## District Debt Structure

**Long-Term Debt Summary.** A schedule of changes in the District's long-term obligations for the year ended June 30, 2015, consisted of the following:

Long-Term Debt	Beginning Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Due Within One Year
General Obligation Bonds <sup>(1)</sup>					
2008 Series A	\$24,475,000	\$ -	\$ -	\$24,475,000	\$ -
2010 Series B	9,044,768	119,581	1,470,000	7,694,349	1,600,000
2013 Series A	39,140,00	-	165,000	38,975,000	645,000
2015 Series B	-	39,095,713	-	39,095,713	-
Premium on issuance	3,470,675	3,244,860	240,418	6,475,117	-
Bond Anticipation Notes	28,770,000	-	28,770,000	-	-
Certificates of Participation					
2005 Series B Refunding	36,805,000	-	36,805,000	-	-
2009 Series A	42,560,00	-	1,205,000	41,355,000	1,240,000
2015 Series A	-	30,090,000	-	30,090,000	-
Premium on Issuance	-	4,264,435	193,838	4,070,597	-
Discount on Issuance	(312,770)	-	(14,217)	(298,553)	-
Capital Leases	69,315	101,964	70,366	100,643	16,718
Supplemental Early Retirement Program	44,368	162,625	44,368	162,625	35,525
Net OPEB Asset	(163,541)	1,121,933	1,166,978	(208,586)	-
	\$183,902,815	\$78,201,111	\$70,117,021	\$191,986,905	\$3,534,243

<sup>(1)</sup> Does not include the Series 2016C Bonds, the Series 2016 Refunding Bonds, but includes the Prior Bonds to be refunded.  
Source: Val Verde Unified School District Audited Financial Report for fiscal year 2014-15.

**General Obligation Bonds.** Without regard to the issuance of each series of the Series 2016 Bonds, the District has outstanding four additional series of general obligation bonds, each of which is secured by *ad valorem* taxes levied upon all property subject to taxation by the District on a parity with the Series 2016 Bonds.

See "THE SERIES 2016 BONDS – Outstanding Bonds" and "– Aggregate Debt Service" in the front portion of this Official Statement for more information about such outstanding bonds.

**Bond Anticipation Notes.** In October 2013, the District issued its 2013 General Obligation Bond Anticipation Notes (the "Notes") in the aggregate principal amount of \$28,770,000. The Notes were issued to finance capital improvements specified in the project list approved with the bonds that were authorized at the June 5, 2012 election. On March 4, 2015, the County, on behalf of the District, issued the Series 2015B Bonds to defease the Notes and finance the construction and improvement of certain school facilities of the District.

**Certificates of Participation.** In July 2005, the District executed and delivered its Certificates of Participation (Refunding and School Construction Project), 2005 Series B in the aggregate principal amount of \$65,630,000 (the "2005 Series B COPs") for the purpose of prepaying, on an advance basis, the District's prior Variable Rate Demand Certificates of Participation (Land Bank Program) 2004 Series A, Variable Rate Demand Certificates of Participation (Land Bank Program) 2004 Series B and Refunding Certificates of Participation (Centralized Support Services and District Office Facilities Project) 2005 Series A. The District applied a portion of the net proceeds of the sale of the 2005 Series B COPs to fund costs of construction of public school facilities of the District and also refund certain outstanding lease-purchase obligations of the District. At June 30, 2014, the principal balance outstanding was \$36,805,000.

In September 2009, the District executed and delivered its Certificates of Participation (Refunding Project), 2009 Series A in the aggregate principal amount of \$43,920,000 (the “2009 Series A COPs”) for the purpose of prepaying the District’s Variable Rate Demand Refunding Certificates of Participation, 2008 Series A (the “2008 Series A COPs”). The 2009 Series A COPs mature on March 1, 2036, with interest rates ranging from 2.00% to 5.125%. The District applied a portion of the net proceeds of sale of the 2009 Series A COPs to affect the refunding of the outstanding balances of the 2008 Series A COPs and provided funding for capital improvement projects planned by the District. At June 30, 2015, the principal balance outstanding was \$41,355,000 and unamortized discount was \$298,553.

The 2009 Series A COPs mature as follows:

Year Ending June 30,	Principal	Interest to Maturity	Total
2016	1,240,000	\$1,984,318	\$3,244,318
2017	1,280,000	1,944,178	3,224,178
2018	1,320,000	1,899,218	3,219,218
2019	1,370,000	1,849,718	3,219,718
2020	1,425,000	1,794,918	3,219,918
2021-2025	8,115,000	7,987,928	16,102,928
2026-2030	10,325,000	5,784,938	16,109,938
2031-2035	13,220,000	2,884,350	16,104,350
2036	3,060,000	156,825	3,216,825
Total	\$41,355,000	\$26,286,391	\$67,641,391

Source: Val Verde Unified School District Audited Financial Report for fiscal year 2014-15.

On February 4, 2015, the District executed and delivered its 2015 Certificates of Participation, Series A in the aggregate principal amount of \$30,090,000 (the “2015 Series A COPs”) for the purpose of prepaying the District’s Certificates of Participation (Refunding and School Construction Project), 2005 Series B (the “2005 Series B COPs”). The 2015 Series A COPs mature on August 1, 2035, with interest rates ranging from 2.00% to 5.00%. The District applied a portion of the net proceeds of sale of the 2015 Series A COPs to affect the refunding of the outstanding balances of the 2005 Series B COPs and provided funding for capital improvement projects planned by the District. At June 30, 2015, the principal balance outstanding was \$30,090,000 and unamortized premium was \$4,070,597.

The 2015 Series A COPs mature as follows:

Year Ending June 30,	Principal	Interest to Maturity	Total
2016	-	\$660,013	\$660,013
2017	\$1,015,000	1,342,400	2,357,400
2018	1,030,000	1,322,100	2,352,100
2019	1,060,000	1,291,200	2,351,200
2020	1,095,000	1,256,900	2,351,900
2021-2025	6,215,000	5,518,350	11,733,350
2026-2030	7,850,000	3,821,000	11,671,000
2031-2035	9,620,000	2,000,750	11,620,740
2036	2,205,000	110,250	2,315,250
Total	\$30,090,000	\$17,322,963	\$47,412,963

Source: Val Verde Unified School District Audited Financial Report for fiscal year 2014-15.

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

Balance, July 1, 2014	\$74,895
Additions	129,686
Payments	77,057
Balance, July 30, 2015	<u>\$127,524</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2016	\$25,937
2017	25,937
2018	25,937
2019	25,937
2020	23,776
Total	<u>127,524</u>
Less: Amount Representing Interest	26,881
Present Value of Minimum Lease Payments	<u>\$100,643</u>

Source: Val Verde Unified School District Audited Financial Report for fiscal year 2014-15.

**Supplemental Early Retirement Program (SERP).** The District offered an early retirement incentive to its employees. As a result of this early retirement incentive program, the District expects to incur \$162,625 in additional costs that will be repaid through fiscal year 2019-20.

Year Ending June 30,	
2016	\$32,525
2017	32,525
2018	32,525
2019	32,525
2020	32,525
Total	<u>\$162,625</u>

Source: Val Verde Unified School District Audited Financial Report for fiscal year 2014-15.

**Other Post-Employment Benefits (OPEBs).** In addition to the retirement plan benefits with CalSTRS and CalPERS (see “– Retirement Benefits” below), the District provides certain post-retirement healthcare benefits, in accordance with District employment contracts. For a description of the District’s program, which is a single-employer defined benefit healthcare plan that provides health insurance benefits, see Notes 9 and 12 to the District’s financial statements attached hereto as APPENDIX B – “FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2015.” At June 30, 2015, membership in such plan consisted of 69 retirees and beneficiaries receiving benefits and 1,629 active plan members who could be eligible to receive benefits in the future.

The Governmental Accounting Standards Board (“GASB”) released its Statement Number 45 (“Statement Number 45”), which requires municipalities to account for other post-employment benefits (meaning other than pension benefits) (“OPEB”) liabilities much like municipalities are required to account for pension benefits. The expense is generally accrued over the working career of employees, rather than on a pay-as-you-go basis, which has been the practice for most municipalities and public

sector organizations. OPEBs generally include post-employment health benefits (medical, dental, vision, prescription drug and mental health), life insurance, disability benefits and long term care benefits. Statement Number 45 was phased in over a three-year period based upon the entity's revenues. Statement Number 45 became effective for the District beginning in fiscal year 2008-09.

The contribution requirement of plan members and the District are established under a funding policy approved by the District's Board of Education, and may be amended by the District from time to time. The District's current funding policy is to contribute an amount sufficient to pay the current year's annual required contribution (ARC) determined under Statement Number 45 to an irrevocable trust (the "Retiree Benefits Trust"). The District contributions for these benefits for fiscal years 2011-12, 2012-13 and 2013-14 and 2014-15 were \$346,573, \$1,143,233, \$1,278,494 and \$1,158,801, respectively. Of the amount contributed in 2014-15, \$355,801 was used for current premiums and \$803,000 was deposited into the Retiree Benefit Trust. As of January 1, 2015, the Retiree Benefits Trust had a balance of approximately \$4.06 million.

Total Compensation Systems, Inc. has prepared an actuarial valuation (the "Actuarial Valuation") covering the District's retiree health benefits and reports that, as of January 1, 2015, the District had 54 eligible retirees as well as approximately 1,282 eligible active plan members. The Actuarial Valuation reports that, as of January 1, 2015, the District had an actuarial accrued liability of \$8,987,811. The Actuarial Valuation provides that the remaining unamortized balance of the initial unfunded actuarially accrued liability is \$3,697,394, leaving a residual actuarial accrued liability of \$5,290,417. For the year beginning January 1, 2015, the annual required contribution is estimated to be \$1,143,140 and the pay-as-you-go requirement is \$1,143,140 under the Actuarial Valuation. The Actuarial Valuation assumes, among other things, 2.75% inflation per year, 5% discount rate per year and 2.75% payroll increase per year.

***Tax and Revenue Anticipation Notes.*** On May 1, 2014, the District issued \$15,740,000 of tax and revenue anticipation notes (the "2014 TRANs"). The 2014 TRANs were issued to supplement cash flows. Interest and principal were due and payable, and were paid, on September 1, 2014. The District may issue tax and revenue anticipation notes in future years when necessary to supplement cash flow.

***Community Facilities District (CFD) Special Tax Bonds.*** The bonds issued by certain community facilities districts ("CFDs") established by the District (the "CFD Bonds") are not obligations of the District. The CFD Bonds, the interest thereon, and any premiums on the redemption of any of the CFD Bonds are not an indebtedness of the District, the State of California, or any of its political subdivisions. Neither the faith and credit nor the general taxing power of the CFD, the District, the County, the State of California, or any political subdivision thereof is pledged to the payment of the CFD Bonds, which are payable from the proceeds of an annual special tax levied on and collected from property within the respective CFDs according to the rate and method of apportionment determined by a formula approved by the qualified electors of the CFDs and by the Board of Education of the District. The CFD Bonds are secured only by a first pledge of all revenues derived from the net special taxes and the moneys deposited in certain funds held under their respective fiscal agent agreements.

For more information about outstanding CFD Bonds, see Note 10 to the District's financial statements attached hereto as APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2015."



## Employment

As of July 1, 2016, the District budgeted 912.0 full-time equivalent certificated (non-management) employees, 577 full-time equivalent classified (non-management) employees and 101.0 full-time equivalent management, supervisor and confidential employees. In addition, the District employed \_\_\_\_\_ part-time faculty and staff. For fiscal year 2015-16, the total certificated and classified payrolls for all funds were approximately \$89.6 million (certificated) and \$28.8 million (classified), respectively, and are budgeted to be approximately \$95.5 million and \$33.0 million, respectively, in fiscal year 2016-17. These employees, except management and some part-time employees, are represented by the bargaining units as noted below:

Name of Bargaining Unit	Number of FTEs Represented	Current Contract Expiration Date
Val Verde Teachers Association	865	June 30, 2018
California School Employees Association, Chapter 567	765	June 30, 2017

Source: Val Verde Unified School District.

## Retirement Benefits

The District participates in retirement plans with CalSTRS, which covers all full-time certificated District employees, and the State Public Employees' Retirement System ("CalPERS"), which covers certain classified employees. Classified school personnel who are employed four or more hours per day may participate in CalPERS.

CalSTRS. Contributions to CalSTRS are fixed in statute. For fiscal year 2013-14, teachers contributed 8% of salary to CalSTRS, while school districts contributed 8.25%. In addition to the teacher and school contributions, the State contributed 4.517% of teacher payroll to CalSTRS (calculated on payroll data from two fiscal years ago). Prior to fiscal year 2014-15 and unlike typical defined benefit programs, neither the CalSTRS employer nor the State contribution rate varied annually to make up funding shortfalls or assess credits for actuarial surpluses. The State does pay a surcharge when the teacher and school district contributions are not sufficient to fully fund the basic defined benefit pension (generally consisting of 2% of salary for each year of service at age 60 referred to herein as "pre-enhancement benefits") within a 30-year period. However, this surcharge does not apply to systemwide unfunded liability resulting from recent benefit enhancements.

As of June 30, 2015, an actuarial valuation (the "2015 CalSTRS Actuarial Valuation") for the entire CalSTRS defined benefit program showed an estimated unfunded actuarial liability of \$76.20 billion, an increase of approximately \$3.48 billion from the June 30, 2015, June 30, 2014 and June 30, 2013 valuation. The funded ratios of the actuarial value of valuation assets over the actuarial accrued liabilities as of June 30, 2015, June 30, 2014 and June 30, 2013, based on the actuarial assumptions, were approximately 68.5%, 68.5% and 66.9%, respectively. Future estimates of the actuarial unfunded liability may change due to market performance, legislative actions and other experience that may differ from the actuarial assumptions. The following are certain of the actuarial assumptions set forth in the 2015 CalSTRS Actuarial Valuation: measurement of accruing costs by the "Entry Age Normal Actuarial Cost Method," 7.50% investment rate of return, 4.50% interest on member accounts, 3.75% projected wage growth, and 3.00% projected inflation. The 2015 CalSTRS Actuarial Valuation also assumes that all members hired on or after January 1, 2013 are subject to the provisions of PEPPA (as defined herein). See "Governor's Pension Reform" below for a discussion of the pension reform measure signed by the Governor in August 2012 expected to help reduce future pension obligations of public employers with respect to employees hired on or after January 1, 2013. Future estimates of the actuarial unfunded liability

may change due to market performance, legislative actions, changes in actuarial assumptions and other experiences that may differ from the actuarial assumptions.

As indicated above, there was no required contribution from teachers, schools districts or the State to fund the unfunded actuarial liability for the CalSTRS defined benefit program and only the State legislature can change contribution rates. The 2015 CalSTRS Actuarial Valuation noted that, as of June 30, 2015, the contribution rate, inclusive of contributions from the teachers, the school districts and the State, was equivalent to 33.439% over the next 30 years.

As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 which implements a new funding strategy for CalSTRS, increasing the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. Such rate would increase by 1.85% beginning in fiscal year 2015-16 until the employer contribution rate is 19.10% of covered payroll as further described below. Teacher contributions have increased from 8.00% to a total of 10.25% of pay (9.21% for employees commencing employment with the District on and after July 1, 2013), over the last three years. The State's total contribution has increased from approximately 3% in fiscal year 2013-14 to 6.30% of payroll in fiscal year 2016-17, plus the continued payment of 2.5% of payroll annual for a supplemental inflation protection program for a total of 8.80%. In addition, AB 1469 provides the State Teachers Retirement Board with authority to modify the percentages paid by employers and employees for fiscal year 2021-22 and each fiscal year thereafter to eliminate the CalSTRS unfunded liability by June 30, 2046. The State Teachers Retirement Board would also have authority to reduce employer and State contributions if they are no longer necessary.

Pursuant to Assembly Bill 1469, school district's contribution rates will increase in accordance with the following schedule:

Effective Date (July 1)	School District Contribution Rate
2014	8.88%
2015	10.73
2016	12.58
2017	14.43
2018	16.28
2019	18.13
2020	19.10

Source: Assembly Bill 1469.

The following table sets forth the District's total employer contributions to CalSTRS for fiscal years 2012-13 through 2015-16 and the budgeted contribution for fiscal year 2016-17.

**VAL VERDE UNIFIED SCHOOL DISTRICT  
(Riverside County, California)  
Contributions to CalSTRS for Fiscal Years 2012-13 through 2016-17<sup>(3)</sup>**

Fiscal Year	Contribution <sup>(1)</sup>
2012-13	\$5,937,759
2013-14	6,470,206
2014-15	7,103,043
2015-16	9,391,407 <sup>(2)</sup>
2016-17	11,970,944 <sup>(3)</sup>

<sup>(1)</sup> Excludes payments by the State to CalSTRS on behalf of the District.

<sup>(2)</sup> Estimated actuals for fiscal year 2015-16.

<sup>(3)</sup> Adopted general fund budget for fiscal year 2016-17.

Source: Val Verde Unified School District.

The District's total employer contributions to CalSTRS for fiscal years 2011-12 through 2014-15 were equal to 100% of the required contributions for each year. With the implementation of AB 1469, the District anticipates that its contributions to CalSTRS will increase in future fiscal years as compared to prior fiscal years. The District, nonetheless, is unable to predict all factors or any changes in law that could affect its required contributions to CalSTRS in future fiscal years.

CalSTRS produces a comprehensive annual financial report and actuarial valuations which include financial statements and required supplementary information. Copies of the CalSTRS comprehensive annual financial report and actuarial valuations may be obtained from CalSTRS. The information presented in these reports is not incorporated by reference in this Official Statement.

**CalPERS.** All qualifying classified employees of K-12 districts in the State are members in CalPERS, and all of such districts participate in the same plan. As such, all such districts share the same contribution rate in each year. However, unlike school districts' participating in CalSTRS, the school districts' contributions to CalPERS fluctuate each year and include a normal cost component and a component equal to an amortized amount of the unfunded liability. Accordingly, the District cannot provide any assurances that the District's required contributions to CalPERS in future years will not significantly vary from any current projected levels of contributions to CalPERS.

According to the CalPERS Schools Actuarial Valuation as of June 30, 2014, the CalPERS Schools plan had a funded ratio of 86.6% on a market value of assets basis. The funded ratio, on a market value basis, as of June 30, 2014, June 30, 2013, June 30, 2012, June 30, 2011 and June 30, 2010 was 86.6%, 80.5%, 75.5%, 78.7% and 69.5%, respectively. In April 2013, the CalPERS Board of Administration approved changes to the CalPERS amortization and smoothing policy intended to reduce volatility in employer contribution rates. Beginning with the June 30, 2013 actuarial valuation, CalPERS employed a new amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period (as compared to the current policy of spreading investment returns over a 15-year period with experience gains and losses paid for over a rolling 30-year period). Such changes, the implementation of which are delayed until fiscal year 2015-16 for the State, schools and all public agencies, are expected to increase contribution rates in the near term but lower contribution rates in the long term. In November 2015, the CalPERS Board of Administration approved a proposal pursuant to which the discount rate would be reduced by a minimum of 0.05 percentage points to a maximum of 0.25 percentage points in years when investment returns outperform the current discount rate of 7.5% by at least four percentage points.

In April 2016, CalPERS approved an increase to the contribution rate for school districts from 11.847% during fiscal year 2015-16 to 13.888% during fiscal year 2016-17. In addition, the CalPERS Finance and Administration Committee has reported that the Schools Actuarial Valuation as of June 30, 2015, which is expected to be released in summer 2016, will indicate that the funded ratio as of June 30, 2015 is approximately 77.5% on a market value of assets basis.

In February 2014, the CalPERS Board of Administration adopted actuarial demographic assumptions that take into account public employees living longer. Such assumptions are expected to increase costs for the State and public agency employers (including school districts), which costs will be amortized over 20 years and phased in over three years beginning in fiscal year 2014-15 for the State and amortized over 20 years and phased in over five years beginning in fiscal year 2016-17 for the employers. These new assumptions will apply beginning with the June 30, 2015 valuation for the schools pool, setting employer contribution rates for fiscal year 2016-17. CalPERS estimates that the new demographic assumptions could cost public agency employers up to 9% of payroll for safety employees and up to 5% of payroll for miscellaneous employees at the end of the five year phase in period. To the extent, however, that future experiences differ from CalPERS' current assumptions, the required employer contributions may vary.

The following table sets forth the District's total employer contributions to CalPERS for fiscal years 2012-13 through 2015-16 and the budgeted contribution for fiscal year 2016-17.

**VAL VERDE UNIFIED SCHOOL DISTRICT  
(Riverside County, California)  
Contributions to CalPERS for Fiscal Years 2012-13 through 2016-17**

Fiscal Year	Contribution
2012-13	\$2,769,573
2013-14	4,805,136
2014-15	3,337,367
2015-16	3,394,048 <sup>(1)</sup>
2016-17	4,568,028 <sup>(2)</sup>

<sup>(1)</sup> Estimated actuals for fiscal year 2015-16.

<sup>(2)</sup> Adopted general fund budget for fiscal year 2016-17.

Source: Val Verde Unified School District.

The District's total employer contributions to CalPERS for fiscal years 2012-13 through 2015-16 were equal to 100% of the required contributions for each year. With the change in actuarial assumptions described above, the District anticipates that its contributions to CalPERS will increase in future fiscal years as the increased costs are phased in. The implementation of PEPR (see "Governor's Pension Reform" below), however, is expected to help reduce certain future pension obligations of public employers with respect to employees hired on or after January 1, 2013. The District cannot predict the impact these changes will have on its contributions to CalPERS in future years.

CalPERS produces a comprehensive annual financial report and actuarial valuations that include financial statements and required supplementary information. Copies of the CalPERS comprehensive annual financial report and actuarial valuations may be obtained from CalPERS Financial Services Division. The information presented in these reports is not incorporated by reference in this Official Statement.

**Governor's Pension Reform.** On August 28, 2012, Governor Brown and the State Legislature reached agreement on a new law that reforms pensions for State and local government employees. AB

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

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make. CalSTRS and CalPERS are more fully described in Note N to the District's financial statements attached hereto as APPENDIX B – "FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2015."

**GASB 67 and 68.** In June 2012, the Governmental Accounting Standards Board approved a pair of related statements, Statement Number 67, Financial Reporting for Pension Plans ("Statement Number 67"), which addresses financial reporting for pension plans, and Statement Number 68, Accounting and Financial Reporting for Pensions ("Statement Number 68"), which establishes new accounting and financial reporting requirements for governments that provide their employees with pensions. The guidance contained in these statements will change how governments calculate and report the costs and obligations associated with pensions. Statement Number 67 replaces the current requirements of Statement Number 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, for most public employee pension plans, and Statement Number 27 replaces the current requirements of Statement Number 27, Accounting for Pensions by State and Local Governmental Employers, for most government employers. The new statements also replace the requirements of Statement Number 50, Pension Disclosures, for those governments and pension plans. Certain of the major changes include: (i) the inclusion of unfunded pension liabilities on the government's balance sheet (such unfunded liabilities are currently typically included as notes to the government's financial statements); (ii) full pension costs would be shown as expenses regardless of actual contribution levels; (iii) lower actuarial discount rates would be required to be used for most plans for certain purposes of the financial statements, resulting in increased liabilities and pension expenses; and (iv) shorter amortization periods for unfunded liabilities would be required to be used for certain purposes of the financial statements, which generally would increase pension expenses. Statement Number 67 became effective in fiscal year 2012-13, and Statement Number 68 became effective beginning fiscal year 2013-14.

### **Joint Ventures**

The District participates in four joint ventures under joint powers agreements ("JPAs"): Riverside Schools' Risk Management Authority (RSRMA), Riverside County Employer/Employee Partnership for Benefits (REEP), Self-Insured Schools of California (SISC), and the Riverside Schools Insurance Authority (RSIA) for property liability, workers' compensation and health coverage. The

relationships between the District and the JPAs are such that the JPAs are not a component unit of the District for financial reporting purposes.

The JPAs arrange for and provide coverage for their members. Each JPA is governed by a board consisting of a representative from each member district. Each board controls the operations of their JPA, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in each JPA. See APPENDIX B – “FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2015, Note 16.”

## **CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS**

### **Limitations on Revenues**

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

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

*County of Orange v. Orange County Assessment Appeals Board No. 3.* Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently “recapture” such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor’s measure of the restoration of value of the damaged property. The constitutionality of this procedure was challenged in a lawsuit brought in 2001 in the Orange County Superior Court, and in similar lawsuits brought in other counties, on the basis that the decrease in assessed value creates a new “base year value” for purposes of Proposition 13 and that subsequent increases in the assessed value of a property by more than 2% in a single year violate Article XIII A. On appeal, the California Court of Appeal upheld the recapture practice in 2004, and the State Supreme Court declined to review the ruling, leaving the recapture law in place.

*Legislation Implementing Article XIII A.* Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is

automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

Beginning in the 1981-82 fiscal year, assessors in the State no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as \$4 per \$100 assessed value. All taxable property is now shown at full market value on the tax rolls. Consequently, the tax rate is expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

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

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

The District annually budgets appropriations from "proceeds of taxes" (sometimes referred to as the "Gann limit") for the 2014-15 fiscal year are equal to the allowable limit of approximately \$119.9 million (estimated) and has budgeted an appropriations limit for the 2015-16 fiscal year of approximately \$124.7 million. Any proceeds of taxes received by the District in excess of the allowable limit are absorbed into the State's allowable limit.

### **Article XIII C and Article XIII D of the California Constitution**

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

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIII C establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its

maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4. Article XIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIC or XIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

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

### **Statutory Limitations**

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

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

### **Proposition 98 and Proposition 111**

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

Since the Accountability Act is unclear in some details, there can be no assurance that the Legislature or a court might not interpret the Accountability Act to require a different percentage of general fund revenues to be allocated to K-14 districts than the 40.9%, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget. In any event, the Governor and other fiscal observers expect the Accountability Act to place increasing pressure on the



State's budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIII B spending limit would restrain the State's ability to fund such other programs by raising taxes.

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

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

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

### **Proposition 30**

On November 6, 2012, voters approved Proposition 30, also referred to as the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment. Proposition 30 temporarily (a) increased the personal income tax on certain of the State's income taxpayers by one to three percent for a period of seven years beginning with the 2012 tax year and ending with the 2019 tax year, and (b) increased the sales and use tax by one-quarter percent for a period of four

years beginning on January 1, 2013 and ending with the 2016 tax year. The revenues generated from such tax increases are included in the calculation of the Proposition 98 minimum funding guarantee (see “– Proposition 98 and Proposition 111” above). The revenues generated from such temporary tax increases are deposited into a State account created pursuant to Proposition 30 (the Education Protection Account), and 89% of the amounts therein are allocated to school districts and 11% of the amounts therein are allocated to community college districts.

The Proposition 30 tax increases are temporary and expire at the end of the 2016 and 2019 tax years. The District cannot predict the effect the loss of the revenues generated from such temporary tax increases will have on total State revenues and the effect on the Proposition 98 formula for funding schools.

Voters in the State will consider the California Tax Extension to Fund Education and Healthcare Initiative (“Proposition 55”) at the statewide election to be held in November 2016. If approved, Proposition 55 would extend by twelve years the temporary personal income tax increases enacted by Proposition 30 and allocation tax revenues to school districts and community colleges in the State.

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

The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. For a discussion of how the provisions of Proposition 98 have been applied to school funding see “DISTRICT FINANCIAL MATTERS — State Funding of Education; State Budget Process.”

### **Proposition 2**

Proposition 2, which included certain constitutional amendments to the Rainy Day Fund and, upon its approval, triggered the implementation of certain provisions which could limit the amount of reserves that may be maintained by a school district, was approved by the voters in the November 2014 election.

**Rainy Day Fund.** The Proposition 2 constitutional amendments related to the Rainy Day Fund (i) require deposits into the Rainy Day Fund whenever capital gains revenues rise to more than 8% of general fund tax revenues (and the 2014-15 State Budget notes that capital gains revenues are expected to account for approximately 9.8% of general fund revenues in fiscal year 2014-15); (ii) set the maximum size of the Rainy Day Fund at 10% of general fund revenues; (iii) for the next 15 years, require half of each year’s deposit to be used for supplemental payments to pay down the budgetary debts or other long-term liabilities and, thereafter, require at least half of each year’s deposit to be saved and the remainder used for supplemental debt payments or savings; (iv) allow the withdrawal of funds only for a disaster or if spending remains at or below the highest level of spending from the past three years; (v) require the State to provide a multiyear budget forecast; and (vi) create a Proposition 98 reserve (the Public School System Stabilization Account) to set aside funds in good years to minimize future cuts and smooth school spending. The State may deposit amounts into such account only after it has paid all amounts owing to school districts relating to the Proposition 98 maintenance factor for fiscal years prior to fiscal year 2014-15. The State, in addition, may not transfer funds to the Public School System Stabilization Account unless the State is in a Test 1 year under Proposition 98 or in any year in which a maintenance factor is created.

**SB 858.** Senate Bill 858 (“SB 858”) became effective upon the passage of Proposition 2. SB 858 includes provisions which could limit the amount of reserves that may be maintained by a school district in certain circumstances. Under SB 858, in any fiscal year immediately following a fiscal year in which

the State has made a transfer into the Public School System Stabilization Account, any adopted or revised budget by a school district would need to contain a combined unassigned and assigned ending fund balance that (a) for school districts with an A.D.A. of less than 400,000, is not more than two times the amount of the reserve for economic uncertainties mandated by the Education Code, or (b) for school districts with an A.D.A. that is more than 400,000, is not more than three times the amount of the reserve for economic uncertainties mandated by the Education Code. In certain cases, the county superintendent of schools may grant a school district a waiver from this limitation on reserves for up to two consecutive years within a three-year period if there are certain extraordinary fiscal circumstances.

The District, which has an A.D.A. of less than 400,000, is required to maintain a reserve for economic uncertainty in an amount equal to 3% of its general fund expenditures and other financing uses. The District does not expect SB 858 to adversely affect its ability to pay the principal of and interest on the Series 2016 Bonds as and when due.

### **Future Initiatives**

Article XIII A, Article XIII B, Article XIII C, Article XIII D, as well as Propositions 2, 30, 62, 98, 111 and 218, 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.

**APPENDIX B**

**FINANCIAL STATEMENTS OF THE DISTRICT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**APPENDIX C**

**PROPOSED FORMS OF OPINIONS OF BOND COUNSEL**

*Upon issuance and delivery of the Series 2016 Bonds, Nossaman LLP, Bond Counsel to the District, proposes to render its final approving opinions with respect to each series of the Series 2016 Bonds in substantially the following forms:*

**APPENDIX D**  
**FORMS OF CONTINUING DISCLOSURE CERTIFICATES**

**APPENDIX E**

**COUNTY OF RIVERSIDE POOLED INVESTMENT FUND AND INVESTMENT POLICY**

*The following information and the investment policy of the County have been provided by the Treasurer-Tax Collector (the "County Treasurer"), and has not been confirmed or verified by the District or the Underwriter. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date. Further information may be obtained from the County Treasurer.*

The County Treasurer maintains one Pooled Investment Fund (the "PIF") for all local jurisdictions having funds on deposit in the County Treasury. As of June 30, 2016, the portfolio assets comprising the PIF had a market value of \$6,514,396,169.33.

State law requires that all operating moneys of the County, school districts, and certain special districts be held by the County Treasurer. On June 30, 2015, the Auditor-Controller performed an analysis on the County Treasury which resulted in the identification and classification of "mandatory" vs. "discretionary" depositors. The County Auditor-Controller reports that collectively, these mandatory deposits constituted approximately 73.99% of the funds on deposit in the County Treasury, while approximately 26.01% of the total funds on deposit in the County Treasury represented discretionary deposits.

While State law permits other governmental jurisdictions to participate in the County's PIF, the desire of the County Treasurer is to maintain a stable depositor base for those entities participating in the PIF.

All purchases of securities for the PIF are to be made in accordance with the County Treasurer's 2015 Statement of Investment Policy, which is more restrictive than the investments authorized pursuant to Sections 53601 and 53635 of the California Government Code. The Policy Statement requires that all investment transactions be governed by first giving consideration to the safety and preservation of principal and liquidity sufficient to meet daily cash flow needs prior to achieving a reasonable rate of return on the investment. Investments are not authorized in reverse-repurchase agreements except for an unanticipated and immediate cash flow need that would otherwise cause the Treasurer to sell portfolio securities prior to maturity at a principal loss.

The investments in the Treasurer's Pooled Investment Fund as of June 30, 2016 were as follows:

U.S. Treasury Securities	\$425,197,675.22	6.54%
Federal Agency Securities	4,586,885,792.39	70.52
Cash Equivalent & Money Market Funds	597,000,000.00	9.18
Commercial Paper	573,304,416.63	8.81
Medium Term Notes	-	-
Municipal Notes	321,951,009.13	4.95
Certificates of Deposit	-	-
Repurchase Agreements	-	-
Local Agency Obligations <sup>(1)</sup>	300,000.00	0.005
	<u>\$6,504,638,893.37</u>	<u>100.00%</u>
Book Yield	0.69%	
Weighted Average Maturity(years)	1.145%	

<sup>(1)</sup> Represents County Obligations issued by the Riverside District Court Financing Corporation.

As of June 30, 2016, the market value of the PIF was 100.15% of book value. The Treasurer estimates that sufficient liquidity exists within the portfolio to meet daily expenditure needs without requiring any sale of securities at a principal loss prior to their maturity.

In keeping with Sections 53684 and 53844 of the California Government Code, all interest, income, gains and losses on the portfolio are distributed quarterly to participants based upon their average daily balance except for specific investments made on behalf of a particular fund. In these instances, Sections 53844 requires that the investment income be credited to the specific fund in which the investment was made.

The Board has established an "Investment Oversight Committee" in compliance with California Government Code Section 27131. Currently, the Committee is composed of the County Finance Director, the County Treasurer-Tax Collector, the County Superintendent of Schools, a school district representative and a public member at large. The purpose of the committee is to review the prudence of the County's investment policy, portfolio holdings and investment procedures, and to make any findings and recommendations known to the Board. As of September 29, 2004, the State no longer required the County to have a local oversight committee; however, the County has elected to maintain the committee. The committee is utilized by the County to safeguard public funds and to perform other internal control measures.

The County has obtained a rating on the PIF of "AAA-bf" from Moody's Investors Service and "AAA/V1" rating from Fitch Ratings. There is no assurance that such ratings will continue for any given period of time or that any such rating may not be lowered, suspended or withdrawn entirely by the respective rating agency if, in the judgment of such rating agency, circumstances so warrant.

**Neither the District nor the Underwriter has made an independent investigation of the investments in the PIF and neither has made an assessment of the current County investment policy, a copy of which is attached hereto. The value of the various investments in the PIF will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the County Treasurer, with the approval of the IOC and the County Board of Supervisors, may change the County investment policy at any time. Therefore, there can be no assurance that the values of the various investments in the PIF will not vary significantly from the values described herein.**



## APPENDIX F

### BOOK-ENTRY ONLY SYSTEM

*The information in this appendix has been provided by DTC for use in securities offering documents, and the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Series 2016 Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Series 2016 Bonds, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement.*

1. The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2016 Bonds (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the

Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

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

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

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