

(a) The Series A Bond Proceeds shall be used only for the purposes set forth in the School Facilities Project List, the construction proceeds of which have been, or will be, used only for the purposes set forth in the School Facilities Project List.

(b) One or more funds or accounts (which may include subaccounts) as further described herein and in the County Resolution shall be created into which the Series A Bond Proceeds shall be deposited.

(c) The District's Assistant Superintendent of Business Support Services, shall have the responsibility, no less often than annually, to provide to the District Board a written report which shall contain at least the following information:

- (i) The amount of the Series A Bond Proceeds received and expended during the applicable reporting period; and
- (ii) The status of the acquisition, construction or financing of the school facility projects, as identified in the bond measure, with the Series A Bond Proceeds.

The report(s) required by this Section 17(c) may be combined with other periodic reports which include the same information, including, but not limited to, periodic reports made to the California Debt and Investment Advisory Commission, continuing disclosure reports, financial statements and audits and/or other written reports made in connection with the Series A Bonds. The requirements of this Section 17(c) shall apply only until all the Series A Bonds are redeemed or defeased, but if the Series A Bonds, or any series of bonds, are refunded, such provisions shall apply until all such refunding bonds are redeemed or defeased.

Section 18. Additional Findings and Directives. Pursuant to Education Code Section 15146(b) and (c), the District Board hereby finds, determines and directs as follows:

(a) The Series A Bonds shall be sold by negotiated sale to the Underwriter as set forth in Sections 5, 6 and 7 of this Resolution and elsewhere herein.

(b) The Series A Bonds shall be sold by negotiated sale inasmuch as: (i) such a sale to the Underwriter will allow the District to integrate the sale of the Series A Bonds with other public financings undertaken, or to be undertaken, by the District in order to finance and fund public school facilities and equipment; (ii) such a sale will allow the District to utilize the services of consultants who are familiar with the financial needs, status and plans of the District; (iii) such a sale will allow the District to utilize the services of consultants at a lower cost than selecting, retaining and utilizing the services of consultants who are not familiar with the District, its financing needs and related matters; and (iv) such a sale will allow the District to control the timing of the sale of the Series A Bonds to the municipal bond market and, potentially, take advantage of interest rate opportunities for favorable sale of the Series A Bonds to such market.

(c) The District intends that the Series A Bonds be sold to Stifel, Nicolaus & Company, Incorporated, as Underwriter, pursuant to a negotiated sale and the terms and

conditions set out in the final executed Purchase Agreement. The District is represented by Bowie, Arneson, Wiles & Giannone as Bond Counsel, Stradling Yocca Carlson & Rauth as Disclosure Counsel and CSG Advisors Incorporated as Financial Advisor.

(d) The estimates of costs associated with the issuance and sale of the Series A Bonds include the following: (i) the Underwriter's discount shall be as described in Section 7 hereof; (ii) Bond Counsel and Disclosure Counsel fees are based upon the final par amount of the Series A Bonds and are set out in the retention agreements with Bond Counsel and Disclosure Counsel, which are on file with the District; (iii) costs for purchase of a policy of bond insurance or other credit enhancement (iv) costs for printing of the Preliminary Official Statement and Official Statement, other legal counsel fees, rating agency fees and presentation, pricing consultant, the initial fees and expenses of the paying agent, California Municipal Statistics and other fees and expenses incident to the issuance and sale of the Series A Bonds. Such estimates are set forth in Exhibit "C," attached hereto and incorporated herein by this reference. All figures set out in Exhibit "C" are estimates and shall not constrain or limit the amount that the District may allocate for costs of issuance in connection with the issuance and sale of the Series A Bonds pursuant to the directives and conditions set forth herein.

(e) The District Board hereby directs that following the sale of the Series A Bonds, the District Board shall be presented with the actual costs of sale, issuance and delivery costs of the Series A Bonds at the next occurring meeting of the District Board for which such information can be determined and presented in accordance with State law.

(f) The District Board hereby directs that following the sale and delivery of the Series A Bonds that an itemized summary of the costs of the sale, issuance and delivery costs of the Series A Bonds shall be provided to the California Debt and Investment Advisory Commission (CDIAC). The District Board hereby determines that submission of such information as part of the filing of the Report of Final Sale for the Series A Bonds made to CDIAC pursuant to State law, including Government Code Section 8855, shall constitute compliance with the applicable requirements of Education Code Section 15146(c)(2).

(g) The District Board hereby directs that as part of the authorization for issuance, sale, issuance and delivery of the Series A Bonds that all necessary filings with CDIAC shall be completed by the District staff and/or its consultants or legal counsel on behalf of the District. The District Board directs that confirmation of such filings shall be included in the transcript of agreements, resolutions, proceedings and documents prepared and delivered in connection with the authorization for issuance, sale, issuance and delivery of the Series A Bonds.

Section 19. District Consultant Costs, County Costs, and Costs of Issuance Agreement.

(a) The District has retained the services of Bowie, Arneson, Wiles & Giannone to represent the District as Bond Counsel, Stradling Yocca Carlson & Rauth to represent the District as Disclosure Counsel, and CSG Advisors Incorporated to represent the District as Financial Advisor. U.S. Bank National Association will serve as the District's initial Paying Agent. The Designated Officers are authorized to execute and deliver service agreements with such legal counsel and other service providers in connection with such services. The Superintendent of the District is hereby also authorized to retain such other and further

consultants and services, including, but not limited to, printing services, legal services, assessment information and pricing consultant services as are necessary or desirable to facilitate the issuance, sale and delivery of the Series A Bonds. The Designated Officer is further authorized to execute and deliver an agreement for costs of issuance custodian services and the District Board hereby authorizes costs of issuance of the Bonds to be paid from proceeds of the Bonds through such a custodial account as authorized by State law.

(b) That this District Board authorizes the payment to the County of out-of-pocket expenses and other costs incurred by the County in connection with the County's support of, and participation in, the issuance, sale and delivery of the Series A Bonds.

Section 20. Approval of Actions. All actions heretofore taken by officers, agents and consultants of the District with respect to the sale and issuance of the Series A Bonds are hereby approved, confirmed and ratified. The President and Clerk of the District Board and the Superintendent and the Designated Officer(s) are each authorized and directed in the name and on behalf of the District to make and execute any and all certificates, requisitions, agreements, notices, consents, warrants and other documents, which they, or any of them, might deem necessary or appropriate in order to consummate the lawful issuance, sale and delivery of the Series A Bonds. Whenever in this Resolution any officer of the District is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in case such officer shall be absent or unavailable.

Section 21. Other Actions. The President and Clerk of the District Board, and the Designated Officers of the District, are each authorized and directed to execute and delivery all other documents and to take all actions necessary to cause or facilitate the issuance, sale and delivery of the Series A Bonds.

Section 22. Partial Invalidity; Severability. If any one or more of the covenants or agreements, or portions thereof, provided in this Resolution on the part of the District to be performed should be contrary to law, then such covenant or covenants, such agreement or agreements, or such portions thereof, shall be null and void and shall be deemed separable from the remaining covenants and agreement or portions thereof and shall in no way affect the validity of this Resolution or of the Series A Bonds; but the Bond owners shall retain all rights and benefits accorded to them under any applicable provisions of law. The District hereby declares that it would have approved this Resolution and each and every other section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Series A Bonds pursuant hereto irrespective of the fact that any one or more sections, paragraphs, subdivisions, sentences, clauses or phrases of this Resolution or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 23. Governing Law. This Resolution shall be construed and governed in accordance with the laws of the State of California.

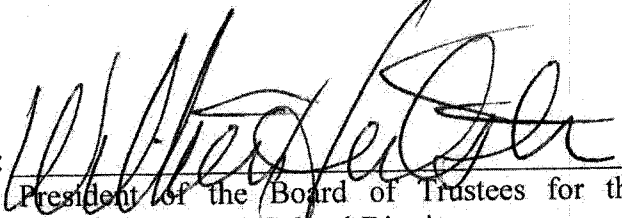
Section 24. **Effective Date.** The provisions of this Resolution shall take effect immediately upon adoption.

Section 25. **County Filing.** The Clerk of the District Board is hereby directed to file, or cause to be filed, certified copies of this Resolution with the Clerk of the County Board and the Superintendent of Schools of Riverside County.


[Remainder of this page is blank]

ADOPTED, SIGNED and APPROVED this 15th day of May, 2013, by the Board of Trustees of the Perris Union High School District of the County of Riverside, State of California.

BOARD OF TRUSTEES OF THE PERRIS UNION
HIGH SCHOOL DISTRICT

By: 
President of the Board of Trustees for the
Perris Union High School District

ATTEST:

By: 
Clerk of the Board of Trustees for the Perris
Union High School District

STATE OF CALIFORNIA)
) ss.
COUNTY OF RIVERSIDE)

I, Carolyn Twyman, Clerk of the Board of Trustees of the Perris Union High School District, do hereby certify that the foregoing resolution was duly adopted by the Board of Trustees of the Perris Union High School District at a meeting thereof held on the 15th day of May, 2013, at which meeting a quorum of such Board was present and acting throughout and for which notice and an agenda was prepared and posted as required by law, and that such Resolution was so adopted by the following vote:

AYES: 5

NOES: 0

ABSTAIN: 0

ABSENT: 0

By: Carolyn Twyman
Clerk of the Board of Trustees of the Perris
Union High School District

STATE OF CALIFORNIA)
) ss.
COUNTY OF RIVERSIDE)

I, Carolyn Twyman, Clerk of the Board of Trustees of the Perris Union High School District, do hereby certify that the foregoing is a full, true and correct copy of Resolution No. 33:12-13 of such Board and that the same has not been amended or repealed.

Dated this 15th day of May, 2013.

By: Carolyn Twyman
Clerk of the Board of Trustees of the Perris
Union High School District

NEW ISSUE – FULL BOOK-ENTRY**RATINGS: Standard & Poor's: "___"****Moody's: "___"****See "RATINGS"**

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

\$35,000,000*

**PERRIS UNION HIGH SCHOOL DISTRICT
(Riverside County, California)
General Obligation Bonds, 2012 Election, Series A**

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

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

The Perris Union High School District (Riverside County, California) General Obligation Bonds, 2012 Election, Series A (the "Bonds"), in the aggregate principal amount of \$35,000,000*, were authorized at an election of the registered voters of the Perris Union High School District (the "District") held on November 6, 2012, at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of \$153,420,000 aggregate principal amount of general obligation bonds of the District. The Bonds are being issued to finance the repair, upgrading, modernization, renovation, construction and equipping of certain District property and facilities, to pay capitalized interest on the Bonds, and to pay certain costs of issuing the Bonds.

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

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (collectively referred to herein as "DTC"). Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds.

Interest with respect to the Bonds accrues from the date of delivery of the Bonds and is payable semiannually on March 1 and September 1 of each year, commencing March 1, 2014. Payment to owners of \$1,000,000 or more in principal amount of the Bonds, at the owner's option, will be made by wire transfer. The Bonds are issuable as fully registered Bonds in denominations of \$5,000 principal amount or any integral multiple thereof.

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

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

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

MATURITY SCHEDULE*
(see inside front cover)

The Bonds are offered when, as and if issued, and received by the Underwriter subject to the approval as to their legality by Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel to the District. Certain legal matters will be passed upon for the District by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, as Disclosure Counsel, and by Bowie, Arneson, Wiles & Giannone, Newport Beach, California, as District Counsel; certain legal matters will be passed upon for the Underwriter by McFarlin & Anderson LLP, Laguna Hills, California. The Bonds, in book-entry form, will be available for delivery through the facilities of The Depository Trust Company on or about July __, 2013.

**Stifel
[LOGO]**

The date of this Official Statement is July __, 2013.

* Preliminary, subject to change.

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

MATURITY SCHEDULE*

\$35,000,000*

**PERRIS UNION HIGH SCHOOL DISTRICT
(Riverside County, California)
General Obligation Bonds, 2012 Election, Series A**

Base CUSIP†: _____

\$_____ Serial Bonds

<u>Maturity</u> <u>(September 1</u> <u>)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP†</u>
---	---	--	---------------------	----------------------

\$_____ % Term Bonds due September 1, 20__ - Yield _____%‡ - CUSIP†: _____

* Preliminary, subject to change.

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

‡ Yield to call at par on September 1, 20__.

PERRIS UNION HIGH SCHOOL DISTRICT
(Riverside County, California)

BOARD OF TRUSTEES

William F. Hulstrom, *President*
Joan D. Cooley, *Vice President*
Carolyn A. Twyman, *Clerk*
Edward Agundez, *Member*
David G. Nelissen, *Member*

DISTRICT ADMINISTRATION

Jonathan L. Greenberg, Ed. D., *Superintendent*
Candace Reines, *Assistant Superintendent, Business Services*

PROFESSIONAL SERVICES

BOND COUNSEL/DISTRICT COUNSEL

Bowie, Arneson, Wiles & Giannone
Newport Beach, California

DISCLOSURE COUNSEL

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

FINANCIAL ADVISOR

CSG Advisors Incorporated
San Francisco, California

PAYING AGENT

U.S. Bank National Association
Los Angeles, California

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

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

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

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

Stifel, Nicolaus & Company, Incorporated (the "Underwriter") has provided the following sentence for inclusion in this Official Statement:

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

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

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

\$35,000,000*
Perris Union High School District
(Riverside County, California)
General Obligation Bonds, 2012 Election, Series A

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page, and appendices hereto, provides information in connection with the sale of Perris Union High School District (Riverside County, California) General Obligation Bonds, 2012 Election, Series A, in the principal amount of \$35,000,000* (the "Bonds").

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

The District

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

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

The District is governed by a five-member Board of Trustees (the "Board"), each member of which is elected at large to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The day-to-day affairs of the District are the responsibility of its Superintendent. Jonathan L. Greenberg, Ed.D., is the Superintendent of the District and Candace Reines is the Assistant Superintendent, Business Services. See "THE DISTRICT – Administration."

Security and Sources of Payment for the Bonds

The Bonds are general obligation bonds of the District payable solely from *ad valorem* property taxes levied and collected by the County on taxable property located within the boundaries of the District. The Board of Supervisors (the "Board of Supervisors") of the County has the power and is obligated to annually levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District without limitation of rate or amount (except certain

* Preliminary, subject to change.

personal property which is taxable at limited rates). See "THE BONDS – Security and Sources of Payment."

Purpose of Issue

The proceeds from the sale of the Bonds will be used by the District to (i) finance the repair, upgrading, modernization, renovation, construction and equipping of certain District property and facilities, (ii) pay capitalized interest on the Bonds, and (iii) pay certain costs of issuance of the Bonds. See "THE BONDS – Application and Investment of Bond Proceeds" and "ESTIMATED SOURCES AND USES OF FUNDS."

Description of the Bonds

Form, Registration and Denomination. The Bonds will be issued in fully registered form only (without coupons), initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to actual purchasers of the Bonds (the "Beneficial Owners") in the denominations set forth on the inside cover page hereof, under the book-entry only system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See "THE BONDS – Book-Entry Only System." In the event that the book-entry only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Bond Resolution described herein. See "THE BONDS – Registration, Transfer and Exchange of Bonds."

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

Redemption.* The Bonds are subject to optional redemption and mandatory sinking fund redemption prior to maturity as described herein. See "THE BONDS – Redemption."

Payments. Interest on the Bonds accrues from their initial date of delivery, and is payable semiannually on each March 1 and September 1 (each a "Bond Payment Date"), commencing March 1, 2014. Principal on the Bonds is payable on September 1 in the amounts and years as set forth on the inside cover page hereof. Payments of the principal of and interest on the Bonds will be made by U.S. Bank National Association, the designated paying agent, bond registrar, authenticating agent and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement through DTC Participants (defined herein) to the Beneficial Owners (defined herein) of the Bonds. See "THE BONDS – Book-Entry Only System."

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

Tax Matters

In the opinion of Bowie, Arneson, Wiles & Giannone, Newport Beach, California ("Bond Counsel"), subject, however, to certain qualifications described herein, under existing laws, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal

* Preliminary, subject to change.

income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended ("Code"). Bond Counsel also observes that interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations, although Bond Counsel observes that such interest is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liabilities. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income taxation. Bond Counsel expresses no other opinion regarding or concerning any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS – Opinion of Bond Counsel."

Authority for Issuance of the Bonds

The Bonds are issued pursuant to certain provisions of the State of California Government Code and other applicable law, and pursuant to resolutions adopted by the District's Board and the Board of Supervisors of the County. See "THE BONDS – Authority for Issuance."

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to the validity by Bond Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about July __, 2013.

Continuing Disclosure

The District will covenant for the benefit of bondholders to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events, in compliance with S.E.C. Rule 15c2-12(b)(5). The specific nature of the information to be made available and of the notices of events required to be provided are summarized in Appendix C. See "LEGAL MATTERS – Continuing Disclosure."

Professionals Involved in the Offering

Bowie, Arneson, Wiles & Giannone, Newport Beach, California is acting as Bond Counsel to the District with respect to the Bonds, and also as District Counsel. Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California is acting as Disclosure Counsel to the District in connection with the Bonds. Bowie, Arneson, Wiles & Giannone and Stradling Yocca Carlson & Rauth will receive compensation from the District contingent upon the sale and delivery of the Bonds. CSG Advisors Incorporated, San Francisco, California, will act as financial advisor to the District in connection with the Bonds. U.S. Bank National Association, Los Angeles, California is acting as Paying Agent with respect to the Bonds. McFarlin & Anderson LLP, Laguna Hills, California will be serving as Underwriter's Counsel in connection with the sale and delivery of the Bonds.

Forward Looking Statements

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

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to the forward-looking statements set forth in this Official Statement.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from the Superintendent, Perris Union High School District, 155 East Fourth Street, Perris, California 92570-2124. The District may impose a charge for copying, mailing and handling.

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

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

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

Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Bond Resolution (defined herein).

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code of the State of California (the "Act"), commencing with Section 53506 *et seq.*, as amended, Article XIII A of the California Constitution, and applicable provisions of the California Education Code and pursuant to a resolution adopted by the Board on May 15, 2013 (the "District Resolution"), and by the Board of Supervisors of the County on _____, 2013 (the "Bond Resolution" and together with the District Resolution, the "Resolutions"). The District received authorization at an election held on November 6, 2012, by more than 55% of the votes cast by eligible

voters within the District to issue not to exceed \$153,420,000 aggregate principal amount of general obligation bonds (the "Authorization"). The Bonds are the first series of bonds issued under the Authorization. See "DISTRICT FINANCIAL INFORMATION – District Debt Structure – General Obligation Bonds" for information concerning other outstanding general obligation bonds of the District.

Security and Sources of Payment

The Bonds are general obligations of the District, and payable solely from the proceeds of *ad valorem* property taxes. The Board of Supervisors of the County is empowered and obligated to annually levy *ad valorem* taxes for the payment of the principal of and interest on the Bonds upon all property within the District subject to taxation by the District without limitation as to rate or amount (except certain personal property which is taxable at limited rates). Such taxes, when collected, will be deposited by the County into the Perris Union High School District General Obligation Bonds, 2012 Election, Series A Debt Service Fund (the "Debt Service Fund"), which is segregated and held by the County and which is irrevocably pledged for the payment of principal of and interest on the Bonds when due. Although the County is obligated to levy an *ad valorem* tax for the payment of the Bonds, and the County will hold the Debt Service Fund, the Bonds are not a debt of the County. See "TAX BASE FOR REPAYMENT OF THE BONDS."

The moneys in the Debt Service Fund, to the extent necessary to pay the principal of and interest on the Bonds, as the same becomes due and payable, will be transferred by the County to the Paying Agent which, in turn, shall remit such moneys to DTC to pay, as the case may be, the principal of and interest on the Bonds. DTC will thereupon make payment of principal and interest of such Bonds to the DTC Participants who will thereupon make payments of principal and interest to its Participants (as defined herein) for subsequent disbursement to the Beneficial Owners of the Bonds.

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

Description of the Bonds

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

Interest with respect to the Bonds accrues from their date of delivery, and is payable semiannually on March 1 and September 1 of each year (each a "Bond Payment Date"), commencing March 1, 2014.

Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months. Each Bond shall bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month immediately preceding any Bond Payment Date to and including such Bond Payment Date, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before February 15, 2014, in which event it shall bear interest from its date; *provided*, that if, at the time of authentication of any Bond interest is in default on any outstanding Bonds, such Bond shall bear interest from the Bond Payment Date to which interest has previously been paid or made available for payment on the outstanding Bonds. The Bonds are issuable in denominations of \$5,000 principal amount or any integral multiple thereof and mature on September 1 in the years and amounts set forth on the inside cover hereof.

The principal of the Bonds will be payable on the dates indicated on the inside cover page hereof, in lawful money of the United States of America to the registered owner thereof, upon the surrender thereof at the principal corporate trust office of the Paying Agent. The interest on the Bonds will be payable in lawful money of the United States of America to the person whose name appears on the bond registration books of the Paying Agent as the registered owner thereof as of the close of business on the 15th day of the month next preceding any Bond Payment Date (a "Record Date"), whether or not such day is a business day, such interest to be paid by check or draft mailed on such Bond Payment Date to such registered owner at such registered owner's address as it appears on such registration books on the preceding Record Date or at such address as the registered owner may have filed with the Paying Agent for that purpose. The interest payments on the Bonds will be made in immediately available funds (e.g., by wire transfer) to any registered owner of at least \$1,000,000 of outstanding Bonds who shall have requested in writing such method of payment of interest on the Bonds prior to the close of business on the Record Date immediately preceding any Bond Payment Date.

Book-Entry Only System

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but neither the District nor the Underwriter takes any responsibility for the accuracy or completeness thereof. Information presented at any website cited within this section is not incorporated herein by reference. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "MMI Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S.

and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

So long as Cede & Co. is the registered Owner of the Bonds, as nominee of DTC, references herein to the Owners or Holders of the Bonds (other than under the caption "TAX MATTERS") will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

Paying Agent

U.S. Bank National Association, located in Los Angeles, California, will act as the registrar, transfer agent, authenticating agent and paying agent (the "Paying Agent") for the Bonds. As long as DTC is the registered owner of the Bonds and DTC's book-entry method is used for the Bonds, the Paying Agent will send any notice of prepayment or other notices to Owners only to DTC.

Neither the Paying Agent, the District, nor the Underwriter of the Bonds have any responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership of interests in the Bonds.

Redemption

Optional Redemption.* The Bonds maturing on or before September 1, 20__, are not subject to redemption. The Bonds maturing on or after September 1, 20__, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, in whole or in part on any date, on or after September 1, 20__, at a redemption price equal to the principal amount

* Preliminary, subject to change.

of the Bonds called for redemption as of the date set for redemption, plus unpaid accrued interest to the date fixed for redemption, without premium.

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

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

(1)

⁽¹⁾ Maturity.

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

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

Notice of Redemption. *While the Bonds are subject to DTC's book-entry system, the Paying Agent will be required to give notice of redemption only to DTC as provided in the letter of representations executed by the District and received and accepted by DTC. DTC and the Participants will have sole responsibility for providing any such notice of redemption to the beneficial owners of the Bonds to be redeemed. Any failure of DTC to notify any Participant, or any failure of Participants to notify the Beneficial Owner of any Bonds to be redeemed, of a notice of redemption or its content or effect will not affect the validity of the notice of redemption, or alter the effect of redemption set forth in the Bond Resolution.*

The Paying Agent shall give notice of the redemption (a "Redemption Notice") of the Bonds at the expense of the District. Such Redemption Notice shall specify: (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) if less than all of the then-outstanding Bonds are to be called for redemption, shall designate the numbers (or state that all Bonds between two stated numbers both inclusive have been called for redemption) and CUSIP numbers, if any, of the Bonds to be redeemed, (c) the date of notice and the date of redemption, (d) the place or places where the redemption will be made, and (e) descriptive information regarding the Bonds and the specific Bonds to be redeemed, including the dated date, interest rate and stated maturity date of each. Such Redemption Notice shall further state that on the specified date there shall become due and payable upon each Bond to be redeemed, the portion of the principal of such Bond to be redeemed,

* Preliminary, subject to change.

together with the interest accrued to the redemption date, and redemption premium, if any, and that from and after such date, interest with respect thereto shall cease to accrue, as applicable.

Any Redemption Notice shall be mailed, by first-class mail, postage prepaid, to the Owners of the Bonds, to a Securities Depository and to a national information service, and by first-class mail, postage prepaid, to the District and the County and the respective Owners of any registered Bonds designated for redemption at their addresses appearing on the Bond registration books, in every case at least thirty (30) days, but not more than sixty (60) days, prior to the designated redemption date; provided that neither failure to receive such notice, nor any defect in any notice so mailed, shall affect the sufficiency of the proceedings for the redemption of such Bonds nor entitle the Owner thereof to interest beyond the date given for redemption. Neither failure to receive or failure to send, any Redemption Notice, nor any defect in any such Redemption Notice, so mailed shall affect the sufficiency of the proceedings for the redemption of the affected Bonds, nor entitle the Owner thereof to interest beyond the date given for redemption or affect the cessation of accrual of interest, as applicable, represented thereby from and after the redemption date. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds shall bear or include the CUSIP® number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

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

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

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

Bonds No Longer Outstanding. All Bonds paid at maturity or redeemed prior to maturity pursuant to the Bond Resolution shall be cancelled upon surrender thereof and be delivered to or upon the order of the County or the District. All or any portion of a Bond purchased by the County or the District shall be cancelled by the Paying Agent.

Contingent Redemption; Rescission of Redemption. Any redemption notice may specify that redemption of the Bonds designated for redemption on a specified date will be subject to the receipt by the District of moneys sufficient to cause such redemption (and will specify the proposed source of such moneys), and the District, the County and the Paying Agent will have no liability to the Owners of any Bonds, or any other party, as a result of the District's failure to redeem the Bonds designated for redemption as a result of insufficient moneys therefor.

Additionally, the District may rescind any optional redemption of the Bonds, and notice thereof, for any reason on any date prior to the date fixed for such redemption by causing written notice of the

rescission to be given to the Owners of the Bonds so called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the Owner of any Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission. None of the District, the County, or the Paying Agent will have any liability to the Owners of any Bonds, or any other party, as a result of the District's decision to rescind a redemption of any Bonds pursuant to the provisions of the Bond Resolution.

Registration, Transfer and Exchange of Bonds

So long as any of the Bonds remain outstanding, the District will cause the Paying Agent to maintain and keep at its principal office all books and records necessary for the registration, exchange and transfer of the Bonds as provided in the Bond Resolution (the "Bond Register"). Subject to the provisions of the Bond Resolution, the person in whose name a Bond is registered on the Bond Register shall be regarded as the absolute Owner of that Bond for all purposes of the Bond Resolution. Payment of or on account of the principal, premium, if any, and interest on any Bond shall be made only to or upon the order of the Owner thereof; the District, the County and the Paying Agent shall not be affected by any notice to the contrary, but the registration may be changed as provided in the Bond Resolution. All such payments shall be valid and effectual to satisfy and discharge the District's liability upon the Bonds, including interest, to the extent of the amount or amounts so paid.

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

Any Bond may be exchanged for Bonds of like tenor, maturity and aggregate principal amount, upon presentation and surrender at the principal corporate trust office of the Paying Agent, together with a request for exchange signed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may (but only if the District determines no longer to maintain the book-entry-only status of the Bonds, DTC determines to discontinue providing such services and no successor securities depository is named or DTC requests the District to deliver certificated securities to particular DTC Participants) be transferred on the Bond Register only upon surrender of the Bond for cancellation at the office of the Paying Agent accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Paying Agent. Upon exchange or transfer, the Paying Agent shall register, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the Owner in the aggregate principal amount of the Bond surrendered and bearing or accruing interest at the same rate and maturing on the same date.

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

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

None of the District, the County or the Paying Agent will be required (a) to issue or transfer any Bonds during a period beginning with the day after the Record Date next preceding any Bond Payment Date or beginning the date of selection of Bonds to be redeemed and ending with the close of business on the Bond Payment Date or any day on which the applicable notice of redemption is given, as applicable, or (b) to transfer any Bonds which have been selected or called for redemption in whole or in part.

Defeasance

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

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

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

"Defeasance Securities" shall mean direct and general obligations of the United States of America (including State and Local Government Series), or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including (in the case of direct and general obligations of the United States of America) evidence of direct ownership or proportionate interests in future interest or principal payments of such obligations. In the case of investments in such proportionate interests, such proportionate interests shall be limited to circumstances wherein (a) a bank or trust company acts as custodian and holds the underlying Defeasance Securities; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying Defeasance Securities; and (c) the underlying Defeasance Securities are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed at the time of purchase at the highest then-prevailing United States Treasury securities credit rating.

Application and Investment of Bond Proceeds

The Bonds are being issued to finance the repair, upgrading, modernization, renovation, construction and equipping of certain District property and facilities, to pay capitalized interest on the Bonds, and to pay certain costs of issuing the Bonds.

The net proceeds from the sale of the Bonds shall be paid to the County to the credit of the "Perris Union High School District General Obligation Bonds, 2012 Election, Series A Building Fund" (the "Building Fund"). Any premium received by the County from the sale of the Bonds shall be kept separate and apart in the Debt Service Fund and used only for payment of principal of and interest on the Bonds. Any excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued shall be transferred to the Debt Service Fund and applied to the payment of principal of and interest on the Bonds. If, after payment in full of the Bonds, there remain excess proceeds, any such excess amounts shall be transferred to the general fund of the District.

Expected Investment of Bond Proceeds. Moneys in the Debt Service Fund and the Building Fund are expected to be invested through the County Treasury Pool. See "APPENDIX E – RIVERSIDE COUNTY POOLED INVESTMENT FUND."

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds

Principal Amount of the Bonds
Net Original Issue Premium
Total Sources

Uses of Funds

Building Fund
Debt Service Fund⁽¹⁾
Costs of Issuance⁽²⁾
Total Uses

⁽¹⁾ Represents capitalized interest on the Bonds through _____, 20__.

⁽²⁾ Includes Underwriter's discount, legal fees, printing fees, demographics, bond insurance premium, if any, financial advisor's fees, and related expenses.

DEBT SERVICE SCHEDULE

The following table summarizes the annual debt service requirements of the District with respect to the Bonds (assuming no optional redemptions are made):

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

⁽¹⁾ Interest payments on the Bonds will be made semiannually on March 1 and September 1 of each year, commencing March 1, 2014.

See "DISTRICT FINANCIAL INFORMATION – District Debt Structure – General Obligation Bonds" for a schedule of the combined debt service requirements for all of the District's outstanding general obligation bonds.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

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

was approved by the District's voters in compliance with Article XIII A, Article XIII C, and all applicable laws.

Article XIII A of the California Constitution

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

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

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

Legislation Implementing Article XIII A

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

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% are allocated among the various

jurisdictions in the "taxing area" based upon their respective "situation." Any such allocation made to a local agency continues as part of its allocation in future years.

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

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

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions ("unitary property"). Under the State Constitution, such property is assessed by the State Board of Equalization (the "SBE") as part of a "going concern" rather than as individual pieces of real or personal property. Such utilities may include railways, telephone companies and companies transmitting or selling gas or electricity. The assessed value of unitary and certain other state-assessed property is allocated to the counties by the SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year. 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 occurred under electric power deregulation in the State, 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.

So long as the District is not a basic aid district, taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State's school financing formula. See "DISTRICT FINANCIAL INFORMATION" herein.

Article XIII B of the California Constitution

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

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

- (b) "change in population" with respect to a school district to mean the percentage change in the average daily attendance of the school district from the preceding fiscal year.

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

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

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

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

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

Proposition 26

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

governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

Article XIIC and Article XIID of the California Constitution

On November 5, 1996, the voters of the State approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the California Constitution Articles XIIC and XIID (respectively, "Article XIIC" and "Article XIID"), 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 XIIC 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.

Propositions 98 and 111

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

The Accountability Act also changes how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount would, instead of being returned

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

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

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

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

- a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.
- b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.
- c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which was expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

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

Proposition 39

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

The 55% vote requirement would apply only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 placed certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate per \$100,000 of taxable property value projected to be levied as the result of any single election be no more than \$60 (for a unified school district), \$30 (for a high school or elementary school district), or \$25 (for a community college district). These requirements are not part of the constitutional amendment and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

Jarvis v. Connell

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

Proposition 30

On November 6, 2012, voters of the State approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increases the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposes an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposes an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax will be levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,000 for single filers (over \$340,000 but less than \$408,000 for joint filers), (ii) 2% for taxable income over \$300,000 but less than \$500,000 for single filers (over \$408,000 but less than \$680,000 for joint filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$608,000 for joint filers).

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

Proposition 1A and Proposition 22

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

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

State Cash Management Legislation

Since 2002, the State has engaged in the practice of deferring certain apportionments to school districts in order to manage the State's cash flow. This practice has included deferring certain apportionments from one fiscal year to the next. These "cross-year" deferrals have been codified and are expected to be on-going. Legislation enacted with respect to fiscal year 2011-12 provides for additional inter-fiscal year deferrals.

On May 23, 2012, the Governor signed into law Assembly Bill 103 ("AB 103"), which extends certain provisions of SB 82 into fiscal year 2012-13. AB 103 authorizes the deferral of State apportionments during fiscal year 2012-13, as follows: (i) \$700 million from July 2012 to September 2012, (ii) \$500 million from July 2012 to January 2013, (iii) \$600 million from August 2012 to January 2013, (iv) \$800 million from October 2012 to January 2013, and (v) \$900 million from March 2013 to April 2013. Collectively, these deferrals are referred to herein as the "2012-13 Cash Management Deferrals," and together with the 2011-12 Cash Management Deferrals, as the "Cash Management Deferrals."

The State Department of Education was required to certify to school districts, county offices of education and charter schools, no later than five days after AB 103's adoption date, of the amounts and timing of payment deferrals for the 2012-13 fiscal year. AB 103 provides for an exemption to the

2012-13 Cash Management Deferrals for a school district that would be unable to meet its expenditure obligations if its State apportionments are delayed. The District, however, has not applied for nor received an exemption from any of the 2012-13 Cash Management Deferrals.

In the event any of the Cash Management Deferrals are implemented, the State Controller, State Treasurer and State Director of Finance are required to review, as necessary but no less than monthly, the actual State general fund cash receipts and disbursements in comparison to the Governor's most recent revenue and expenditure projections. If the Controller, Treasurer and Director of Finance determine that sufficient cash is available to pay the State apportionments being deferred while maintaining a prudent cash reserve, such State apportionments are required to be paid as soon as feasible. Unlike the 2011-12 Cash Management Deferrals, AB 103 authorizes the 2012-13 Cash Management Deferrals to be accelerated or delayed by up to one month, except that the March 2013 deferral must be paid no later than April 29, 2013.

Future Initiatives

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

State Budget

The following information concerning the State's budgets has been obtained from publicly available information which the District believes to be reliable; however, the District does not guarantee the accuracy or completeness of this information and has not independently verified such information.

2012-13 Budget. On June 27, 2012, the Governor signed into law the State budget for fiscal year 2012-13 (the "2012-13 Budget"). The Department of Finance has released its summary of the 2012-13 Budget (the "Department of Finance Report"). The following information is drawn from the Department of Finance Report.

The 2012-13 Budget seeks to close a budget gap of \$15.7 billion through a combination of measures totaling \$16.6 billion. Specifically, the 2012-13 Budget authorizes \$8.1 billion of expenditure reductions (including \$1.9 billion in reductions to Proposition 98 spending), \$6 billion of revenue increases, and \$2.5 billion of other measures. The 2012-13 Budget assumed voter approval of a modified tax initiative proposed by the Governor in his May revision to the proposed State budget (the "May Revision"). The tax initiative, labeled as "Proposition 30," was approved by the voters at the November 6, 2012 general election. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Proposition 30." The 2012-13 Budget estimates that the tax initiative will generate approximately \$8.5 billion through fiscal year 2012-13. The 2012-13 Budget assumes an attendant increase of \$2.9 billion to State funding for school districts and community colleges, resulting in a net benefit to the State's general fund of \$5.6 billion.

With the implementation of all measures, the 2012-13 Budget assumes, for fiscal year 2011-12, total revenues of \$86.8 billion and expenditures of \$87.0 billion. The State is projected to end fiscal year 2011-12 with a total budget deficit of \$3.6 billion. For fiscal year 2012-13, the 2012-13 Budget projects total revenues of \$95.9 billion and authorizes total expenditures of \$91.3 billion. The State is projected to end the 2012-13 fiscal year with a total budget surplus of \$948 million.

The 2012-13 Budget authorized an additional \$6 billion of trigger reductions which were to become effective in the event Proposition 30 did not pass. The trigger reductions included approximately \$5.4 billion of reductions to Proposition 98 funding for schools and community colleges. Additional triggers included the following: (i) \$250 million reduction to each of the University of California and California State University systems; (ii) \$50 million reduction to the Department of Developmental Services; (iii) \$20 million reflecting the elimination of certain city police grants; (iv) \$5 million reduction to local water safety patrols; (v) \$10 million reduction to the Department of Forestry and Fire Protection; (vi) \$6.6 million reduction to Department of Water Resources flood control programs; which would reduce channel and levee maintenance and floodplain mapping; (vii) \$1.1 million reduction to the departments of Parks and Recreation and Fish and Game reflecting a reduced number of state public safety officers; (viii) \$1.4 million reduction reflecting the elimination of State beach lifeguards; and (ix) \$1 million reduction to Department of Justice law enforcement programs.

For fiscal year 2012-13, the Proposition 98 minimum funding guarantee is set at \$53.6 billion, including \$36.8 billion from the State general fund. This funding level reflects the following significant adjustments and changes:

- *Proposition 98 Adjustments.* A funding decrease of approximately \$630 million due to (1) eliminating the hold-harmless adjustment provided to schools from the elimination of the sales tax on gasoline in fiscal year 2010-11, and (2) a rebenching of the minimum funding guarantee to account for the exclusion of child care programs and the inclusion of special education mental health services from within the guarantee, as well as new and existing property tax shifts. Additionally, the 2012-13 Budget reduces fiscal year 2012-13 appropriations for a number of different programs by \$220.1 million, backfilling them with available one-time funds.
- *Quality Education Investment Act ("QEIA").* The 2012-13 Budget authorizes the use of a fiscal year 2011-12 overappropriation of the Proposition 98 minimum funding guarantee to prepay legal settlement obligations required by QEIA. As a result, the 2012-13 Budget estimates a one-time savings during fiscal year 2012-13 of \$450 million. The 2012-13 Budget also authorizes the use of this overappropriation to prepay QEIA obligations in fiscal years 2013-14 and 2014-15 to achieve projected savings in such fiscal years of \$181 million and \$40.8 million, respectively.
- *K-12 Deferral Reduction.* An increase of \$2.1 billion in Proposition 98 funding to reduce K-12 inter-fiscal year apportionment deferrals from \$9.5 billion to \$7.4 billion. This deferral reduction was contingent on voter approval of Proposition 30.
- *Charter Schools.* A funding increase of \$53.7 million to the Proposition 98 funding for charter school categorical programs to fund growth in charter school enrollment. In addition, the 2012-13 Budget implementing legislation expands the ability of school districts to convey surplus property to charter schools, while also increasing financing assistance to charter schools by allowing county treasurers to provide them with short-term loans, and by authorizing charter schools to participate in short-term tax and revenue anticipation note borrowing mechanisms already available to schools and county offices of education.
- *Educational Mandates.* An increase of \$86.2 million funding support for K-12 educational mandates through a new voluntary block grant. Participating school districts and county offices of education would receive a \$28 per-student allocation, while participating charter schools would receive \$14 per student. Districts and county offices

of education that choose not to participate in this block grant program would retain their right to submit claims for reimbursement, subject to audits by the State Controller.

- *State Preschool Programs.* The 2012-13 Budget includes a number of adjustments to State preschool programs, including (i) an increase of \$163.9 million in Proposition 98 funding to cover the cost of part-day preschool services, (ii) an increase of \$3.4 million to reflect increased fee assessments for preschool programs on families that are currently exempt from such fees (this is expected to offset Proposition 98 expenditures by a like amount); (iii) a decrease of \$30 million in Proposition 98 funding to reflect an 8.7% across-the-board reduction to general child care programs, and (iv) a decrease of \$11.9 million to reflect the suspension of the statutory cost of living adjustment for preschool programs.

In addition, the 2012-13 Budget assumes an increase of \$1.3 billion in local property taxes for fiscal year 2012-13 resulting from the distribution of property taxes previously allocated to redevelopment agencies. These increased local property taxes would offset Proposition 98 spending by an identical amount. The 2012-13 Budget notes that the May Revision assumed that K-14 school districts would receive \$818 million in property tax revenues during fiscal year 2011-12 to offset State expenditures on Proposition 98 funding. The full amount of these payments were not made due to the timing of the Supreme Court's ruling in *Matosantos*, as well as inconsistent interpretations of ABx1 26 at the local level. See "DISTRICT FINANCIAL INFORMATION – Dissolution of Redevelopment Associations." The 2012-13 Budget seeks to create a one-time process to recapture these property tax revenues by requiring county auditor-controllers to bill successor agencies for the amounts that should have been distributed to the affected taxing agencies.

Additional information regarding the 2012-13 Budget may be obtained from the Department of Finance at www.dof.ca.gov. However, such information is not incorporated herein by any reference.

Proposed 2013-14 Budget. On January 10, 2013, the Governor released his proposed State budget for fiscal year 2013-14 (the "Proposed Budget"). The following information is drawn from the LAO's summary of the Proposed Budget.

The Proposed Budget reflects a projected improvement to State finances due to a continuing modest economic recovery, prior budgetary actions, and voter approval of certain revenue-raising measures at the November 6, 2012 general election. For fiscal year 2012-13, the Proposed Budget currently projects year-end revenues of \$95.4 billion and expenditures of \$93 billion. The State is currently expected to end the current fiscal year with a surplus of \$167 million. For fiscal year 2013-14, the Proposed Budget projects revenues of \$98.5 billion and expenditures of \$97.7 billion. The State is projected to end fiscal year 2013-14 with a \$1 billion surplus. The Governor's multi-year forecast projects that revenues will continue to exceed expenditures annually, accumulating to a projected \$2.5 billion general fund surplus by fiscal year 2016-17.

For fiscal year 2012-13, the Proposed Budget revises the Proposition 98 minimum funding guarantee at \$53.5 billion, approximately \$54 million less than the level set by the current State budget. To bring Proposition 98 spending in line with the reduced guarantee, the Proposed Budget reclassifies a fiscal year 2012-13 appropriation towards prefunding legal settlement obligations under the Quality Education Investment Act of 2006 (the "QEIA"). For fiscal year 2013-14, the minimum funding guarantee is set at \$56.2 billion, including \$40.9 billion from the State general fund. This represents a net increase of \$2.7 billion (or 9%) over the revised funding level for fiscal year 2012-13. The increase in spending is driven largely by year-to-year increases in baseline State revenues and the minimum funding guarantee's share of Proposition 30 revenues.

Proposition 98 funding for K-12 education in fiscal year 2013-14 is set at \$49.2 billion, including \$36.1 billion from the State general fund. This represents an increase of approximately \$2.1 billion (or 4%) from the prior year. Significant features include the following:

- *Deferral Reduction.* The 2013-14 Budget provides \$1.9 billion to pay down school district and community college apportionment deferrals. The Proposed Budget includes a plan to eliminate all remaining apportionment deferrals by fiscal year 2016-17.
- *Growth Funding.* The 2013-14 Budget provides \$63 million to fund a 1.65% cost-of-living adjustment to certain categorical programs, including special education, child nutrition, and California American Indian Education Centers. Cost-of-living adjustments for school district and county office of education revenue limits will be provided through the proposed funding increase designed to implement a new K-12 funding formula (described below). The Proposed Budget also funds a 0.10% increase in K-12 ADA, but assumes no increase in funded enrollment levels at community colleges.
- *New K-12 Funding Formula.* The Proposed Budget would significantly restructure State funding for K-12 education by consolidating revenue limits and almost all categorical programs into a single funding formula. This formula would provide a base funding grant per pupil, with supplemental funding for school districts that serve English learners and students from low income families, provide lower class sizes in grades K-3, or offer career technical education classes in high school. The Proposed Budget allocates \$1.6 billion to begin increasing funding levels to a target base rate, with supplemental grants adjusted in tandem with the base increase. The Proposed Budget estimates the new formula will be fully implemented by fiscal year 2019-20.
- *Energy Efficiency Projects.* The 2012-13 Budget allocates supplemental corporate tax revenues raised by Proposition 39 (approved at the November 2012 general election) to schools and community colleges. Proposition 39 requires most interstate businesses to determine their taxable income using a single sales factor method, and provides that all revenues raised from the measure be transferred to a Clean Energy Job Creation Fund to support energy efficiency and alternative energy projects. The Proposed Budget would allocate all Proposition 39-related funding over the next five years exclusively to schools and community colleges, in an amount equal to \$450 million in fiscal year 2013-14 and \$550 million annually thereafter. For fiscal year 2013-14, this would include \$400.5 million for school districts. Under the proposal, the California Department of Education and California Community College Chancellor's Office, in consultation with the California Energy Commission and California Public Utilities Commission, would develop guidelines for schools and community colleges in prioritizing the use of the funds.
- *Adult Education.* The Proposed Budget includes several changes to adult education funding, including narrowing State support to core instructional programs such as adult elementary and secondary education, vocational training, English as a second language, and citizenship. The Proposed Budget would also eliminate school district adult education categorical programs and consolidate the associated funding (approximately \$600 million) into the proposed new K-12 funding formula. Adult education, under the Governor's plan, would be funded entirely through the community college system. The Proposed Budget would provide \$300 million to create a new adult education categorical program within the statewide community college budget. Funds would be distributed to colleges based on the number of students served in the prior fiscal year. While

community colleges would be responsible for administering adult education, they would be authorized to contract with school districts to provide instruction through the latter's adult schools.

- *K-12 Educational Mandates.* The Proposed Budget provides \$100 million to augment the existing block grant program, reflecting the addition of two large educational mandates within the program: the Graduation Requirements ("GR") mandate and Behavioral Intervention Plans ("BIP"). Unlike other mandates included in the block grant program, the Proposed Budget does not provide school districts the option to submit independent claims for reimbursement in connection with GR and BIP.
- *Retiring K-14 Obligations.* The Proposed Budget would use half of the projected year-to-year growth in Proposition 98 spending in fiscal years 2013-14 through 2015-16 to reduce outstanding obligations to schools and community colleges, including the reduction of all apportionment deferrals, funding settle-up payments to reduce outstanding mandate claims, and retiring the State's obligations associated with the Emergency Repair Program and the QEIA.
- *Redevelopment Agency Funds.* The Proposed Budget assumes lower State general fund savings from the distribution of offsetting residual property tax revenues and redevelopment agency liquid assets. For the current year, the Proposed Budget projects that redevelopment-related distributions will be \$1.1 billion less than what was assumed by the State budget for fiscal year 2012-13. For fiscal year 2013-14, the Proposed Budget projects that such distributions will be \$494 million less than previously assumed. The LAO notes that, while the Governor's projections are reasonable, the process for dissolving redevelopment agencies has yet to be fully implemented, subjecting associated State general fund savings projections to considerable uncertainty.

Additional information regarding the Proposed Budget is available from the LAO's website: www.lao.ca.gov. However, such information is not incorporated herein by any reference.

Recent Litigation Regarding State Budgetary Provisions. On September 28, 2011, the California School Boards Association, the Association of California School Administrators, the Los Angeles Unified School District, the San Francisco Unified School District and the Turlock Unified School District filed a petition for a writ of mandate in the Superior Court of the State of California in and for the County of San Francisco (the "CSBA Petition"). The petitioners allege that the State budget for fiscal year 2011-12 improperly diverted sales tax revenues away from the State general fund, resulting in a reduction to the minimum funding guarantee of approximately \$2.1 billion. The CSBA Petition seeks an order from the Court compelling the State Director of Finance, Superintendent of Public Instruction and the State Controller to recalculate the minimum funding guarantee in accordance with the provisions of the California Constitution. On March 27, 2012, the superior court issued a preliminary ruling which denied the order requested by the CSBA Petition. On June 1, 2012, the court adopted the tentative ruling as an order. On July 27, 2012, the petitioners filed a notice of appeal of the court's decision. On February 26, 2013, the appeals court dismissed the appeal and affirmed the trial court's ruling.

The District makes no representations as to how the decision may affect the State's ability to fund education in fiscal year 2012-13, or in future fiscal years.

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

TAX BASE FOR REPAYMENT OF THE BONDS

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

Ad Valorem Property Taxation

Taxes are levied by the County for each fiscal year on taxable real and personal property which is situated in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

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

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

Assessed Valuations

The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the "full cash value" of the property, as defined in Article XIII A of the California Constitution. For a discussion of how properties currently are assessed, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS."

Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls.

Property within the District had a total assessed valuation for fiscal year 2012-13 of \$11,026,887,226. Shown in the following table are the assessed valuations for the District since 1986-87. Shown in the following table are the assessed valuations for the District since 1986-87. The District's assessed valuation increased by 713.8% between fiscal year 1986-87 and fiscal year 2012-13, representing an approximate annual compound growth rate of 8.4%.

ASSESSED VALUATION
Fiscal Years 1986-87 to 2012-13
Perris Union High School District

Fiscal Year	Secured	Utility ⁽¹⁾	Unsecured	Total Assessed Valuation	Annual % Change
1986-87	\$1,182,466,840	\$147,872,260	\$24,601,798	\$1,354,940,898	--
1987-88	1,343,872,464	189,095,790	35,033,053	1,568,001,307	15.7%
1988-89	1,585,315,342	2,942,636	29,177,819	1,617,435,797	3.2
1989-90	1,956,548,777	2,305,654	34,737,481	1,993,591,912	23.3
1990-91	2,651,516,657	3,839,055	45,601,855	2,700,957,567	35.5
1991-92	3,087,770,644	3,873,431	69,436,717	3,161,080,792	17.0
1992-93	3,372,505,630	8,519,571	56,637,968	3,437,663,169	8.7
1993-94	3,492,180,699	8,861,011	56,817,546	3,557,859,256	3.5
1994-95	3,478,209,532	630,961	60,313,656	3,539,154,149	-0.5
1995-96	3,419,854,828	764,531	61,054,904	3,481,674,263	-1.6
1996-97	3,308,034,180	1,276,028	63,998,733	3,373,308,941	-3.1
1997-98	3,360,322,456	1,530,996	63,169,190	3,425,022,642	1.5
1998-99	3,310,227,382	1,627,152	64,356,862	3,376,211,396	-1.4
1999-00	3,392,375,501	2,571,131	61,862,429	3,456,809,061	2.4
2000-01	3,619,651,596	--	86,285,142	3,705,936,738	7.2
2001-02	3,944,827,039	--	134,308,141	4,079,135,180	10.1
2002-03	4,434,300,958	1,480,594	125,716,356	4,561,497,908	11.8
2003-04	5,088,665,652	1,228,881	103,270,476	5,193,165,009	13.8
2004-05	6,391,976,004	1,180,223	142,184,055	6,535,340,282	25.8
2005-06	8,243,542,907	1,160,065	156,426,241	8,401,129,213	28.5
2006-07	11,334,521,793	6,996,408	177,300,623	11,518,818,824	37.1
2007-08	13,524,748,395	246,949,439	189,562,117	13,961,259,951	21.2
2008-09	13,196,556,421	459,549,439	195,229,974	13,851,335,834	-0.8
2009-10	10,837,274,526	748,949,439	196,670,450	11,782,894,415	-14.9
2010-11	10,241,293,027	709,649,439	219,720,201	11,170,662,667	-5.2
2011-12	10,427,675,352	811,649,439	205,796,373	11,445,121,164	2.5
2012-13	10,201,916,776	577,544,771	247,425,679	11,026,887,226	-3.7

⁽¹⁾ Excludes assessed valuation from unitary utility roll, beginning in 1988-89.

Source: California Municipal Statistics, Inc.

Economic and other factors beyond the District's control, such as general market decline in property values, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, wildfire, flood or toxic contamination, could cause a reduction in the assessed value of taxable property within the District. Any

such reduction would result in a corresponding increase in the annual tax rate levied by the County to pay the debt service with respect to the Bonds. See "THE BONDS – Security and Sources of Payment."

Appeals and Reductions of Assessed Valuations

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

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

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

Assessed Valuation and Parcels by Land Use

The following table is an analysis of the District's secured assessed valuation by land use.

ASSESSED VALUATION AND PARCELS BY LAND USE

Fiscal Year 2012-13

Perris Union High School District

	2012-13 <u>Assessed Valuation</u> ⁽¹⁾	% of <u>Total</u>	No. of <u>Parcels</u>	% of <u>Total</u>
Non-Residential:				
Agricultural	\$186,499,885	1.73%	559	0.86%
Commercial/Industrial	1,041,797,113	9.66	853	1.31
Utilities/Power Plant	577,544,771	5.36	4	0.01
Vacant Commercial/Industrial	334,808,860	3.11	860	1.32
Vacant Unclassified	<u>124,326,625</u>	<u>1.15</u>	<u>4,219</u>	<u>6.47</u>
Subtotal Non-Residential	\$2,264,977,254	21.01%	6,495	9.96%
Residential:				
Single Family Residence	\$6,596,612,820	61.20%	38,351	58.83%
Condominium/Townhouse	99,435,403	0.92	1,169	1.79
Mobile Home/Lots	642,607,387	5.96	8,121	12.46
2-3 Residential Units	60,290,306	0.56	254	0.39
4+ Residential Units/Apartments	238,493,242	2.21	103	0.16
Miscellaneous Residential	8,156,718	0.08	80	0.12
Vacant Residential	<u>868,888,417</u>	<u>8.06</u>	<u>10,614</u>	<u>16.28</u>
Subtotal Residential	\$8,514,484,293	78.99%	58,692	90.04%
Total	\$10,779,461,547	100.00%	65,187	100.00%

⁽¹⁾ Local secured assessed valuation; excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

Assessed Valuation Per Parcel of Single Family Homes

The following table is an analysis of the District's assessed valuation per parcel of single family homes for fiscal year 2012-13.

ASSESSED VALUATION PER PARCEL OF SINGLE FAMILY HOMES

Fiscal Year 2012-13

Perris Union High School District

Single Family Residential	No. of Parcels	2012-13 Assessed Valuation		Average Assessed Valuation	Median Assessed Valuation	
	38,351	\$6,596,612,820		\$172,006	\$167,000	
2012-13 Assessed Valuation	No. of Parcels ⁽¹⁾	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$24,999	111	0.289%	0.289%	\$2,028,443	0.031%	0.031%
\$25,000 - \$49,999	703	1.833	2.123	27,738,266	0.420	0.451
\$50,000 - \$74,999	1,609	4.195	6.318	102,527,324	1.554	2.005
\$75,000 - \$99,999	3,492	9.105	15.423	305,112,972	4.625	6.631
\$100,000 - \$124,999	4,190	10.925	26.349	471,821,618	7.152	13.783
\$125,000 - \$149,999	5,259	13.713	40.062	721,808,012	10.942	24.725
\$150,000 - \$174,999	5,399	14.078	54.139	873,951,800	13.248	37.974
\$175,000 - \$199,999	4,794	12.500	66.640	896,016,457	13.583	51.557
\$200,000 - \$224,999	4,429	11.549	78.188	932,856,431	14.141	65.698
\$225,000 - \$249,999	3,771	9.833	88.021	893,106,727	13.539	79.237
\$250,000 - \$274,999	2,080	5.424	93.445	540,566,779	8.195	87.432
\$275,000 - \$299,999	1,104	2.879	96.323	315,804,758	4.787	92.219
\$300,000 - \$324,999	502	1.309	97.632	154,975,952	2.349	94.568
\$325,000 - \$349,999	222	0.579	98.211	74,673,915	1.132	95.700
\$350,000 - \$374,999	225	0.587	98.798	81,229,022	1.231	96.932
\$375,000 - \$399,999	133	0.347	99.145	51,376,966	0.779	97.711
\$400,000 - \$424,999	128	0.334	99.479	52,770,863	0.800	98.511
\$425,000 - \$449,999	80	0.209	99.687	34,938,013	0.530	99.040
\$450,000 - \$474,999	37	0.096	99.784	17,119,336	0.260	99.300
\$475,000 - \$499,999	26	0.068	99.851	12,702,740	0.193	99.492
\$500,000 and greater	57	0.149	100.000	33,486,426	0.508	100.000
Total	38,351	100.000%		\$6,596,612,820	100.000%	

⁽¹⁾ Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.

Source: California Municipal Statistics, Inc.

Assessed Valuation by Jurisdiction

The following table is an analysis of the District's assessed valuation by jurisdiction for fiscal year 2012-13.

ASSESSED VALUATION BY JURISDICTION⁽¹⁾

Fiscal Year 2012-13

Perris Union High School District

<u>Jurisdiction:</u>	<u>Assessed Valuation in School District</u>	<u>% of School District</u>	<u>Assessed Valuation of Jurisdiction</u>	<u>% of Jurisdiction in School District</u>
City of Lake Elsinore	\$131,132,529	1.19%	\$3,895,248,204	3.37%
City of Menifee	6,462,569,044	58.61	6,462,569,044	100.00
City of Murrieta	779,763,287	7.07	9,747,034,015	8.00
City of Perris	1,676,584,555	15.20	3,722,615,279	45.04
City of San Jacinto	2,843,740	0.03	2,053,305,448	0.14
City of Wildomar	27,526,499	0.25	2,208,120,488	1.25
Unincorporated Riverside County	<u>1,946,467,572</u>	<u>17.65</u>	30,935,523,827	6.29
Total District	\$11,026,887,226	100.00%		
Total Riverside County	\$11,026,887,226	100.00%	\$201,661,935,424	5.47%

⁽¹⁾ Before deduction of redevelopment incremental valuation.

Source: California Municipal Statistics, Inc.

Taxation of State-Assessed Utility Property

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

Recent changes in the California electric utility industry structure and in the way in which components of the industry are regulated and owned, including the sale of electric generation assets to largely unregulated, nonutility companies, may affect how utility assets are assessed in the future, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on their utility property tax revenues, or whether legislation or litigation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District.

Secured Tax Charges and Delinquencies

The following table shows the secured tax charges and delinquencies for taxes collected in the District by the County from fiscal year 2007-08 through fiscal year 2011-12 with respect to the tax levy within the District for general obligation bonds.

SECURED TAX CHARGES AND DELINQUENCY RATES Fiscal Years 2007-08 through 2011-12 Perris Union High School District

General Obligation Bond Debt Service Levy

<u>Fiscal Year</u>	<u>Secured Tax Charge⁽¹⁾</u>	<u>Amount Delinquent June 30</u>	<u>Percent Delinquent June 30</u>
2007-08	\$2,857,936.31	\$312,234.87	10.93%
2008-09	2,725,561.02	235,719.58	8.65
2009-10	3,054,118.75	178,635.10	5.85
2010-11	3,340,959.32	128,956.09	3.86
2011-12	3,725,860.48	150,849.30	4.05

⁽¹⁾ District's general obligation bond debt service levy.

Source: *California Municipal Statistics, Inc.*

Alternative Method of Tax Apportionment

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

Pursuant to the Law, the County is required to establish a tax losses reserve fund to cover losses which may occur as a result of sale of tax-defaulted property. Once the tax losses reserve fund reaches a level of 3% of the total of all taxes and assessments levied on the secured roll for that year, 1% of the total of all taxes and assessments levied on the secured roll for that year, and any additional penalties and interest normally credited to the tax losses reserve fund may be credited to the County General Fund. Upon adoption of a resolution by the Board of Supervisors of the County by August 1 of any fiscal year, the 10% tax losses reserve fund threshold may be reduced to 25% of the total delinquent taxes and assessments for the previous year. The County did not elect to fund the tax losses reserve fund at a required threshold initially, thereby requiring penalties and interest to be credited first to the tax losses reserve fund to meet its required threshold before allowing any additional penalties and interest to be credited to the County General Fund. The tax loss reserve fund is now fully funded and amounts in excess of the required minimum may be transferred to the County General Fund in the future.

Once adopted by the County, the Teeter Plan remains in effect unless the County orders its discontinuance or prior to the commencement of any subsequent fiscal years the County receives a petition for its discontinuance adopted by resolution of two-thirds of the participating revenue districts in the County. Further, the County may by resolution adopted not later than July 15 of any subsequent fiscal year after a public hearing, discontinue the Teeter Plan as to any levying or assessment levying agency if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls for the agency.

Tax Rates

The three largest tax rate areas located within the District in terms of assessed valuation, Tax Rate Area 26-232, Tax Rate Area 26-70, and Tax Rate Area 26-20, account for approximately 5.5%, 3.1%, and 2.9%, respectively, of the District's total assessed valuation in fiscal year 2012-13. The tables below summarize the total *ad valorem* tax rates levied by all taxing entities in these three tax rate areas during the five-year period from 2008-09 to 2012-13.

SUMMARY OF *AD VALOREM* TAX RATES

\$1 Per \$100 Of Assessed Valuation

Perris Union High School District

Tax Rate Area 26-232

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
General	\$1.00000	\$1.00000	\$1.00000	\$1.00000	\$1.00000
Perris Union High School District	.02031	.02686	.03126	.03429	.03429
Metropolitan Water District	<u>.00430</u>	<u>.00430</u>	<u>.00370</u>	<u>.00370</u>	<u>.00350</u>
Total	\$1.02461	\$1.03116	\$1.03496	\$1.03799	\$1.03779

Tax Rate Area 26-70

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
General	\$1.00000	\$1.00000	\$1.00000	\$1.00000	\$1.00000
Menifee Union School District	.02370	.03254	.03436	.03486	.03543
Perris Union High School District	.02031	.02686	.03126	.03429	.03429
Metropolitan Water District	<u>.00430</u>	<u>.00430</u>	<u>.00370</u>	<u>.00370</u>	<u>.00350</u>
Total	\$1.04831	\$1.06370	\$1.06932	\$1.07285	\$1.07322

Tax Rate Area 26-20

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
General	\$1.00000	\$1.00000	\$1.00000	\$1.00000	\$1.00000
Menifee Union School District	.02370	.03254	.03436	.03486	.03543
Perris Union High School District	.02031	.02686	.03126	.03429	.03429
Metropolitan Water District	.00430	.00430	.00370	.00370	.00350
Eastern Municipal Water District I.D. No. U-2	<u>.00800</u>	<u>.01000</u>	<u>.01000</u>	<u>.01000</u>	<u>.01000</u>
Total	\$1.05631	\$1.07370	\$1.07932	\$1.08285	\$1.08322

Source: California Municipal Statistics, Inc.

Largest Property Owners

The following table shows the 20 largest property taxpayers in the District as determined by secured assessed valuation in fiscal year 2012-13.

LARGEST 2012-13 LOCAL SECURED PROPERTY TAXPAYERS Perris Union High School District

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2012-13 Assessed Valuation</u>	<u>Total ⁽¹⁾</u>
1.	Indland Empire Energy Center	Power Plant	\$577,500,000	5.36%
2.	Health Care REIT	Medical Facilities	178,572,635	1.66
3.	Donahue Schriber Realty Group	Commercial	63,156,937	0.59
4.	Stark Menifee Land	Rural/Undeveloped	53,597,608	0.50
5.	FR Cal Goetz Road	Commercial	49,065,007	0.46
6.	KB Home Coastal Inc.	Residential Development	45,942,656	0.43
7.	Carrington Place Ltd.	Apartments	40,000,000	0.37
8.	Physicians Hospital of Rancho California	Medical Facilities	37,905,430	0.35
9.	Fairfield Holland Road	Apartments	36,062,796	0.33
10.	Beazer Homes Holding Corp.	Residential Development	35,690,185	0.33
11.	Amway Corp.	Industrial	33,580,357	0.31
12.	Physicians Hospital of Murrieta	Medical Facilities	32,037,800	0.30
13.	Spanos Corp.	Apartments	30,855,140	0.29
14.	FR Cal Ellis	Commercial	30,056,000	0.28
15.	PHH Real Estate	Commercial	28,672,012	0.27
16.	Centex Homes	Residential Development	28,487,182	0.26
17.	Coudures Family LP	Commercial	27,060,658	0.25
18.	Nuevo Dev Co.	Rural/Undeveloped	26,036,844	0.24
19.	Wal Mart Stores Inc.	Commercial	25,301,157	0.23
20.	Fairfield Winchester 1800	Apartments	<u>24,748,872</u>	<u>0.23</u>
			\$1,404,329,276	13.03%

⁽¹⁾ 2012-13 local secured assessed valuation: \$10,201,916,776.

Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report regarding the District (a "Debt Report") prepared by California Municipal Statistics, Inc. and effective May 1, 2013, for debt issued as of April 25, 2013. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency. The contents of the Debt Report is as follows: (1) the first column indicates the public agencies which have outstanding debt as of the date of the Debt Report and whose territory overlaps the District; (2) the second column shows the respective percentage of the assessed valuation of the overlapping public agencies identified in column 1 which is represented by property located in the District; and (3) the third column is an apportionment of the dollar amount of each public agency's outstanding debt (which amount is not shown in the table) to property in the District, as determined by multiplying the total outstanding debt of each agency by the percentage of the District's assessed valuation represented in column 2.

The table above includes obligations associated with three community facility districts established within the District in an aggregate outstanding principal amount of \$43,420,000. In each case, the obligations are secured by special taxes levied against the land within the respective community facilities districts to pay for certain improvements.

**STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
Perris Union High School District**

2012-13 Assessed Valuation: \$11,026,887,226

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 5/1/13</u>	
Riverside County Flood Control District Zone Nos. 3 and 4 Benefit Assessment Districts	0.099%	\$2,034	
Metropolitan Water District	0.521	860,093	
Eastern Municipal Water District Improvement Districts	0.055-100.	23,057,558	
Perris Union High School District	100.000	51,087,260	(1)
Menifee Union School District	100.000	45,253,922	
Menifee Union School District Community Facilities Districts	100.000	80,485,000	
Nuview School District	100.000	3,860,000	
Perris School District	100.000	7,244,571	
Perris School District Community Facilities District No. 2002-1	100.000	1,660,000	
Perris Union High School District Community Facilities District Nos. 91-1 and 92-1	100.000	41,760,000	
Romoland School District Community Facilities Districts	100.000	82,230,000	
City of Lake Elsinore Community Facilities Districts	38.203-100.	20,421,330	
City of Murrieta Community Facilities Districts	100.000	24,580,000	
City of Perris Community Facilities Districts	19.735-100.	54,895,168	
Riverside County Community Facilities Districts	7.275-100.	25,537,433	
Other Special District Community Facilities Districts	100.000	42,030,000	
City and Special District 1915 Act Bonds (Estimated)	Various	13,348,675	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$518,313,044	
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Riverside County General Fund Obligations	5.468%	\$35,245,361	
Riverside County Pension Obligations	5.468	18,962,477	
Riverside County Board of Education Certificates of Participation	5.468	213,252	
Mt. San Jacinto Community College District General Fund Obligations	17.448	2,071,950	
Perris Union High School District Certificates of Participation	100.000	9,612,433	(2)
Menifee Union School District Certificates of Participation	100.000	5,605,000	
Nuview Union School District Certificates of Participation	100.000	240,000	
Perris School District Certificates of Participation	100.000	8,225,000	
City of Lake Elsinore General Fund Obligations	3.366	422,938	
City of Murrieta General Fund Obligations	8.000	922,800	
Valley-Wide Recreation and Park District Certificates of Participation	18.144	29,030	
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$81,550,241	
Less: Riverside County supported obligations		637,444	
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$80,912,797	
<u>OVERLAPPING TAX INCREMENT DEBT:</u>		\$111,670,841	
GROSS COMBINED TOTAL DEBT		\$711,534,126	(3)
NET COMBINED TOTAL DEBT		\$710,896,682	

(1) Excludes the Bonds described herein.

(2) Excludes Qualified Zone Academy Bonds (QZABs) which are secured by funds on deposit with trustee. See Note 8 to the fiscal year 2011-12 audited financial statements of the District included in Appendix A hereto.

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

Ratios to 2012-13 Assessed Valuation:

Direct Debt (\$51,087,260)	0.46%
Total Overlapping Tax and Assessment Debt	4.70%
Combined Direct Debt (\$60,699,693)	0.55%
Gross Combined Total Debt	6.45%
Net Combined Total Debt	6.45%

Ratios to Redevelopment Incremental Valuation (\$1,467,777,823):

Total Overlapping Tax Increment Debt	7.61%
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Source: California Municipal Statistics, Inc.

THE DISTRICT

Introduction

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

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

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

Administration

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

BOARD OF TRUSTEES Perris Union High School District

<u>Name</u>	<u>Office</u>	<u>Current Term Expires</u>
William F. Hulstrom	President	December, 2014
Joan D. Cooley	Vice President	December, 2016
Carolyn A. Twyman	Clerk	December, 2014
Edward Agundez	Member	December, 2016
David G. Nelissen	Member	December, 2016

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Brief biographies of the Superintendent and the Assistant Superintendent, Business Services of the District are listed below:

Jonathan L. Greenberg, Ed.D., Superintendent. Dr. Greenberg has served as Superintendent of the District since April 2007. Prior to joining the District, he served as Deputy Superintendent of the Hemet Unified School District for 3.5 years. This is Dr. Greenberg's 37th year in public education. Dr. Greenberg earned his Bachelor's Degree and received his teaching credential from U.C.L.A. in 1977. In

1981, he earned his Master's in Education from the University of La Verne. In 1996, he received his doctorate in Education Leadership from the University of La Verne.

Candace Reines, Assistant Superintendent, Business Services. Ms. Reines has served the District since 2006. Prior to her current position, she served for two years as the Director of Fiscal Services for the District. She has worked in the field of school business for 13 years. Ms. Reines holds a Bachelor of Science in Organizational Leadership and a Master of Arts in Leadership and Organizational Studies, both from Azusa Pacific University. Ms. Reines is licensed through the California Association of School Business Officials and is a Certified Chief Business Official.

Proposed Unification Involving Menifee Union School District

The Menifee Union School District ("MUSD"), an elementary school district located within the boundaries of the District, has filed a petition to form a unified school district (the "Menifee Petition"). The District has entered into a written agreement with MUSD, pursuant to which the District and the MUSD (collectively, the "School Districts") set forth certain terms and conditions pursuant to which the School Districts agree to pursue unification of MUSD in accordance with the provisions of the Education Code of the State. As contemplated, the unification of MUSD would result in (i) the transfer of certain high school facilities of the District to MUSD, (ii) the assumption by MUSD of certain financial obligations, which may include financial obligations relating to existing school facilities in the unification area, as determined pursuant to the unification process, and (iii) the transfer to MUSD of the responsibility to provide high school level instruction to students within MUSD.

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

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

Enrollment Trends

The following table shows the enrollment history for the District.

ANNUAL ENROLLMENT Fiscal Years 1997-98 Through 2012-13 Perris Union High School District

Year	Enrollment	Annual Change	Annual % Change
1997-98	5,471	--	--
1998-99	5,537	66	1.2%
1999-00	5,831	294	5.3
2000-01	6,061	230	3.9
2001-02	6,525	464	7.7
2002-03	6,976	451	6.9
2003-04	7,498	522	7.5
2004-05	8,040	542	7.2
2005-06	8,557	517	6.4
2006-07	9,189	632	7.4
2007-08	9,764	575	6.3
2008-09	10,115	351	3.6
2009-10	10,426	311	3.1
2010-11	10,598	172	1.6
2011-12	10,645	47	0.4
2012-13	10,567	-78	-0.7

Note: Enrollment as of October CBEDS in each school year. Includes charter school enrollment
Source: The District.

Labor Relations

As of January 1, 2013, the District employed 426 certificated employees and 352 classified employees (full-time equivalents). These employees, except management and some part-time employees, are represented by two bargaining units as noted below:

LABOR BARGAINING UNITS Perris Union High School District

<u>Labor Organization</u>	<u>Number of Employees In Organization</u>	<u>Contract Expiration Date</u>
Perris Teachers' Association	385	June 30, 2013
California School Employees Association	316	June 30, 2013

Source: The District.

District Retirement Systems

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

STRS. All full-time certificated employees, as well as certain classified employees, are members of the State Teachers' Retirement System ("STRS"). STRS provides retirement, disability and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. The District is currently required by such statutes to contribute 8.25% of eligible salary expenditures, while participants contribute 8% of their respective salaries. The State also contributes to STRS, currently in an amount equal to 2.791% of teacher payroll. The State's contribution reflects a base contribution of 2.017% and a supplemental contribution of 0.774% that will vary from year-to-year based on statutory criteria.

The District's contribution to STRS was \$3,205,162 for fiscal year 2009-10, \$3,159,611 for fiscal year 2010-11, and \$2,887,236 for fiscal year 2011-12. The District projects \$2,682,091 as its contribution to STRS for fiscal year 2012-13.

PERS. Classified employees working four or more hours per day are members of the Public Employees' Retirement System ("PERS"). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provision are established by the State statutes, as legislatively amended, with the Public Employees' Retirement Laws. The District is currently required to contribute to PERS at an actuarially determined rate, which is 11.417% of eligible salary expenditures for fiscal year 2012-13, while participants contribute 7% of their respective salaries.

School district contributions to PERS are capped at 13.02% of gross expenditures for any given fiscal year. To the extent a district's contribution rate to PERS is less than 13.02%, the State will reduce such district's revenue limit for that year by the difference between the maximum contribution rate and a district's actual contribution rate. Alternatively, if such district's contribution rate is greater than 13.02%, the State is required to provide additional revenue limit allocations to such district to make up the difference.

The District's contribution to PERS was \$1,908,544 for fiscal year 2009-10, \$2,111,961 for fiscal year 2010-11, and \$2,092,825 for fiscal year 2011-12. The District projects \$1,988,876 as its contribution to PERS for fiscal year 2012-13.

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

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales

and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for both STRS and PERS.

FUNDED STATUS
STRS (Defined Benefit Program) and PERS
(Dollar Amounts in Millions)⁽¹⁾

<u>Plan</u>	<u>Accrued Liability</u>	<u>Value of Trust Assets</u>	<u>Unfunded Liability</u>
Public Employees Retirement Fund (PERS)	\$58,358	\$45,901 ⁽²⁾	\$(12,457)
State Teachers' Retirement Fund Defined Benefit Program (STRS)	215,189	144,232 ⁽³⁾	(70,957)

⁽¹⁾ Amounts may not add due to rounding.

⁽²⁾ Reflects market value of assets as of June 30, 2011.

⁽³⁾ Reflects actuarial value of assets as of June 30, 2012.

Source: CalPERS State & Schools Actuarial Valuation; CalSTRS Defined Benefit Program Actuarial Valuation.

Unlike PERS, STRS contribution rates for participant employers and employees hired prior to the Implementation Date (defined herein), as well as the State's base contribution rate, are set by statute and do not currently vary from year-to-year based on actuarial valuations. In recent years, the combined employer, employee and State contributions to STRS have been significantly less than actuarially required amounts. As a result, and due in part to investment losses, the unfunded liability of STRS has increased significantly. This unfunded liability is expected to continue to increase in the absence of legislation requiring additional or increased contributions. The District can make no representations regarding the future program liabilities of STRS, or whether the District will be required to make larger contributions to STRS in the future. The District can also provide no assurances that the District's required contributions to PERS will not increase in the future.

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

Post-Employment Benefits

The District offers post-employment medical and dental insurance benefits to eligible employees through a single-employer defined benefit healthcare plan administered by the District (the "Plan"). The full cost of the Plan is borne by the retiree. The District also provides these benefits to certain former Board members whose first service commenced prior to January 1, 1995, the cost of which is borne by the District. As of June 30, 2012, five former board members are receiving benefits under this Plan. No others are eligible..

As of June 30, 2012, the District had no net obligation in respect of such post-employment benefits. See Note 10 to the fiscal year 2011-12 audited financial statements of the District included in Appendix A hereto.

Supplemental Employee Retirement Plan

The District offered a supplemental employee retirement plan ("SERP") in 2011 and 2012, whereby certain eligible certificated non-management employees and certain certificated/classified management employees were provided an early retirement incentive. As of June 30, 2012, the balance of the obligation associated with the SERP was \$2,485,869. Future payments from the District as at June 30, 2012 are as follows:

Year Ending	
<u>June 30</u>	<u>Total</u>
2013	\$754,869
2014	754,869
2015	754,869
2016	110,631
2017	<u>110,631</u>
Total	\$2,485,869

Joint Powers Authorities

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

During the year ended June 30, 2012, the District made payments of \$1,233,117, \$6,549,324, and \$444,919, to RSRMA, REEP, and RSIA, respectively.

DISTRICT FINANCIAL INFORMATION

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

Accounting Practices

The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts. The Governmental Accounting Standards Board ("GASB") has released Statement No. 34, which makes changes in the annual financial statements for all governmental agencies in the United States, especially in recording of fixed assets and their depreciation, and in the way the report itself is formatted. These requirements became effective on June 15, 2002, for the District, as well as for any other governmental agency with annual revenues of between \$10 million and \$100 million.

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

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

Financial Statements

The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements of the District for the fiscal year ended June 30, 2012, and prior fiscal years are on file with the District and available for public inspection at the Office of the Superintendent of the Perris Union High School District, 155 East Fourth Street, Perris, California 92570-2124, telephone: (951) 943-6369. Excerpts from the audited financial statements of the District for the year ended June 30, 2012 are included in Appendix A hereto.

Comparative Financial Statements

The following table reflects the District's general fund revenues, expenditures and fund balances from fiscal year 2007-08 to fiscal year 2011-12.

AUDITED FINANCIAL STATEMENTS Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund – Fiscal Years 2007-08 through 2011-12⁽¹⁾ Perris Union High School District

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
REVENUES					
Revenue limit sources	\$57,375,088	\$57,952,716	\$52,814,470	\$55,002,572	\$54,695,987
Federal revenue	3,146,820	7,622,723	6,236,442	6,099,328	4,998,559
Other State sources	10,078,130	7,515,302	10,769,202	9,779,795	10,995,164
Other Local sources	<u>6,218,050</u>	<u>7,491,438</u>	<u>5,752,100</u>	<u>5,301,991</u>	<u>6,040,932</u>
Total Revenues	76,818,088	80,582,179	75,572,214	76,183,686	76,730,642
EXPENDITURES					
Current					
Instruction	42,928,883	43,934,649	44,232,153	44,415,050	42,756,130
Instruction-related activities:					
Supervision of instruction	2,555,421	2,360,642	2,348,317	2,159,391	1,858,452
Instructional library, media and technology	631,241	658,308	575,124	635,154	517,207
School site administration	6,961,624	6,973,950	6,996,067	6,915,961	6,552,242
Pupil Services:					
Home-to-school transportation	9,276,059	3,918,687	3,834,923	3,702,898	3,505,188
Food services	--	--	--	--	6,571
All other pupil services	4,380,139	4,547,884	4,537,159	4,662,387	4,351,504
Administration:					
Data processing	1,086,553	1,089,488	1,301,045	1,054,759	1,220,937
All other administration	4,268,682	4,494,736	4,625,323	4,045,386	3,938,282
Plant services	9,102,921	9,072,518	8,812,285	9,644,466	9,072,148
Facility acquisition and construction	350,551	212,131	271,312	761,994	5,090,616
Ancillary services	1,707,981	1,741,032	1,631,345	1,385,450	1,443,505
Community services	1,474	1,723	1,144	780	711
Other outgo	12,229	9,811	7,271	13,219	--
Debt service:					
Principal	--	619,647	447,884	464,456	481,641
Interest and other	--	--	173,234	156,663	195,581
Total Expenditures	83,263,758	79,635,206	79,794,586	80,018,014	80,990,715
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,445,670)	946,973	(4,222,372)	(3,834,328)	(4,260,073)
Other Financing Sources (Uses):					
Transfers in	137,961	98,241	--	5,368,947	1,066
Other sources	5,238,519	505,631	--	--	--
Transfers out	(427,239)	(712,519)	--	--	--
Other uses	--	--	--	--	--
Net Financing Sources (Uses)	4,949,241	(108,647)	--	5,368,947	1,066
NET CHANGE IN FUND BALANCES	(1,496,429)	838,326	(4,222,372)	1,534,619	(4,259,007)
Fund Balance – Beginning	<u>16,067,770</u>	<u>14,571,341</u>	<u>15,409,667</u>	<u>11,187,295</u>	<u>12,721,914</u>
Fund Balances – Ending	<u>\$14,571,341</u>	<u>\$15,409,667</u>	<u>\$11,187,295</u>	<u>\$12,721,914</u>	<u>\$8,462,907</u>

⁽¹⁾ For projected general fund revenues, expenditures and changes in fund balance for fiscal year 2012-13, see “ – General Fund Budgets” below.

Source: The District.

Budget Process

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

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. A district may be on either a dual or single budget cycle. The dual budget option requires a revised and readopted budget by September 1 that is subject to State-mandated standards and criteria. The revised budget must reflect changes in projected income and expenses subsequent to July 1. The single budget is only readopted if it is disapproved by the county office of education, or as needed. Both of the District is on a single budget cycle and adopt their respective budgets on or before July 1.

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

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

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

year or subsequent two fiscal years. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or subsequent two fiscal years.

The District has never had an adopted budget disapproved by the county superintendent of schools, and has never received a "negative" certification of an Interim Report pursuant to AB 1200. The District has received "qualified" certifications of its interim reports since its fiscal year 2010-11 Second Interim Report.

General Fund Budgets

The District's general fund budgets and actual results for the fiscal years ending June 30, 2011, through June 30, 2013, are set forth in the following table.

GENERAL FUND BUDGET AND ACTUAL RESULTS FISCAL YEARS ENDING JUNE 30, 2010 THROUGH JUNE 30, 2012 Perris Union High School District

	2010-11 Budget ⁽¹⁾	2010-11 Actual ⁽¹⁾	2011-12 Budget ⁽¹⁾	2011-12 Actual ⁽¹⁾	2012-13 Budget ⁽²⁾	2012-13 Projected Actual ⁽³⁾
REVENUES						
Revenue limit sources	\$53,455,178	\$55,002,572	\$52,057,204	\$54,695,987	\$50,969,724	\$54,949,425
Federal revenue	4,669,015	6,099,328	4,492,060	4,998,559	4,411,858	6,633,747
Other State sources	7,531,520	9,779,795	7,809,242	10,995,164	8,692,732	9,701,881
Other Local sources	<u>4,545,356</u>	<u>5,301,991</u>	<u>4,911,854</u>	<u>6,040,932</u>	<u>5,032,536</u>	<u>5,057,579</u>
Total Revenues	70,201,069	76,183,686	69,270,360	76,730,642	69,106,850	76,342,632
EXPENDITURES						
Current						
Certificated salaries	36,491,793	35,820,487	32,230,168	32,602,461	32,042,543	32,963,641
Classified salaries	11,596,406	11,952,598	11,307,932	11,774,727	11,099,457	11,340,931
Employee benefits	14,573,287	15,931,387	15,070,643	17,251,200	14,718,100	14,955,467
Books and supplies	2,985,876	3,619,942	2,206,228	2,091,356	3,537,838	5,500,339
Services and operating expenditures	12,258,277	11,687,843	12,095,097	11,964,376	10,587,523	12,560,144
Capital Outlay	3,679,103	844,604	4,994,657	5,209,789	1,335,250	1,644,588
Other Outgo	(351,608)	(459,966)	(508,032)	(524,313)	628,018	628,018
Transfers of Indirect Costs	--	--	--	--	(564,728)	(564,728)
Debt Service						
Principal	464,456	464,456	156,663	481,641	--	--
Interest	<u>156,663</u>	<u>156,663</u>	<u>464,456</u>	<u>139,478</u>	<u>--</u>	<u>--</u>
Total Expenditures	81,854,253	80,018,014	78,017,812	80,990,715	73,384,001	79,028,400
Excess (Deficiency) of Revenues Over (Under) Expenditures Before Other Financing Sources and Uses	(11,653,184)	(3,834,328)	(8,747,452)	(4,260,073)	(4,277,151)	(2,685,769)
Other Financing Sources (Uses):						
Transfers in	<u>4,900,000</u>	<u>5,368,947</u>	--	<u>1,066</u>	--	--
Net Financing Sources (Uses)	4,900,000	5,368,947	--	1,066	--	--
NET CHANGE IN FUND BALANCES	(6,753,184)	1,534,619	(8,747,452)	(4,259,007)	(4,277,151)	(2,685,769)
Fund Balance – Beginning	<u>11,187,295</u>	<u>11,187,295</u>	<u>12,721,914</u>	<u>12,721,914</u>	<u>8,462,907</u>	<u>8,462,907</u>
Fund Balances – Ending	<u>\$4,434,111</u>	<u>\$12,721,914</u>	<u>\$3,974,462</u>	<u>\$8,462,907</u>	<u>\$4,185,756</u>	<u>\$5,777,139</u>

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

⁽²⁾ Fiscal year 2012-13 adopted budget.

⁽³⁾ Projected fiscal year 2012-13 actual results from second interim report.

Source: The District.

Revenue Limit Funding

A majority of the funding that California schools receive is determined by the state revenue limit formula. This formula is based on an amount of support per pupil, which is increased each year by a legislatively determined cost of living adjustment. The per pupil amount is multiplied by a district's A.D.A. to determine the total revenue limit. See "DISTRICT FINANCIAL INFORMATION – State Funding of Education." The revenue limit calculations are adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type.

Each district receives a portion of the local property taxes that are collected within the district boundaries. This amount is compared to the total revenue limit; the balance is received in the form of State aid. Therefore, the sum of the property taxes and State aid equal the district's revenue limit. The more local property taxes a district receives, the less State aid it is entitled to receive. Ultimately, a school district whose local property tax revenues exceed its base revenue limit is entitled to receive no State aid, and receives 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 State Constitution. Such districts are known as "basic aid districts." Districts that receive some State aid are commonly referred to as "revenue limit districts." The District is a revenue limit district.

State Funding of Education

Most California school districts receive a significant portion of their funding from State appropriations. As a result, changes in State revenues may affect appropriations made by the Legislature to school districts, such as the District. Annual State apportionments of basic and equalization aid to school districts are computed based on a revenue limit per unit of average daily attendance ("A.D.A.").

The following table shows the A.D.A. and the District's deficated revenue limit per A.D.A. for the last five years, as well as projected figures for the current fiscal year.

AVERAGE DAILY ATTENDANCE AND REVENUE LIMIT

Fiscal Years 2007-08 to 2012-13
Perris Union High School District

<u>Fiscal Year</u>	<u>Average Daily Attendance⁽¹⁾</u>	<u>Annual Change in A.D.A.</u>	<u>Deficated Revenue Limit Per A.D.A.⁽²⁾</u>
2007-08	8,632	--	\$6,652
2008-09	9,045	413	6,479
2009-10	9,143	98	5,985
2010-11	9,132	(11)	6,068
2011-12	9,079	(53)	6,004
2012-13 ⁽³⁾	8,927	(152)	6,069

Note: All amounts are rounded to the nearest whole number.

⁽¹⁾ Average daily attendance for the second period of attendance, typically in mid-April of each school year.

⁽²⁾ The State's practice of deficit revenue limit funding, which reduced the amount of revenue limit funds received by school districts, was eliminated effective in fiscal year 2000-01, reinstated beginning in fiscal year 2003-04, eliminated again effective in fiscal year 2006-07, and reinstated again in fiscal year 2008-09.

⁽³⁾ Projected.

Source: The District.

Revenue Sources

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

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

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

Beginning in 1978-79, Proposition 13 and its implementing legislation provided for each county to levy (except for levies to support prior voter approved indebtedness) and collect all property taxes, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

The District's revenue limit sources constituted approximately 69.9% of general fund revenues in fiscal year 2009-10, 72.2% of such revenues in fiscal year 2010-11, 71.3% of such revenues in fiscal year 2011-12 and are projected to equal approximately 72.0% of such revenues in fiscal year 2012-13.

Federal Revenues. The federal government provides funding for several of the District's programs, including special education programs and specialized programs such as the No Child Left Behind Act. The District's federal revenues, most of which are restricted, constituted approximately 8.3% of general fund revenues in fiscal year 2009-10, 8.0% of such revenues in fiscal year 2010-11, 6.5% of such revenues in fiscal year 2011-12 and are projected to equal approximately 8.7% of such revenues in fiscal year 2012-13.

Other State Revenues. As discussed above, the District receive State apportionment of basic and equalization aid in an amount equal to the difference between the District's revenue limit and its property tax revenues. In addition to such apportionment revenue, the District receives substantial other State revenues. These other State revenues are primarily restricted revenues funding items such as the Class Size Reduction Program, Economic Impact Aid, and home-to-school transportation, among others. The District's other State revenues constituted approximately 14.3% of general fund revenues in fiscal year 2009-10, 12.8% of such revenues in fiscal year 2010-11, 14.3% of such revenues in fiscal year 2011-12 and are projected to equal approximately 12.7% of such revenues in fiscal year 2012-13.

State Lottery. In the November 1984 general election, the voters of the State approved a constitutional amendment establishing a State lottery (the "State Lottery"), the net revenues of which are used to supplement money allocated to public education. This amendment stipulated that the funds derived from the State Lottery be used for the education of students and prohibited their use for noninstructional purposes, such as the acquisition of real property, the construction of facilities or the financing of research. Moreover, State Proposition 20 approved in March 2000 requires that 50% of the increase in State Lottery revenues over 1997-98 levels must be restricted to use on instructional material. State Lottery net revenues - gross revenues less prizes and administration expenses - are allocated by computing an amount per A.D.A., which is derived by dividing the total net revenues figures by the total

A.D.A. for grades K-12, community colleges, the University of California system and other participating educational institutions. Each district receives an amount equal to its total A.D.A. multiplied by the per A.D.A. figure. Allocations to the District in 2012-13 are projected to be approximately 1.9% of general fund revenues.

Other Local Revenues. In addition to property taxes, the District receives additional local revenues from items such as leases and rentals, interest earnings, interagency services, and other local sources. The District's local revenues constituted approximately 7.6% of general fund revenues in fiscal year 2009-10, 7.0% of such revenues in fiscal year 2010-11, 7.9% of such revenues in fiscal year 2011-12 and are projected to equal approximately 6.6% of such revenues in fiscal year 2012-13.

Dissolution of Redevelopment Agencies

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

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

The District can make no representations as to the extent to which its revenue limit apportionments may be offset by the future receipt of pass-through tax increment revenues, or any other surplus property tax revenues pursuant to the Dissolution Act.

District Debt Structure

Schedule of Long-Term Debt. A schedule of changes in District's long-term debt for the year ended June 30, 2012, is shown below:

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
General Obligation Bonds	\$62,128,878	\$1,434,035	\$1,685,000	\$61,877,913
Certificates of Participation	26,725,000	--	18,755,000	7,970,000
Qualified School Construction Bonds	--	2,100,000	57,769	2,042,231
QZAB Lease Purchase Agreement	5,000,000	--	--	5,000,000
Capital Leases	3,769,669	--	481,641	3,288,028
Compensated Absences	353,992	--	24,185	329,807
SERP ⁽¹⁾	3,221,190	553,155	1,288,476	2,485,869
OPEB Obligation ⁽²⁾	--	50,841	50,841	--
Totals ⁽³⁾	<u>\$101,198,729</u>	<u>\$1,138,031</u>	<u>\$22,342,912</u>	<u>\$82,993,848</u>

⁽¹⁾ See "THE DISTRICT – Supplemental Employee Retirement Program."

⁽²⁾ See "THE DISTRICT – Post-Employment Benefits."

⁽³⁾ Does not include bonds of community facilities districts of the District. Such debt service is paid from the proceeds of special taxes levied against land within the respective community facilities districts. See "TAX BASE FOR REPAYMENT OF BONDS – Statement of Direct and Overlapping Debt."

Source: The District.

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

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

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

<u>Year Ending (September 1)</u>	<u>1999 Election Series A⁽¹⁾</u>	<u>1999 Election Series B</u>	<u>2004 Election Series A⁽²⁾</u>	<u>2005 Refunding</u>	<u>2004 Election Series B</u>	<u>2012 Election Series A</u>	<u>Total Annual Debt Service</u>
2013	--	--	\$2,213,244	\$1,193,700	\$619,600		
2014	--	\$540,000	2,336,431	708,900	649,000		
2015	\$750,000	565,000	2,474,669	--	667,250		
2016	785,000	595,000	2,613,069	--	698,500		
2017	825,000	620,000	2,762,069	--	737,000		
2018	865,000	655,000	2,920,569	--	763,200		
2019	910,000	685,000	3,092,569	--	797,400		
2020	955,000	720,000	3,269,969	--	834,200		
2021	1,005,000	750,000	3,455,250	--	868,400		
2022	1,055,000	790,000	3,652,750	--	1,000,000		
2023	1,105,000	830,000	3,864,250	--	--		
2024	1,160,000	870,000	4,088,250	--	--		
2025	1,000,000	1,130,000	4,323,250	--	--		
2026	--	2,235,000	4,572,750	--	--		
2027	--	2,345,000	4,835,000	--	--		
2028	--	--	5,115,000	--	--		
2029	--	--	5,410,000	--	--		
2030	--	--	2,700,000	--	--		
2031	--	--	--	--	--		
2032	--	--	--	--	--		
Totals	\$10,415,000	\$13,330,000	\$63,699,088	\$1,902,600	\$7,634,550		

⁽¹⁾ Final maturity is March 1, 2025.

⁽²⁾ Final maturity is March 1, 2030.

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

<u>Year Ending (October 1)</u>	<u>Certificate Principal</u>	<u>Certificate Interest</u>	<u>Total Annual Certificate Payments</u>
2013	\$300,000.00	\$322,693.76	\$622,693.76
2014	310,000.00	310,693.76	620,693.76
2015	320,000.00	298,293.76	618,293.76
2016	335,000.00	285,493.76	620,493.76
2017	345,000.00	272,093.76	617,093.76
2018	360,000.00	258,293.76	618,293.76
2019	380,000.00	243,893.76	623,893.76
2020	390,000.00	228,693.76	618,693.76
2021	410,000.00	213,093.76	623,093.76
2022	425,000.00	196,693.76	621,693.76
2023	445,000.00	179,693.76	624,693.76
2024	455,000.00	161,337.50	616,337.50
2025	480,000.00	142,000.00	622,000.00
2026	500,000.00	121,600.00	621,600.00
2027	520,000.00	100,350.00	620,350.00
2028	545,000.00	76,950.00	621,950.00
2029	570,000.00	52,425.00	622,425.00
2030	<u>595,000.00</u>	<u>26,775.00</u>	<u>621,775.00</u>
Total	\$7,685,000.00	\$3,491,068.86	\$11,176,068.86

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

The Subsidy Payment does not constitute a full faith and credit guarantee of the United States Government, but is required to be paid by the Treasury. However, the Subsidy Payment is subject to reduction (the “Sequestration Reduction”) pursuant to the federal Balanced Budget and Emergency Deficit Control Act of 1985, as amended, which currently includes provisions reducing the Subsidy Payment by 8.7% through the end of the current federal fiscal year (September 30, 2013). In the absence of action by the U. S. Congress, the rate of the Sequestration Reduction is subject to change in the following federal fiscal year. The District cannot predict whether or how subsequent sequestration actions may affect Subsidy Payments currently scheduled for receipt in future federal fiscal years.

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

<u>Year Ending (September 1)</u>	<u>Amount Attributable to Principal</u>	<u>Amount Attributable to Interest</u>	<u>Total Annual Lease Payments⁽¹⁾</u>
2013	\$115,349.66	\$108,960.40	\$224,310.06
2014	116,459.67	102,520.01	218,979.68
2015	117,580.37	96,017.64	213,598.01
2016	118,711.85	89,452.69	208,164.54
2017	119,854.22	82,824.57	202,678.79
2018	121,007.58	76,132.67	197,140.25
2019	122,172.04	69,376.37	191,548.41
2020	123,347.71	62,555.06	185,902.77
2021	124,534.69	55,668.10	180,202.79
2022	125,733.09	48,714.87	174,447.96
2023	126,943.02	41,694.73	168,637.75
2024	128,164.61	34,607.03	162,771.64
2025	129,397.94	27,451.13	156,849.07
2026	130,643.14	20,226.37	150,869.51
2027	131,900.33	12,932.08	144,832.41
2028	<u>133,169.62</u>	<u>5,567.60</u>	<u>138,737.22</u>
Total	\$1,984,969.54	\$934,701.32	\$2,919,670.86

⁽¹⁾ Does not reflect receipt of Subsidy Payments.

Qualified Zone Academy Bonds. On December 9, 2003, the District, pursuant to a lease purchase agreement with the Public Property Financing Corporation of California, issued \$5,000,000 aggregate principal amount of Qualified Zone Academy Bonds (the "QZABs") pursuant to Section 1397E of the Internal Revenue Code. The purpose of the lease purchase agreement is to finance certain improvements, equipment, and related costs for the District's Literacy and Information Technology Academy and to pay certain costs of issuance. Payment of the QZABs at maturity is secured by a certain funds, together with the earnings thereon, deposited by the District with a trustee. See Note 8 to the fiscal year 2011-12 audited financial statements of the District included in Appendix A hereto.

Capital Leases. The District has entered into agreements to lease various facilities and equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability, as of June 30, 2012, on lease agreements with options to purchase is summarized below:

<u>Fiscal Year</u>	<u>Lease Payment</u>
2013	\$621,118
2014	621,118
2015	621,118
2016	621,118
2017	621,118
2018	<u>621,118</u>
Total	\$3,726,708
Less: Amount Representing Interest	(438,680)
Present Value of Minimum Lease Payments	<u>\$3,288,028</u>

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Bowie, Arneson, Wiles & Giannone, Newport Beach, California, Bond Counsel ("Bond Counsel"), subject, however to certain qualifications described herein, under existing laws, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended ("Code"). In the further opinion of Bond Counsel, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum taxes imposed on individuals and corporations; however, Bond Counsel observes that such interest is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's minimum tax liabilities.

The opinions of Bond Counsel set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. The Resolutions and other related documents refer to certain requirements, covenants and procedures which may be changed and certain actions that may be taken, upon the advice or with an opinion of nationally recognized bond counsel. No opinion is expressed by Bond Counsel as to the effect on any Bond or the interest thereon if any such change is made or action is taken upon the advice or approval of counsel other than Bond Counsel. Bond Counsel has not undertaken to determine (or to inform any person) where any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may affect the tax status of interest on the Bonds.

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

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

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

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

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners of the Bonds regarding the tax-exempt status of the Bonds in the event of an audit examination by the Internal Revenue Service. Under current procedures, parties other than the District and its appointed

counsel, including the Beneficial Owners of the Bonds, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt Bonds is difficult, obtaining an independent review of Internal Revenue Service positions with which the District legitimately disagrees may not be practicable. Any action of the Internal Revenue Service, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of Bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the Beneficial Owners of the Bonds to incur significant expense.

Premium Bonds

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is in the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds.

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

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

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners of the Bonds from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Bonds. In 2011 and 2012, legislative changes were proposed in Congress, which, if enacted, would have resulted in additional federal income tax being imposed on certain owners of tax-exempt state or local obligations, such as the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation as to which Bond Counsel expresses no opinion.

Internal Revenue Service Audit of Municipal Bond Issues

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

Information Reporting and Backup Withholding

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

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

LEGAL MATTERS

Continuing Disclosure

The District has covenanted for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than nine months following the end of the District's fiscal year (the District's fiscal year ends on June 30), commencing with the report for the 2012-13 fiscal year (which is due not later than April 1, 2014), and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of events will be filed in accordance with the requirements of S.E.C. Rule 15c2-12(b)(5) (the "Rule"). The specific nature of the information to be made available and to be contained in the notices of enumerated events is described in the form of Continuing Disclosure Certificate attached hereto as Appendix C. These covenants have been made in order to assist the Underwriter in complying with the Rule.

[Within the past five years, the District has failed to timely file portions of the annual disclosure reports required in connection with its outstanding general obligation bonds. The District has since filed such reports and is now in compliance with all its previous continuing disclosure undertakings to provide annual reports or notices of certain events.]

Legality for Investment in California

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

Absence of Material Litigation

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

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

Legal Opinion

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

Financial Statements

Excerpts from the financial statements with supplemental information for the year ended June 30, 2012, the independent auditor's report of the District, and the related statements of activities and of cash flows for the year then ended, and the report dated October 22, 2012, of Vavrinek, Trine, Day & Co., LLP (the "Auditor"), are included in this Official Statement as Appendix A. In connection with the inclusion of the financial statements and the reports of the Auditor thereon in Appendix A to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its reports.

RATINGS

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), and Moody's Investors Service ("Moody's") have assigned ratings of "___" and "___," respectively, to the Bonds.

Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Standard & Poor's, 55 Water Street, New York, New York 10041; and Moody's Investors Service, 7 World Trade Center at 250 Greenwich, New York, New York 10007. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the respective rating

agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price for the Bonds.

UNDERWRITING

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

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

ADDITIONAL INFORMATION

Quotations from and summaries and explanations of the Bonds, the Resolutions providing for issuance of the Bonds, and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

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

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

PERRIS UNION HIGH SCHOOL DISTRICT

By _____
Assistant Superintendent, Business Services

APPENDIX A

**EXCERPTS FROM THE FISCAL YEAR 2011-12 AUDITED
FINANCIAL STATEMENTS OF THE DISTRICT**

APPENDIX B

FORM OF OPINION OF BOND COUNSEL

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

Board of Trustees of the
Perris Union High School District
155 East Fourth Street
Perris, Ca 92570

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

Ladies and Gentlemen:

We have acted as Bond Counsel for the Perris Union High School District ("District") in connection with the proceedings for the issuance and sale by the District of \$ _____ principal amount of Perris Union High School District General Obligation Bonds, 2012 Election, Series A ("Bonds"). The Bonds are being issued pursuant to a Resolution of the Board of Education of the District, adopted on May 15, 2013 (Resolution No. 33:12-13) ("District Resolution"), and a resolution adopted by the Board of Supervisors of the County of Riverside ("County"), adopted on _____, 2013 ("County Resolution" and, collectively with the District Resolution, the "Bond Resolution"), in accordance with the provisions of the California Constitution, the statutory authority set forth in Title 5, Division 2, Part 1, Chapter 3, Article 4.5 of the State of California Government Code, commencing with Section 53506, California Education Code Sections 15264, 15266(b), and, as applicable, the provisions of Title 1, Division 1, Part 10, Chapters 1 and 2 of the California Education Code, commencing with Section 15100 and related California law.

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

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

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

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may

be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their execution and delivery, and we disclaim any obligation to update this letter. As to questions of fact material to our opinions, we have relied upon the documents and matters referred to above, and we have not undertaken by independent investigation to verify the authenticity of signatures or the accuracy of the factual matters represented, warranted or certified therein. Furthermore, we have assumed compliance with all covenants contained in the Bond Resolution, the Tax Certificate and in certain other documents, including, without limitation, covenants compliance with which is necessary to assure that future actions or events will not cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of original issuance of the Bonds.

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

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

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

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

Very truly yours,

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Perris Union High School District (the "District") in connection with the issuance of \$_____ of the District's General Obligation Bonds, 2012 Election, Series A (the "Bonds"). The Bonds are being issued pursuant to resolutions of the District, adopted on May 15, 2013, and the Board of Supervisors of Riverside County, adopted on _____, 2013 (collectively, the "Resolution"). The District covenants and agrees as follows:

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

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

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

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

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

"Holders" shall mean registered owners of the Bonds.

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

"Participating Underwriter" shall mean Stifel, Nicolaus & Company, Incorporated.

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

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

"State" shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (presently ending June 30), commencing with the report for the 2012-13 Fiscal Year, provide to the Participating Underwriter and to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

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

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

SECTION 4. Content and Form of Annual Reports.

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

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

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

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

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

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

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

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

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

SECTION 5. Reporting of Significant Events.

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

- (i) principal and interest payment delinquencies.

- (ii) tender offers.

- (iii) defeasances.

- (iv) rating changes.

- (v) the issuance by the Internal Revenue Service of adverse tax opinions or proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).

- (vi) unscheduled draws on the debt service reserves reflecting financial difficulties.

- (vii) unscheduled draws on credit enhancement reflecting financial difficulties.

- (viii) substitution of the credit or liquidity providers or their failure to perform.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Dated: July __, 2013

PERRIS UNION HIGH SCHOOL DISTRICT

By _____

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: PERRIS UNION HIGH SCHOOL DISTRICT

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

Date of Issuance: July __, 2013

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

Dated: _____

PERRIS UNION HIGH SCHOOL DISTRICT

By _____ [form only; no signature required]

APPENDIX D

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

The District covers approximately 182 square miles in the northwestern part of Riverside County (the "County"). A majority of the City of Perris (the "City") lies within the District's boundaries. The following economic data for the City and the County are presented for information purposes only, to describe the general economic health of the region. However, the Bonds are not a debt of the City or the County.

General

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

Population

The following table summarizes population estimates for the City, County and State of California (the "State") from 2000 through 2012. Over the past twelve years, the number of County residents grew by over 44%. The City, achieved steady growth over that same period, with an average annual population growth rate of 5.23% and nearly doubling in size.

POPULATION ESTIMATES City of Perris, County of Riverside, and State of California 2000-2012

Year ⁽¹⁾	<u>City of Perris</u>		<u>County of Riverside</u>		<u>State of California</u>	
	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>	<u>Population</u>	<u>% Change</u>
2000 ⁽²⁾	36,189	--	1,545,387	--	33,873,086	--
2001	37,785	4.4%	1,589,708		34,256,789	1.1%
2002	39,844	5.4	1,655,291		34,725,516	1.4
2003	42,045	5.5	1,730,219		35,163,609	1.3
2004	46,634	10.9	1,814,485		35,570,847	1.2
2005	50,650	8.6	1,895,695		35,869,173	0.8
2006	54,439	7.5	1,975,913		36,116,202	0.7
2007	59,014	8.4	2,049,902		36,399,676	0.8
2008	63,041	6.8	2,102,741		36,704,375	0.8
2009	65,422	3.8	2,140,626		36,966,713	0.7
2010 ⁽²⁾	68,386	4.5	2,189,641		37,253,956	0.8
2011	69,506	1.6	2,205,731		37,427,946	0.5
2012	70,180	1.0	2,227,577		37,678,563	0.7

⁽¹⁾ As of January 1.

⁽²⁾ As of April 1.

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

2001-09, 2011-12 (2000 and 2010 DRU Benchmark): California Department of Finance for January 1.

Personal Income

The following tables summarize personal income and per capita personal income for the County, State and United States from 2000 through 2011.

PER CAPITAL PERSONAL INCOME Riverside County, State of California, and United States of America 2000-2011

<u>Year⁽¹⁾</u>	<u>Riverside County</u>	<u>% Annual Change</u>	<u>State of California</u>	<u>% Annual Change</u>	<u>United States of America</u>	<u>% Annual Change</u>
2000	24,528	--	\$33,404	--	\$30,319	--
2001	25,586	4.3%	33,896	1.5%	31,157	2.8%
2002	25,854	1.0	34,049	0.5	31,481	1.0
2003	26,528	2.6	34,975	2.7	32,295	2.6
2004	27,416	3.3	36,887	5.5	33,909	5.0
2005	28,563	4.2	38,731	5.0	35,452	4.6
2006	30,039	5.2	41,518	7.2	37,725	6.4
2007	30,720	2.3	43,211	4.1	39,506	4.7
2008	30,842	0.4	44,003	1.8	40,947	3.6
2009	28,865	-6.4	41,034	(6.7)	38,637	(5.6)
2010	29,029	0.6	41,893	2.1	39,791	3.0
2011	29,927	3.1	43,647	4.2	41,560	4.4

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

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

Employment

The following table summarizes the civilian labor force, employment and unemployment for the County, City and State during calendar years 2007 through 2012.

CIVILIAN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT City of Perris, County of Riverside, and State of California 2007-2012

<u>Year</u>	<u>Area</u>	<u>Labor Force</u>	<u>Employment</u> ⁽¹⁾	<u>Unemployment</u> ⁽²⁾	<u>Unemployment Rate</u> ⁽³⁾
2007	City of Perris	18,700	16,900	1,800	9.7%
	County of Riverside	903,400	848,900	54,500	6.0
	State of California	17,970,800	17,011,000	959,800	5.3
2008	City of Perris	19,200	16,600	2,600	13.4
	County of Riverside	912,100	834,700	77,400	8.5
	State of California	18,251,600	16,938,300	1,313,200	7.2
2009	City of Perris	19,900	15,800	4,200	20.0
	County of Riverside	916,600	793,600	123,000	13.4
	State of California	18,250,200	16,163,900	2,086,200	11.4
2010	City of Perris	20,000	15,500	4,500	22.4
	County of Riverside	913,800	779,500	134,300	14.7
	State of California	18,316,400	16,051,500	2,264,900	12.4
2011	City of Perris	20,400	16,100	4,300	21.1
	County of Riverside	939,600	810,400	129,200	13.7
	State of California	18,404,500	16,237,300	2,167,200	11.7
2012	City of Perris	20,300	16,500	3,800	18.9
	County of Riverside	944,500	828,800	115,600	12.2
	State of California	18,494,900	16,560,300	1,934,500	10.5

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

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

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

Source: U.S. Department of Labor – Bureau of Labor Statistics, California Employment Development Department. March 2010 Benchmark.

Industry

The following table summarizes the annual average industry employment statistics for the County between 2007 and 2011.

INDUSTRY EMPLOYMENT & LABOR FORCE ANNUAL AVERAGES

Riverside County

2007-2011

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Farm	13,000	13,100	12,400	12,400	12,800
Mining, Logging and Construction	700	500	500	400	400
Manufacturing	54,400	48,400	39,000	37,900	39,000
Wholesale Trade	21,100	20,400	18,700	19,100	19,900
Retail Trade	88,000	84,900	78,800	78,500	79,400
Transportation, Warehousing and Utilities	20,900	21,200	19,700	19,400	20,300
Information	7,800	7,700	8,500	10,200	9,600
Financial Activities	23,000	22,300	20,700	19,300	18,300
Professional and Business Services	63,000	58,000	53,600	50,300	52,700
Education and Health Services	56,900	58,100	57,900	58,000	61,600
Leisure and Hospitality	73,700	72,800	68,700	67,700	69,300
Other Services	20,100	19,400	18,100	18,300	19,000
Government	<u>108,800</u>	<u>110,600</u>	<u>109,300</u>	<u>109,200</u>	<u>112,200</u>
Total All Industries	620,200	592,000	546,300	536,000	548,800

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

Source: California Employment Development Department, Labor Market Information Division. March 2010 Benchmark.

Largest Employers

The following tables list the largest employers in the County and City as of June 30, 2012.

LARGEST EMPLOYERS

County of Riverside

2012

<u>Employer</u>	<u>Description</u>	<u>Number of Employees</u>	<u>% of Total County Employees</u>
1. County of Riverside	County Government	19,150	2.10%
2. March Air Reserve Base	Military	9,000	2.10
3. Stater Brothers Market	Grocery retail	6,900	2.10
4. University of California at Riverside	Higher education and research university	5,790	2.10
5. WalMart	General retail	5,360	2.10
6. Corona-Norco Unified School District	Primary & Secondary Education	4,686	0.52
7. Kaiser Permanente Riverside Med. Center	Hospital and healthcare	4,000	0.52
8. Pechanga Resort & Casino	Gaming casino and recreation	4,000	0.52
9. Riverside Unified School District	Primary & Secondary Education	3,796	0.52
10. Moreno Valley Unified School District	Primary & Secondary Education	3,500	0.52

Source: County of Riverside 'Comprehensive Annual Financial Report' for the year ending June 30, 2012.

LARGEST EMPLOYERS
City of Perris
2012

<u>Employer</u>	<u>Description</u>	<u>Number of Employees</u>	<u>% of Total City Employees</u>
1. Ross Stores Inc.	Department store	1,400	7.76%
2. Starcrest	Hospital and healthcare	1,000	5.54
3. Lowe's H1W Inc.	Distribution center	900	4.99
4. Perris Union High School District	Secondary education	786	4.36
5. Hanes	Distribution center	650	3.60
6. Eastern Municipal Water District	Water and sewage services	602	3.34
7. Whirlpool	Distribution center	580	3.21
8. WalMart	General retail	300	1.66
9. Coreslab Structures	Concrete manufacturing	250	1.39
10. Albertsons	Grocery retail	200	1.11

Source: City of Perris 'Comprehensive Annual Financial Report' for the year ending June 30, 2012.

Retail Trade

Taxable sales in the County and City for years 2005 through 2011 are shown in the following tables.

TAXABLE SALES
County of Riverside
2005-2011
(Dollars in Thousands)

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

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

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

TAXABLE SALES
City of Perris
2006-2011
(Dollars in Thousands)

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

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

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

Construction Activity

Provided below are the building permits and valuations for the County and City for years 2008 through 2012.

BUILDING PERMITS AND VALUATIONS
County of Riverside
2008-2012
(Dollars in Thousands)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Valuation (\$000's)</u>					
Residential	\$1,576,984	\$1,053,694	\$1,079,637	\$873,411	\$885,473
Nonresidential	<u>1,041,813</u>	<u>376,819</u>	<u>539,379</u>	<u>559,398</u>	<u>526,369</u>
Total Valuation	\$2,618,797	\$1,430,513	\$1,619,016	\$1,432,809	\$1,411,842
<u>New Dwelling Units</u>					
Single-Family	3,815	3,431	4,031	2,659	2,981
Multi-Family	<u>2,104</u>	<u>759</u>	<u>526</u>	<u>1,061</u>	<u>560</u>
Total:	5,919	4,190	4,557	3,720	3,541

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

Source: *Construction Industry Research Board*.

BUILDING PERMITS AND VALUATIONS

City of Perris

2008-2012

(Dollars in Thousands)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Valuation (\$000's)</u>					
Residential	\$16,879	\$20,505	\$24,672		\$12,511
Nonresidential	<u>23,364</u>	<u>3,173</u>	<u>3,320</u>		<u>227,287</u>
Total Valuation	\$40,243	\$23,678	27,992		\$239,798
<u>New Dwelling Units</u>					
Single-Family	117	176	207		43
Multi-Family	<u>0</u>	<u>0</u>	<u>0</u>		<u>84</u>
Total:	117	176	207		127

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

Source: Construction Industry Research Board.

APPENDIX E

RIVERSIDE COUNTY POOLED INVESTMENT FUND

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