

MINUTES OF THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA



3-31

The above referenced Item is deleted from the agenda for Tuesday, February 10, 2015.

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

101A



FROM: Don Kent, Treasurer-Tax Collector

SUBMITTAL DATE:
January 22, 2015

SUBJECT: Resolution No. 2015-043 – Lake Elsinore Unified School District 2014-2015 Tax and Revenue Anticipation Notes, Series B; 1st District; [\$0] (Vote on Separately)


RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve and adopt Resolution No. 2015-043 providing for the issuance and sale of Tax and Revenue Anticipation Notes for the Lake Elsinore Unified School District (the "District") in a principal amount not to exceed \$12,000,000.

BACKGROUND:

Summary

Government Code Section 53853 provides that a school district's tax and revenue anticipation notes are to be issued by the Board of Supervisors of Riverside County when the Riverside County Superintendent of Schools has jurisdiction over that district. The Riverside County Superintendent of Schools has jurisdiction over the District, therefore the District has requested, by resolution, that the Board of Supervisors issue Lake Elsinore Unified School District 2014-2015 Tax and Revenue Anticipation Notes, Series B (the "Notes") on behalf of the District. (Continued on Page 2.)


 Don Kent
 Treasurer-Tax Collector

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (per Exec. Office)
COST	\$ 0	\$ 0	\$ 0	\$ 0	Consent <input type="checkbox"/> Policy <input type="checkbox"/>
NET COUNTY COST	\$ 0	\$ 0	\$ 0	\$ 0	
SOURCE OF FUNDS: N/a				Budget Adjustment: No	
				For Fiscal Year: 2014-2015	

C.E.O. RECOMMENDATION:

APPROVE

BY: 
Samuel Wong

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

Prev. Agn. Ref.:

District: 1

Agenda Number:

3-31

FORM APPROVED COUNTY COUNSEL 1/21/15
 BY: GREGORY P. PRAMOS DATE

Departmental Concurrence

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

**SUBMITTAL TO THE BOARD OF SUPERVISORS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA
FORM 11: Resolution No. 2015-043 – Lake Elsinore Unified School District 2014-2015 Tax and
Revenue Anticipation Notes, Series B; 1st District; [\$0] (Vote on Separately)**

DATE: January 22, 2015

PAGE: 2 of 2

BACKGROUND:

Summary (continued)

The District requests the issuance of the Notes to fund its short-term operating cash requirements during the 2014-2015 fiscal year.

Resolution No. 2015-043 authorizes the issuance and sale of Lake Elsinore Unified School District 2014-2015 Tax and Revenue Anticipation Notes, Series B in a principal amount not to exceed \$12,000,000. Issuance of the Notes will provide funds for the District to meet Fiscal Year 2014-2015 general fund expenditures. While expenditures generally occur evenly throughout the fiscal year, cash receipts occur unevenly. As a result, the general fund cash balance, absent Note proceeds, tends to show a deficit during parts of the fiscal year. The Notes are being issued to solve that cash flow problem.

The District has pledged certain of its unrestricted revenues to be received or accrued during the 2014-2015 fiscal year for the repayment of the Notes. When issued, the notes will represent a general obligation of the District. The Notes will not constitute an obligation of the County. No funds of the County are pledged to the repayment of the Notes.

The Office of County Counsel has reviewed Resolution No. 2015-043 and has approved it as to form.

Impact on Citizens and Businesses

Issuance of the Notes will be beneficial to the citizens who reside within the District because the District will have the necessary funds to provide educational services without disruption due to cash flow problems.

ATTACHMENTS (if needed, in this order):

- 1) Resolution No. 2015-043
- 2) District Resolution
- 3) Note Purchase Contract
- 4) Preliminary Official Statement

RESOLUTION NO. 2015-043

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AUTHORIZING THE ISSUANCE AND SALE OF LAKE ELSINORE UNIFIED SCHOOL DISTRICT 2014-2015 TAX AND REVENUE ANTICIPATION NOTES ON BEHALF OF THE LAKE ELSINORE UNIFIED SCHOOL DISTRICT IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$12,000,000, AUTHORIZING THE EXECUTION AND DELIVERY OF A NOTE PURCHASE CONTRACT AND APPROVING OTHER MATTERS RELATING THERETO

WHEREAS, pursuant to Sections 53850 and following of the California Government Code (being Article 7.6, Chapter 4, Part 1, Division 2, Title 5 thereof), on or after the first day of any fiscal year (being July 1) a school district may borrow money by issuing temporary notes for any purpose for which the school district is authorized to expend moneys, including but not limited to current expenses, capital expenditures, investment and reinvestment and the discharge of any obligation or indebtedness of the school district; and

WHEREAS, in order to satisfy certain obligations and requirements of the Lake Elsinore Unified School District (the "District"), the District, on July 3, 2014, issued temporary notes in the principal amount of \$29,770,000 (the "Prior Note") pursuant to a resolution (the "Prior District Resolution") of the Board of Education of the District (the "Board of Education"), adopted on April 17, 2014, and the Act, which mature on February 27, 2015 and are secured by a pledge of certain unrestricted revenues as set forth in the Prior District Resolution (the "Prior Pledged Revenues"); and

WHEREAS, the Board of Education has determined that an amount not to exceed \$12,000,000 is needed to satisfy additional obligations payable or accruing during Fiscal Year 2014-2015 from the General Fund of the District, and that it is necessary that said amount be borrowed for such purpose at this time by the issuance of temporary notes in an aggregate principal amount not exceeding such amount in anticipation of the receipt by or accrual to the District during Fiscal Year 2014-2015 of taxes, income, revenue (including, but not limited to, revenue from the state and federal governments), cash receipts and other moneys provided for such fiscal year for the General Fund of the District; and

WHEREAS, said notes are to be denominated "Lake Elsinore Unified School District 2014-2015 Tax and Revenue Anticipation Notes, Series B" (the "Notes"); and

WHEREAS, the District has not been accorded fiscal accountability status under Section 42647 or Section 42650 of the California Education Code; and

WHEREAS, Section 53853 of the California Government Code provides that notes of a school district that has not been so accorded fiscal accountability status must be issued in the name of the school district by the board of supervisors of the county, the county superintendent

FORM APPROVED COUNTY COUNSEL
BY: *Dale A. Gardner* 1/21/15
DALE A. GARDNER DATE

of which has jurisdiction over the district, as soon as possible following the receipt of a resolution of the governing board of the school district requesting the borrowing; and

WHEREAS, the Superintendent of Schools of the County of Riverside (the "County") has jurisdiction over the District and, therefore, the Notes are to be issued in the name of the District by the Board of Supervisors (the "Board of Supervisors") of the County; and

WHEREAS, the Board of Education has filed with the Board of Supervisors a resolution adopted by the Board of Education on January 22, 2015 (the "District Resolution"), effectively requesting that the Board of Supervisors authorize, issue and sell, in the name of the District, not to exceed \$12,000,000 principal amount of Notes; and

WHEREAS, the Board of Education has found and determined that said aggregate principal amount of the Notes, when added to the interest payable thereon, does not exceed 85% of the estimated amount of the uncollected taxes, income, revenue (including, but not limited to, revenue from the state and federal governments), cash receipts and other moneys provided for Fiscal Year 2014-2015 which will be received by or which will accrue to the District during such fiscal year for the General Fund of the District and which will be available for the payment of the principal of and interest on the Notes; and

WHEREAS, the Board of Education has found and determined that, other than the Prior Notes, no money has heretofore been borrowed by or on behalf of the District through the issuance of tax anticipation notes or temporary notes in anticipation of the receipt of, or payable from or secured by, taxes, income, revenue (including, but not limited to, revenue from the state and federal governments), cash receipts and other moneys provided for Fiscal Year 2014-2015 which will be received by or will accrue to the District during such fiscal year for the General Fund of the District, and that the Board does not contemplate such a financing through the issuance of any temporary notes, other than the Prior Notes and the Notes; and

WHEREAS, Section 42133 of the California Education Code provides that a school district that has a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, tax anticipation notes, unless the county superintendent of schools determines, pursuant to criteria established by the Superintendent of Public Instruction of the State of California, that such school district's repayment of that indebtedness is probable; and

WHEREAS, the District received a negative certification in connection with its first interim report for Fiscal Year 2014-2015 and, therefore, the Superintendent of Schools of the County must make such determination in order for the Notes to be issued in the name of the District by the Board of Supervisors of the County; and

WHEREAS, pursuant to Section 53856 of the California Government Code, the District has, pursuant to the District Resolution, pledged to the payment of the Notes and the interest thereon certain taxes, income, revenue (including, but not limited to, revenue from the state and federal governments), cash receipts and other moneys which will be received by or accrue to the District during Fiscal Year 2014-2015 for the General Fund of the District; and

WHEREAS, Piper Jaffray & Co. (the "Underwriter") has made a proposal to purchase the Notes, which proposal is in the form of a Note Purchase Contract to be entered into by the Underwriter, the District and the County (such Note Purchase Contract, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the "Purchase Contract"); and

WHEREAS, the Board of Education has requested that the Board of Supervisors cause the Purchase Contract to be executed and delivered on behalf of the County, with such changes, insertions and omissions therein as may be acceptable to the County and the District; and

WHEREAS, there have been prepared and submitted to this meeting forms of:

- (a) the Notes; and
- (b) the Purchase Contract;

NOW, THEREFORE, BE IT RESOLVED, by the Board of Supervisors of the County of Riverside, as follows:

Section 1. Recitals. The above recitals are true and correct, and the Board of Supervisors so finds and determines. Notwithstanding the foregoing, the County assumes no liability or responsibility for the findings, determinations, representations or warranties of the District, on behalf of itself, as set forth in the District Resolution and has assumed all such findings, determinations, representations and warranties of the District to be true and correct without independent verification or examination.

Section 2. Approval of Request. As required by law, for the purpose of satisfying obligations payable from the General Fund of the District, and in anticipation of taxes, income, revenue (including, but not limited to, revenue from the state and federal governments), cash receipts and other moneys provided for Fiscal Year 2014-2015 to be received by or which will accrue to the District during such fiscal year for the General Fund of the District, the County hereby approves the District's request that the County issue in the name of the District, subject to the determination by the Superintendent of Schools of the County that the repayment thereof is probable pursuant to California Education Code Section 42133, temporary notes pursuant to Sections 53850 and following of the California Government Code.

Section 3. Authorization of Notes. The issuance of the Notes, in the aggregate principal amount of not to exceed \$12,000,000, is hereby authorized and approved. The Notes shall be denominated the "Lake Elsinore Unified School District 2014-2015 Tax and Revenue Anticipation Notes, Series B." The Notes shall be dated the date of their delivery and shall be issued in fully registered form in denominations of \$5,000 principal amount or any integral multiple thereof. The Notes shall bear interest commencing on the date thereof, computed on the basis of a 360-day year consisting of twelve 30-day months. The principal of the Notes shall be payable only at the maturity thereof, without option of prior redemption. Interest on the Notes shall be payable at the maturity thereof. The Notes shall be issued in the aggregate principal amount, shall bear interest at the rate and shall mature on the date specified in the Purchase Contract, as the same shall be completed as provided in this Resolution; provided however, that (a) the aggregate principal amount of the Notes shall not exceed \$12,000,000, (b) the Notes shall

mature on a date which is no more than 366 days subsequent to the date of their delivery, and (c) the interest rate to be borne by the Notes shall be such that the true interest cost of the Notes shall not exceed 5.0%.

Section 4. Pledge; Lien and Charge; Repayment Account. (a) *Pledge.* The term "Unrestricted Revenues" shall mean the taxes, income, revenue (including, but not limited to, revenue from the state and federal governments), cash receipts and other moneys provided for Fiscal Year 2014-2015 which will be received by or will accrue to the District during such fiscal year for the General Fund of the District and which are lawfully available for the payment of current expenses and other obligations of the District. Pursuant to the District Resolution, subject to the first lien and charge against the Prior Pledged Revenues securing the Prior Note pursuant to the Prior District Resolution, the District has pledged to the payment of the Notes and the interest thereon the first Unrestricted Revenues to be received by the District in each period specified in the Purchase Contract, in an amount equal to the amount, or in the proportion of the total amount due, specified in the Purchase Contract, as the Purchase Contract shall be completed as provided in this Resolution (the "Pledged Revenues").

(b) *Lien and Charge.* As provided in Section 53856 of the California Government Code, the Notes and the interest thereon, subject to the first lien and charge against the Prior Pledged Revenues securing the Prior Note pursuant to the Prior District Resolution, shall be a first lien and charge against, and shall be payable from the first moneys received by the District from, the Pledged Revenues.

(c) *General Obligation.* As provided in Section 53857 of the California Government Code, notwithstanding the provisions of Section 53856 of the California Government Code and of subsection (b) of this Section, the Notes shall be general obligations of the District and, to the extent not paid from the Pledged Revenues, shall be paid with interest thereon from any other Unrestricted Revenues.

(d) *Repayment Account.* Pursuant to the District Resolution, the Board of Education of the District has requested the Auditor-Controller of the County (the "County Auditor") and the Riverside County Office of Education (the "County Office") to establish and hold in the funds or accounts of the District in the County treasury a special account denominated the "Lake Elsinore Unified School District 2014-2015 Tax and Revenue Anticipation Note Repayment Account" (the "Repayment Account"), and to maintain the Repayment Account until the Notes and the interest thereon have been paid in full. The Board of Supervisors hereby directs the County Auditor in conjunction with the County Office to so create and to so maintain the Repayment Account upon proper application by the District. Pursuant to the District Resolution, as security for the payment of the Notes and the interest thereon, the District covenants to deposit or cause to be deposited in the Repayment Account, in trust for the registered owners of the Notes, no later than the end of each period specified in the Purchase Contract, the amount of Unrestricted Revenues specified in the Purchase Contract to be so deposited, as the Purchase Contract shall be completed as provided in this Resolution; provided, however, that no deposit shall be made in the Repayment Account for the Notes until all required amounts shall have been deposited into the repayment account for the Prior Note pursuant to the Prior District Resolution. The District Resolution provides that, in the event that there have been insufficient Unrestricted Revenues received by the District by the end of any such period, then the amount of any deficiency in the

Repayment Account shall be satisfied and made up from the first Unrestricted Revenues thereafter received by the District. Pursuant to the District Resolution, the amounts on deposit in the Repayment Account are pledged to the payment of the Notes and the interest thereon, and said amounts shall not be used for any other purpose until the Notes and the interest thereon have been paid in full or such payment has been duly provided for.

The District shall direct the County Auditor to deposit in the Repayment Account, as and when received, all Pledged Revenues and any other Unrestricted Revenues identified as such by the District and required to be deposited therein pursuant to the District Resolution and this Resolution. Any money deposited in the Repayment Account shall be for the benefit of the registered owners of the Notes, and until the Notes and the interest thereon are paid or until provision has been made for the payment of the Notes at maturity and interest thereon to maturity, the money in the Repayment Account shall be applied only for the purposes for which the Repayment Account is established. None of the County, the Treasurer-Tax Collector of the County (the "County Treasurer") or the County Auditor shall be liable or responsible for the sufficiency of the Repayment Account. On the date of maturity of the Notes and upon direction by the District given at least five business days in advance, the County Auditor shall transfer from the Repayment Account, to the extent available therein, to the Paying Agent an amount equal to the principal of and interest on the Notes due and payable on such date. Any money remaining in or accruing to the Repayment Account after the Notes and the interest thereon have been paid in full, or provision for such payment has been made, shall be transferred to the General Fund of the District.

(e) *No County Liability.* No monies or any part of any fund of the County is pledged or obligated to repayment of the Notes, and the Notes do not constitute a debt of the County. The Notes are payable only from the Pledged Revenues and other lawfully available monies of the District, as provided herein.

Section 5. Paying Agent. (a) *Appointment.* The District has requested the County to appoint, and the County hereby appoints U.S. Bank National Association to act as the initial paying agent and registrar for the Notes (the "Paying Agent"). All fees and expenses of the Paying Agent shall be the sole responsibility of the District, and to the extent not paid from the proceeds of the sale of the Notes, such fees and expenses shall be paid by the District.

(b) *Resignation, Removal and Replacement of Paying Agent.* The Paying Agent initially appointed or any successor Paying Agent may resign from service as Paying Agent and may be removed at any time by the County at the request of the District. If at any time the Paying Agent shall resign or be removed, the County shall, at the request of the District, appoint a successor Paying Agent, which shall be any bank, trust company, national banking association or other financial institution doing business in and having a corporate trust office in Los Angeles or San Francisco, California, with at least \$100,000,000 in net assets.

(c) *Principal Office.* Unless otherwise specifically noted, any reference herein to the Paying Agent shall initially mean U.S. Bank National Association, and any reference herein to the "principal office" of the Paying Agent for all purposes shall initially mean the corporate trust office of U.S. Bank National Association in Los Angeles, California; provided, however, that in any case "Paying Agent" shall refer to any successor paying agent/registrar or transfer agent for

the Notes, "principal office" shall include the principal corporate trust office or other office of such successor Paying Agent designated thereby for a particular purpose.

(d) *Registration Books.* The Paying Agent shall keep or cause to be kept, at its principal office, sufficient books for the registration and transfer of the Notes, which shall at all times be open to inspection by the District and the County. Upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such books, the Notes as herein provided. The Paying Agent shall keep accurate records of all funds administered by it and of all Notes paid and discharged by it. Such records shall be provided, upon reasonable request, to the County or the District in a format mutually agreeable to the Paying Agent, the County and the District.

Section 6. Note Proceeds. The County Treasurer shall, immediately upon receiving the net proceeds of the sale of the Notes, deposit in the General Fund of the District all amounts received from such sale on behalf of the District, including any premium. Amounts in the General Fund of the District and attributable to cash flow borrowing may be withdrawn and expended by the District for any purpose for which the District is authorized to expend funds from such fund, but only after exhausting funds otherwise available for such purposes (which are not restricted funds) and only to the extent that on any given day such other funds are not then available. For purposes of this paragraph, funds otherwise available excludes amounts that are held or set aside in a reasonable working capital reserve (as set forth in the Tax Certificate of the District described in Section 7 hereof), which shall be no greater than 5% of the District's working capital expenditures from its available funds in Fiscal Year 2013-2014. The District has covenanted that, if on the date that is six months from the date of issuance of the Notes, all amounts in the General Fund of the District attributable to cash flow borrowing and treated for federal tax purposes as proceeds of the Note (including investment earnings thereon) shall not have been so withdrawn and spent, it will promptly notify Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), and, to the extent of its power and authority, comply with the instructions from Bond Counsel as to the means of satisfying the rebate requirements of Section 148 of the Internal Revenue Code of 1986 (the "Code"). For purposes of this Section, the "proceeds" of the Notes are equal to the initial offering price of the Notes to the public, as certified by the Underwriter. The District acknowledges that none of the County, the County Treasurer or the County Auditor shall be responsible for the proper expenditure of proceeds of the Notes. The County makes no assurance regarding the use or application of the proceeds of the Notes.

Section 7. Tax Covenants. (a) *General.* The County acknowledges and relies upon the fact that the District has covenanted and represented that it shall not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest payable on the Notes under Section 103 of the Code, and that the District will comply with the requirements of the Tax Certificate with respect to the Notes, to be entered into by the District as of the date of issuance of the Notes (the "Tax Certificate"), and that the District further stipulates that such representation and covenant shall survive payment in full or defeasance of the Notes.

(b) *Rebate Exception.* The County acknowledges and relies upon the fact that the District has covenanted and represented that in the event the Notes shall be subject to the rebate requirements of Section 148 of the Code, the District shall be responsible for making all

calculations in a reasonable and prudent fashion relating to any rebate of excess investment earnings on the proceeds of the Notes due to the United States Treasury. If so directed by the District, the County Auditor in conjunction with the County Office shall segregate and set aside from the lawfully available sources held in the County treasury on behalf of the District, the amount such calculations indicate may be required to be paid to the United States Treasury, and shall otherwise at all times, upon the direction of the District, do and perform all acts and things necessary and within its power and authority, including complying with each applicable requirement of Section 103 and Sections 141 through 150 of the Code and complying with the instructions of Bond Counsel to ensure that interest paid on the Notes shall, for the purposes of federal income taxes and California personal income taxation, be excludable from the gross income of the recipients thereof and exempt from such taxation. If so directed by the District, the County Auditor will immediately set aside from District revenues received or accrued during Fiscal Year 2014-2015 or, to the extent not available from such revenues, from any other money lawfully available, the amount of any such rebate in a separate account which the County Auditor in conjunction with the County Office shall establish and maintain on behalf of the District and designate as the "Lake Elsinore Unified School District 2014-2015 Tax and Revenue Anticipation Note Rebate Account."

(c) *Remedies Limited to Note Owners.* Notwithstanding any other provision of this Resolution to the contrary, upon the District's or County's failure to observe, or refusal to comply with, the covenants contained and described in this Section, no one other than the owners or former owners of the Notes shall be entitled to exercise any right or remedy under this Resolution on the basis of the District's or County's failure to observe, or refusal to comply with, such covenants.

(d) *Reliance on Opinion of Bond Counsel.* Notwithstanding any provision of this Section, if the District shall provide to the County Auditor an opinion of Bond Counsel that any specified action required under this Section is no longer required or that some further or different action is required to maintain the exclusion from gross income for federal income tax purposes of interest on the Notes, the County Auditor may conclusively rely on such opinion in complying with the requirements of this Section, and the covenants hereunder shall be deemed to be modified to that extent.

(e) *Survival of Covenants.* The County's covenants contained in this Section shall survive the payment of the Notes.

Section 8. Investment of Funds. All money held by the County Treasurer in the Repayment Account shall be invested to the greatest extent possible by the Office of the County Treasurer in the County's Pooled Investment Fund and as otherwise permitted by the California Government Code and the investment policy of the County, and the proceeds of such investments shall be retained in each such respective Fund; provided, however, that no portion of such money shall be invested for a term that exceeds the term of the Notes and, provided, further, that, at the written request of the District and approval from the County Treasurer, all or any portion of such money may be invested on behalf of the District in investment agreements, including guaranteed investment contracts, which comply with the requirements of each rating agency then rating the Notes necessary in order to maintain the then-current rating on the Notes.

Section 9. Use of Depository; Registration, Transfer and Exchange of Notes. (a) The Notes shall be initially issued and registered in the name of "Cede & Co.," as nominee of The Depository Trust Company, New York, New York ("The Depository Trust Company") and shall be evidenced by a single note certificate, in accordance with procedures of The Depository Trust Company.

(b) Registered ownership of the Notes, or any portions thereof, may not be transferred after initial registration except:

(i) to any successor of The Depository Trust Company, or its nominee, or of any substitute depository designated pursuant to clause (ii) of this subsection (b) ("Substitute Depository"); provided, that any successor of The Depository Trust Company or Substitute Depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(ii) to any Substitute Depository not objected to by the County or the District, upon (A) the resignation of The Depository Trust Company or its successor (or any Substitute Depository or its successor) from its functions as depository, or (B) a determination by the County or the District to substitute another depository for The Depository Trust Company (or its successor) because it is no longer able to carry out its functions as depository; provided, that any such Substitute Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(iii) to any person as provided below, upon (A) the resignation of The Depository Trust Company or its successor (or any Substitute Depository or its successor) from its functions as depository, or (B) a determination by the County or the District to discontinue using a depository.

(c) In the case of any transfer pursuant to clause (i) or clause (ii) of subsection (b) of this Section, upon receipt of all outstanding Notes by the Paying Agent, a single new Note shall be executed and delivered and registered in the name of such successor or such Substitute Depository, or its nominee, as the case may be. In the case of any transfer pursuant to clause (iii) of subsection (b) of this Section, upon receipt of all outstanding Notes by the Paying Agent, new Notes shall be executed and delivered in such denominations and registered in the names of such persons as are determined by the Paying Agent pursuant to a written request of the County or the District.

(d) Following the resignation or the removal of the depository pursuant to clause (iii) of subsection (b) of this Section, any Note may, in accordance with its terms, be transferred or exchanged for a like aggregate principal amount of Notes in authorized denominations, upon the books required to be kept by the Paying Agent pursuant to the provisions hereof, by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such Note for cancellation, and, in the case of a transfer, accompanied by delivery of a written instrument of transfer, duly executed in form approved by the Paying Agent.

Whenever any Note shall be surrendered for transfer or exchange, the Paying Agent shall deliver a new Note or Notes of authorized denominations and the same interest rate and a like

aggregate principal amount. The Paying Agent shall require the registered owner requesting such transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange.

(e) The District, the County, and the Paying Agent shall be entitled to treat the person in whose name any Note is registered as the owner thereof for all purposes of this Resolution and for purposes of payment of principal and interest on such Note, notwithstanding any notice to the contrary received by the District, the County or the Paying Agent; and the District, the County, and the Paying Agent shall not have responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the Notes. None of the District, the County or the Paying Agent shall have any responsibility or obligation, legal or otherwise, to any such beneficial owners or to any other party, including The Depository Trust Company or its successors (or any Substitute Depository or its successor), except to the registered owner of any Notes, and the Paying Agent may rely conclusively on its records as to the identity of the registered owners of the Notes.

(f) Notwithstanding any other provisions of this Resolution and so long as all outstanding Notes are registered in the name of Cede & Co. or its registered assigns, the District, the County and the Paying Agent shall cooperate with Cede & Co. or its registered assigns as sole registered owner, in effecting payment of the principal of and interest on the Notes by arranging for payment in such manner that funds for such payments are properly identified and are made available on the date they are due; all in accordance with the letter of representations from the District to The Depository Trust Company, the provisions of which the Paying Agent may rely upon to implement the foregoing procedures notwithstanding any inconsistent provisions herein.

(g) If any Note shall become mutilated, the Paying Agent, at the expense of the owner of such Note, shall deliver a new Note of like tenor bearing a different number in exchange and substitution for the Note so mutilated, but only upon surrender to the Paying Agent of the Note so mutilated. If any Note shall be lost, destroyed or stolen, evidence of the ownership thereof, and of such loss, destruction or theft, may be submitted to the County and the Paying Agent and, if such evidence be satisfactory to both and indemnity satisfactory to them shall be given, the Paying Agent, at the expense of the owner of such Note, shall deliver a new Note of like tenor and bearing a different number in lieu of and in substitution for the Note so lost, destroyed or stolen (or, if any such Note shall have matured, instead of issuing a substitute Note, the Paying Agent may pay the same without surrender thereof). The Paying Agent may require payment by the registered owner of a Note of a sum not exceeding the actual cost of preparing each new Note issued pursuant to this paragraph and of the expenses which may be incurred by the County and the Paying Agent. Any Note issued under these provisions in lieu of any Note alleged to be lost, destroyed or stolen shall be entitled to the benefits of this Resolution.

(h) All Notes surrendered for payment or registration of transfer, if surrendered to any person other than the Paying Agent, shall be delivered to the Paying Agent and shall be promptly cancelled by it.

Section 10. Purchase Contract. The Purchase Contract, in substantially the form submitted to this meeting and made a part hereof as though set forth herein, be and the same is

hereby approved. The County Treasurer or any duly appointed deputy of the County Treasurer (the "Authorized Officers"), is hereby authorized, and any one of the Authorized Officers is hereby directed, for and in the name of the County, to execute and deliver the Purchase Contract in substantially said form, with such changes, insertions and omissions as the Authorized Officer executing the Purchase Contract shall approve, such approval to be conclusively evidenced by such Authorized Officer's execution and delivery of the Purchase Contract with such changes, insertions and omissions; provided however, that (a) the Purchase Contract shall specify the aggregate principal amount of the Notes, which amount shall not be in excess of \$12,000,000, (b) the Purchase Contract shall specify the maturity date of the Notes, which date shall be no later than 366 days subsequent to the date of delivery of the Notes, (c) the Purchase Contract shall specify the interest rate to be borne by the Notes, which rate shall be such that the true interest cost of the Notes shall not exceed 5.0% per annum, (d) the Purchase Contract shall specify the dates of deposit and amounts or proportions of Pledged Revenues to be deposited in the Repayment Account on each such date, provided that there shall be no more than five such dates of deposit, the last such deposit shall be made no later than the maturity date of the Notes, and the last such deposit shall be in an amount sufficient (when all previous deposits and earnings on the Repayment Account are taken into account) to pay in full the principal of and interest on the Notes due and payable at maturity, and (e) the aggregate underwriter's discount (not including any original issue discount) from the principal amount of the Notes shall not be in excess of 0.35% of the aggregate principal amount of the Notes.

Section 11. Form of Notes; Execution and Authentication. The Notes shall be in substantially the form set forth in Exhibit A hereto, with such changes, insertions and omissions as may necessary to incorporate therein the terms thereof specified in the Purchase Contract, as the same shall be completed as provided in this Resolution, and as may otherwise be approved by an Authorized Officer. Each of the Authorized Officers is hereby authorized, and any one of the Authorized Officers is hereby directed, for and in the name of the County, to execute the Notes by manual or facsimile signature, and the Clerk of the Board of Supervisors or a duly appointed deputy is hereby authorized to attest to the signature of such Authorized Officer by manual or facsimile signature. The Notes shall be authenticated by the manual signature of a duly authorized officer of the Paying Agent.

Section 12. Limited Responsibility for Official Statement. Neither the Board of Supervisors nor any officer of the County has prepared or reviewed the official statement of the District describing the Notes (the "Official Statement"), and the County, the Board of Supervisors and the various officers of the County take no responsibility for the contents or distribution thereof; provided, however, that solely with respect to a section contained or to be contained therein describing the County's investment policy and current portfolio holdings, as they may relate to funds of the District held by the County Treasurer, the County Treasurer is hereby authorized and directed to prepare and review such information for inclusion in the Official Statement and in a preliminary Official Statement, and to certify to the District prior to or upon the issuance of the Notes that the information contained in such section does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they are made, not misleading.

Section 13. Continuing Disclosure Certificate. The County acknowledges and relies upon the fact that the District has represented that it will execute a Continuing Disclosure Certificate containing such covenants of the District as shall be necessary to comply with the requirements of Securities and Exchange Commission Rule 15c2-12, and that it will comply with and carry out all of the provisions of such Continuing Disclosure Certificate. The County assumes no responsibility for continuing disclosure requirements with respect to the Notes.

Section 14. Further Assurances. The County, and its appropriate officials, have duly taken all proceedings necessary to be taken by them, and will take any additional proceedings necessary to be taken by them in accordance with law for carrying out the provisions of this Resolution and the Notes.

Section 15. Approval of Actions. The officers and employees of the County are, and each of them hereby is, authorized and directed to execute and deliver, for and on behalf of the County, any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the issuance and sale of the Notes and the transactions contemplated by this Resolution.

Section 16. Prior Actions. All actions heretofore taken by the officers and employees of the County with respect to the issuance and sale of the Notes, or in connection with or related to any of the agreements or documents referred to herein, are hereby approved, confirmed and ratified.

Section 17. Effective Date. This Resolution shall take effect immediately upon its adoption.

THIS RESOLUTION WAS PASSED by the Board of Supervisors of the County of Riverside at a regular meeting thereof on February 3, 2015 by the following vote:

AYES:

NOES:

ABSENT:

Chairman of the Board Supervisors

ATTEST:

Kecia Harper-Ihem
Clerk of the Board of Supervisors

By: _____
Deputy

EXHIBIT A

FORM OF NOTE

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF RIVERSIDE**

**LAKE ELSINORE UNIFIED SCHOOL DISTRICT
2014-2015 TAX AND REVENUE ANTICIPATION NOTE, SERIES B**

**INTEREST
RATE**

**MATURITY
DATE**

**DATED
DATE**

CUSIP

REGISTERED OWNER:

PRINCIPAL AMOUNT:

FOR VALUE RECEIVED, the Lake Elsinore Unified School District (the "District"), located in the County of Riverside, State of California (the "County"), hereby promises to pay to the Registered Owner identified above or registered assigns (the "Registered Owner"), on the Maturity Date specified above the Principal Amount specified above in lawful money of the United States of America, together with interest thereon at the Interest Rate specified above (computed on the basis of a 360-day year of twelve 30-day months) in like lawful money. Interest on this Note shall be payable only at the maturity hereof. This Note shall not be subject to redemption prior to said Maturity Date.

Principal and interest due at maturity shall be paid to the Registered Owner hereof only upon surrender hereof at the corporate trust office of U.S. Bank National Association, in Los Angeles, California, as the initial paying agent and registrar for the Notes, or any successor thereto (the "Paying Agent"). No interest shall be payable for any period after maturity hereof during which the Registered Owner hereof fails to properly present this note for payment.

It is hereby certified, recited and declared that this Note is one of an authorized issue of notes denominated "Lake Elsinore Unified School District 2014-2015 Tax and Revenue Anticipation Notes, Series B" (the "Notes"), in the aggregate principal amount of \$ _____, all of like date, tenor and effect, issued under and by authority of Title 5, Division 2, Part 1, Chapter 4, Article 7.6 (commencing with Section 53850) of the California Government Code, and made, executed and given pursuant to and by authority of a resolution of the Board of Supervisors of the County duly passed and adopted on February 3, 2015 (the "County Resolution"), which resolution was adopted at the request of the District pursuant to a resolution of the Board of Education of the District duly passed and adopted on January 22, 2015 (the "District Resolution"), and it is hereby further certified, recited and declared that all acts, conditions and

things required to exist, happen and be performed precedent to and in the issuance of this Note have existed, happened and been performed in regular and due time, form and manner as required by law, and that this Note, together with all other indebtedness and obligations of the District, does not exceed any limit prescribed by the Constitution or statutes of the State of California. Capitalized undefined terms used herein shall have the meanings ascribed thereto in the County Resolution.

The term "Unrestricted Revenues" means the taxes, income, revenue (including, but not limited to, revenue from the state and federal governments), cash receipts and other moneys provided for Fiscal Year 2014-2015 which will be received by or will accrue to the District during such fiscal year for the General Fund of the District and which are lawfully available for the payment of current expenses and other obligations of the District. In the District Resolution, subject to the prior pledge and payment priority provisions contained in the District Resolution, the District has pledged to the payment of the Notes and the interest thereon [(a)] an amount equal to _____ percent (___%) of the principal amount of the Notes [and the interest thereon] from the first Unrestricted Revenues to be received by the District during the period commencing on _____ and ending on _____, (b) an amount equal to _____ percent (___%) of the principal amount of the Notes [and the interest thereon] from the first Unrestricted Revenues to be received by the District during the period commencing on _____ and ending on _____] [and (c) an amount equal to _____ percent (___%) of the principal amount of the Notes and the interest thereon from the first Unrestricted Revenues to be received by the District during the period commencing on _____ and ending on _____ ([collectively,] the "Pledged Revenues"). As provided in Section 53856 of the California Government Code, the Notes and the interest thereon shall be a first lien and charge against, and shall be payable from the first moneys received by the District from, the Pledged Revenues. As provided in Section 53857 of the California Government Code, notwithstanding the provisions of Section 53856 of the California Government Code and the foregoing, the Notes, subject to the prior pledge and payment priority provisions contained in the District Resolution, shall be general obligations of the District and, to the extent not paid from the Pledged Revenues, shall be paid with interest thereon from any other Unrestricted Revenues. As security for the payment of the Notes and the interest thereon, the District has covenanted in the District Resolution, subject to the prior pledge and payment priority provisions contained in the District Resolution, to deposit or cause to be deposited in the Repayment Account, in trust for the registered owners of the Notes, no later than the end of each period specified above, the amount of Unrestricted Revenues specified above. In the event that there have been insufficient Unrestricted Revenues received by the District by the end of any such period, then the amount of any deficiency in the Repayment Account shall be satisfied and made up from the first Unrestricted Revenues thereafter received by the District. The amounts on deposit in the Repayment Account are pledged to the payment of the Notes and the interest thereon, and said amounts shall not be used for any other purpose until the Notes and the interest thereon have been paid in full or such payment has been duly provided for.

This Note is transferable by the Registered Owner hereof in person or by such Registered Owner's attorney duly authorized in writing at the principal office (as such term is defined in the County Resolution) of the Paying Agent, but only in the manner, subject to the limitations and upon payment of the charges provided in the County Resolution, and upon surrender and cancellation of this Note. Upon such transfer a new Note or Notes of authorized denominations and for the same aggregate principal amount and the same rate of interest will be issued to the

transferees in exchange herefor. The District, the County and the Paying Agent may deem and treat the Registered Owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and interest due hereon and for all other purposes, and the District, the County and the Paying Agent shall not be affected by any notice to the contrary.

The Notes are not a debt or obligation of the County and no money, fund or part of any fund of the County is pledged or obligated to the payment of the Notes.

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

This Note shall not be valid or become obligatory for any purpose until the Certificate of Authentication hereon shall have been signed by the Paying Agent.

IN WITNESS WHEREOF, the Board of Supervisors of the County of Riverside has caused this Note to be executed on behalf of the District by the manual or facsimile signature of the Treasurer-Tax Collector of the County, and to be attested by the manual or facsimile signature of its Clerk, all as of the Dated Date specified above.

COUNTY OF RIVERSIDE

By: _____
Treasurer-Tax Collector
of the County of Riverside

ATTEST:

Clerk of the Board of Supervisors
of the County of Riverside

CERTIFICATE OF AUTHENTICATION

This is one of the Notes described in the within-mentioned County Resolution and registered on the date set forth below.

Date: _____, 2015

**U.S. BANK NATIONAL
ASSOCIATION, AS PAYING AGENT**

By: _____
Authorized Officer

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto _____ whose address and social security or other tax identifying number is _____, the within-mentioned Note and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the registration books of the Paying Agent with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Note: Signature(s) must be guaranteed by an eligible guarantor.

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Note in every particular without alteration or enlargement or any change whatsoever.

STATE OF CALIFORNIA)
)
COUNTY OF RIVERSIDE) ss.

I, Kecia Harper-Ihem, Clerk of the Board of Supervisors of the County of Riverside, California, do hereby certify that the foregoing Resolution No. _____ was duly adopted by the Board of Supervisors of said County, at a meeting of said Board held on the 3rd day of February, 2015, and that it was so adopted by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

_____, Deputy
Clerk of the Board of Supervisors
of the County of Riverside

RESOLUTION NO. 2014.15.044

RESOLUTION OF THE BOARD OF EDUCATION OF THE LAKE ELSINORE UNIFIED SCHOOL DISTRICT AUTHORIZING THE ISSUANCE AND SALE OF LAKE ELSINORE UNIFIED SCHOOL DISTRICT 2014-2015 TAX AND REVENUE ANTICIPATION NOTES IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$12,000,000, REQUESTING THE BOARD OF SUPERVISORS OF THE COUNTY OF RIVERSIDE TO PROVIDE FOR THE ISSUANCE AND SALE OF SAID NOTES, AUTHORIZING THE EXECUTION AND DELIVERY OF A NOTE PURCHASE CONTRACT AND A CONTINUING DISCLOSURE CERTIFICATE AND APPROVING THE PREPARATION AND DISTRIBUTION OF AN OFFICIAL STATEMENT AND OTHER MATTERS RELATING THERETO

WHEREAS, pursuant to Sections 53850 and following of the California Government Code (being Article 7.6, Chapter 4, Part 1, Division 2, Title 5 thereof) (the "Act"), on or after the first day of any fiscal year (being July 1) a school district may borrow money by issuing temporary notes for any purpose for which the school district is authorized to expend moneys, including but not limited to current expenses, capital expenditures, investment and reinvestment and the discharge of any obligation or indebtedness of the school district; and

WHEREAS, in order to satisfy certain obligations and requirements of the Lake Elsinore Unified School District (the "District"), the District, on July 3, 2014, issued temporary notes in the principal amount of \$29,770,000 (the "Prior Note") pursuant to a resolution (the "Prior District Resolution") of the Board of Education of the District (the "Board of Education"), adopted on April 17, 2014, and the Act, which mature on February 27, 2015 and are secured by a pledge of certain unrestricted revenues as set forth in the Prior District Resolution (the "Prior Pledged Revenues"); and

WHEREAS, the Board has determined that an amount not to exceed \$12,000,000 is needed to satisfy additional obligations payable or accruing during Fiscal Year 2014-2015 from the General Fund of the District, and that it is necessary that said additional amount be borrowed for such purpose at this time by the issuance of temporary notes in an aggregate principal amount not exceeding such amount in anticipation of the receipt by or accrual to the District during Fiscal Year 2014-2015 of taxes, income, revenue (including, but not limited to, revenue from the state and federal governments), cash receipts and other moneys provided for such fiscal year for the General Fund of the District; and

WHEREAS, said notes are to be denominated "Lake Elsinore Unified School District 2014-2015 Tax and Revenue Anticipation Notes, Series B" (the "Notes"); and

WHEREAS, the Board hereby finds and determines that said aggregate principal amount of the Notes, when added to the interest payable thereon, does not exceed 85% of the estimated

amount of the uncollected taxes, income, revenue (including, but not limited to, revenue from the state and federal governments), cash receipts and other moneys provided for Fiscal Year 2014-2015 which will be received by or which will accrue to the District during such fiscal year for the General Fund of the District and which will be available for the payment of the principal of and interest on the Notes; and

WHEREAS, other than the Prior Notes, no money has heretofore been borrowed by or on behalf of the District through the issuance of tax anticipation notes or temporary notes in anticipation of the receipt of, or payable from or secured by, taxes, income, revenue (including, but not limited to, revenue from the state and federal governments), cash receipts and other moneys provided for Fiscal Year 2014-2015 which will be received by or will accrue to the District during such fiscal year for the General Fund of the District, and the Board does not contemplate such a financing through the issuance of any temporary notes, other than the Prior Notes and the Notes; and

WHEREAS, pursuant to Section 53856 of the California Government Code, certain taxes, income, revenue (including, but not limited to, revenue from the state and federal governments), cash receipts and other moneys which will be received by or accrue to the District during Fiscal Year 2014-2015 for the General Fund of the District are authorized to be pledged for the payment of the Notes and the interest thereon; and

WHEREAS, the District has not been accorded fiscal accountability status under Section 42647 or Section 42650 of the California Education Code; and

WHEREAS, Section 53853 of the California Government Code provides that notes of a school district that has not been so accorded fiscal accountability status must be issued in the name of the school district by the board of supervisors of the county, the county superintendent of which has jurisdiction over the district, as soon as possible following the receipt of a resolution of the governing board of the school district requesting the borrowing; and

WHEREAS, the Superintendent of Schools of the County of Riverside (the "County") has jurisdiction over the District and, therefore, the Notes are to be issued in the name of the District by the Board of Supervisors of the County; and

WHEREAS, Section 42133 of the California Education Code provides that a school district that has a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, tax anticipation notes, unless the county superintendent of schools determines, pursuant to criteria established by the Superintendent of Public Instruction of the State of California, that such school district's repayment of that indebtedness is probable; and

WHEREAS, the District received a negative certification in connection with its first interim report for Fiscal Year 2014-2015 and, therefore, the Superintendent of Schools of the County must make such determination in order for the Notes to be issued in the name of the District by the Board of Supervisors of the County; and

WHEREAS, Piper Jaffray & Co. (the "Underwriter") has made a proposal to purchase the Notes, which proposal is in the form of a Note Purchase Contract to be entered into by the

Underwriter, the District and the County (such Note Purchase Contract, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the "Purchase Contract"); and

WHEREAS, Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 ("Rule 15c2-12") requires that, in order to be able to purchase or sell the Notes, the Underwriter must have reasonably determined that the District or an obligated person has undertaken in a written agreement or contract for the benefit of the holders of the Notes to provide disclosure of certain enumerated events on an ongoing basis; and

WHEREAS, in order to cause such requirement to be satisfied, the District desires to execute and deliver a Continuing Disclosure Certificate (such Continuing Disclosure Certificate, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the "Continuing Disclosure Certificate"); and

WHEREAS, a Preliminary Official Statement to be used in connection with the offering and sale of the Notes has been prepared (such Preliminary Official Statement in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to herein as the "Preliminary Official Statement"); and

WHEREAS, there have been prepared and submitted to this meeting forms of:

- (a) the Notes;
- (b) the Purchase Contract;
- (c) the Continuing Disclosure Certificate; and
- (d) the Preliminary Official Statement;

NOW, THEREFORE, BE IT RESOLVED, by the Board of Education of the Lake Elsinore Unified School District, as follows:

Section 1. Recitals. The above recitals are true and correct, and the Board so finds and determines.

Section 2. Request for Borrowing. For the purpose of satisfying obligations payable from the General Fund of the District, the Board hereby determines to borrow an aggregate principal amount not to exceed \$12,000,000, and hereby requests the Board of Supervisors of the County to issue in the name of the District, subject to the determination by the Superintendent of Schools of the County that the repayment thereof is probable pursuant to California Education Code Section 42133, such an aggregate principal amount of temporary notes pursuant to Sections 53850 and following of the California Government Code in anticipation of the receipt by or accrual to the District during Fiscal Year 2014-2015 of taxes, income, revenue (including, but not limited to, revenue from the state and federal governments), cash receipts and other moneys provided for such fiscal year for the General Fund of the District.

The District acknowledges that the Notes do not constitute a debt of the County and that the County is not responsible for, and makes no assurance regarding, the use or application of the proceeds of the Notes by the District.

Section 3. Authorization of Notes; Terms. The issuance of the Notes, in the aggregate principal amount of not to exceed \$12,000,000, is hereby authorized and approved. The Notes shall be denominated the "Lake Elsinore Unified School District 2014-2015 Tax and Revenue Anticipation Notes, Series B." The Notes shall be dated the date of their delivery and shall be issued in fully registered form in denominations of \$5,000 principal amount or any integral multiple thereof. The Notes shall bear interest commencing on the date thereof, computed on the basis of a 360-day year consisting of twelve 30-day months. The principal of the Notes shall be payable only at the maturity thereof, without option of prior redemption. Interest on the Notes shall be payable at the maturity thereof. The Notes shall be issued in the aggregate principal amount, shall bear interest at the rate and shall mature on the date specified in the Purchase Contract, as the same shall be completed as provided in this Resolution; provided however, that (a) the aggregate principal amount of the Notes shall not exceed \$12,000,000, (b) the Notes shall mature on a date which is no more than 366 days subsequent to the date of their delivery, and (c) the interest rate to be borne by the Notes shall be such that the true interest cost of the Notes shall not exceed 5.0%.

Section 4. Pledge; Lien and Charge; Repayment Account. (a) *Pledge.* The term "Unrestricted Revenues" shall mean the taxes, income, revenue (including, but not limited to, revenue from the state and federal governments), cash receipts and other moneys provided for Fiscal Year 2014-2015 which will be received by or will accrue to the District during such fiscal year for the General Fund of the District and which are lawfully available for the payment of current expenses and other obligations of the District. Subject to the first lien and charge against the Prior Pledged Revenues securing the Prior Note pursuant to the Prior Resolution, the District hereby pledges to the payment of the Notes and the interest thereon the first Unrestricted Revenues to be received by the District in each period specified in the Purchase Contract, in an amount equal to the amount, or in the proportion of the total amount due, specified in the Purchase Contract, as the Purchase Contract shall be completed as provided in this Resolution (the "Pledged Revenues").

(b) *Lien and Charge.* As provided in Section 53856 of the California Government Code, the Notes and the interest thereon, subject to the first lien and charge against the Prior Pledged Revenues securing the Prior Note pursuant to the Prior Resolution, shall be a first lien and charge against, and shall be payable from the first moneys received by the District from, the Pledged Revenues.

(c) *General Obligation.* As provided in Section 53857 of the California Government Code, notwithstanding the provisions of Section 53856 of the California Government Code and of subsection (b) of this Section, the Notes shall be general obligations of the District and, to the extent not paid from the Pledged Revenues, shall be paid with interest thereon from any other Unrestricted Revenues.

(d) *Repayment Account.* The Auditor-Controller of the County (the "County Auditor") and the Riverside County Office of Education (the "County Office") are hereby

requested to establish and hold in the funds or accounts of the District in the County treasury a special account denominated the "Lake Elsinore Unified School District 2014-2015 Tax and Revenue Anticipation Note Repayment Account" (the "Repayment Account"), and to maintain the Repayment Account until the Notes and the interest thereon have been paid in full. As security for the payment of the Notes and the interest thereon, the District hereby covenants to deposit or cause to be deposited in the Repayment Account, in trust for the registered owners of the Notes, no later than the end of each period specified in the Purchase Contract, the amount of Unrestricted Revenues specified in the Purchase Contract to be so deposited, as the Purchase Contract shall be completed as provided in this Resolution; provided, however, that no deposit shall be made in the Repayment Account for the Notes until all required amounts shall have been deposited into the repayment account for the Prior Note pursuant to the Prior Resolution. In the event that there have been insufficient Unrestricted Revenues received by the District by the end of any such period, then the amount of any deficiency in the Repayment Account shall be satisfied and made up from the first Unrestricted Revenues thereafter received by the District. The amounts on deposit in the Repayment Account are hereby pledged to the payment of the Notes and the interest thereon, and said amounts shall not be used for any other purpose until the Notes and the interest thereon have been paid in full or such payment has been duly provided for.

All Pledged Revenues and any other Unrestricted Revenues identified as such by the District and required to be deposited therein pursuant to this Resolution shall, as and when received, be deposited in the Repayment Account. Any money deposited in the Repayment Account shall be for the benefit of the registered owners of the Notes, and until the Notes and the interest thereon are paid or until provision has been made for the payment of the Notes at maturity and interest thereon to maturity, the money in the Repayment Account shall be applied only for the purposes for which the Repayment Account is established. None of the County, the Treasurer-Tax Collector of the County (the "County Treasurer") or the County Auditor shall be liable or responsible for the sufficiency of the Repayment Account. On the date of maturity of the Notes, the money in the Repayment Account shall be used, to the extent necessary, to pay the Notes and the interest thereon. Any money remaining in or accruing to the Repayment Account after the Notes and the interest thereon have been paid in full, or provision for such payment has been made, shall be transferred to the General Fund of the District.

Section 5. Paying Agent. The District hereby requests the County to appoint, and consents to the County's appointment of U.S. Bank National Association to act as the initial paying agent and registrar for the Notes (the "Paying Agent"). All fees and expenses of the Paying Agent shall be the sole responsibility of the District, and to the extent not paid from the proceeds of the sale of the Notes, such fees and expenses shall be paid by the District.

Section 6. Note Proceeds. The net proceeds of the Notes, including any premium, shall be deposited in the General Fund of the District. Subject to Section 7, amounts in the General Fund of the District and attributable to cash flow borrowing may be withdrawn and expended by the District for any purpose for which the District is authorized to expend funds from its General Fund. The District acknowledges that none of the County, the County Treasurer or the County Auditor shall be responsible for the proper expenditure of proceeds of the Notes.

Section 7. Tax Covenants. (a) *General.* The District hereby covenants that it will not take any action, or fail to take any action, if such action or failure to take such action would

adversely affect the exclusion from gross income of the interest payable on the Notes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Without limiting the generality of the foregoing, the District hereby covenants that on the date of delivery of the Notes, it will deliver its Tax Certificate containing representations and covenants with respect to such actions (the "Tax Certificate") and that it will comply with the requirements of the Tax Certificate. The provisions of this Section shall survive payment in full or defeasance of the Notes.

(b) *Rebate Exception.* Amounts in the General Fund of the District and attributable to cash flow borrowing may be withdrawn and expended (or allocated to expenditures) by the District for any purpose for which the District is authorized to expend funds from such fund, but only after exhausting funds otherwise available for such purposes (which are not restricted funds) and only to the extent that on any given day such other funds are not then available, and for purposes of this subsection, funds otherwise available excludes amounts that are held or set aside in a reasonable working capital reserve in the amount set forth in the Tax Certificate, which shall be no greater than 5% of the District's working capital expenditures from its available funds in Fiscal Year 2013-2014; provided, that if on the date that is six months from the date of issuance of the Notes, all amounts in the in the General Fund of the District attributable to cash flow borrowing and treated for federal tax purposes as proceeds of the Notes (including investment earnings thereon) shall not have been so withdrawn and spent, the District hereby covenants to promptly notify Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), and, to the extent of its power and authority, comply with the instructions from Bond Counsel as to the means of satisfying the rebate requirements of Section 148 of the Code. For purposes of this Section, the "proceeds" of the Notes are equal to the initial offering price of the Notes to the public, as certified by the Underwriter.

(c) *Rebate Calculation and Payment.* The District covenants that, in the event it is or becomes subject to the rebate requirements of Section 148 of the Code, it shall (i) make all calculations in a reasonable and prudent fashion relating to any rebate of excess investment earnings on the proceeds of the Notes due to the United States Treasury; (ii) cause the County Auditor to segregate and set aside from lawfully available sources the amount such calculations indicate may be required to be paid to the United States Treasury; and (iii) otherwise at all times do and perform all acts and things necessary and within its power and authority, including complying with each applicable requirement of Section 103 and Sections 141 through 150 of the Code and complying with the instructions of Bond Counsel, to ensure that interest paid on the Notes shall, for the purposes of federal income taxes, be excludable from the gross income of the recipients thereof and exempt from such taxation. If such calculation is required, the District shall immediately cause the County Auditor to set aside, from revenues received or accrued during Fiscal Year 2014-2015 or, to the extent not available from such revenues, from any other moneys lawfully available, the amount of any such rebate in a separate account which the District hereby agrees to cause the County Auditor and County Office to establish and maintain and designate as the "Lake Elsinore Unified School District 2014-2015 Tax and Revenue Anticipation Note Rebate Account."

(d) *Remedies Limited to Note Owners.* Notwithstanding any other provision of this Resolution to the contrary, upon the District's failure to observe, or refusal to comply with, the covenants contained in this Section, no one other than the owners or former owners of the Notes

shall be entitled to exercise any right or remedy under this Resolution on the basis of the District's failure to observe, or refusal to comply with, such covenants.

(e) *Reliance on Opinion of Bond Counsel.* Notwithstanding any provision of this Section, if the District shall obtain an opinion of Bond Counsel that any specified action required under this Section is no longer required or that some further or different action is required to maintain the exclusion from gross income for federal income tax purposes of interest on the Notes, the District may conclusively rely on such opinion in complying with the requirements of this Section, and the covenants hereunder shall be deemed to be modified to that extent.

Section 8. Investment of Funds. All money held by the County Treasurer in the Repayment Account shall be invested to the greatest extent possible at the County Treasurer's discretion in the County's Pooled Investment Fund and as otherwise permitted by the California Government Code and the investment policy of the County, and the proceeds of such investments shall be retained in such fund; provided, however, that no portion of such money shall be invested for a term that exceeds the term of the Notes and, provided, further, that, at the written request of the District and approval from the County Treasurer, all or any portion of such money may be invested on behalf of the District in investment agreements, including guaranteed investment contracts, which comply with the requirements of each rating agency then rating the Notes necessary in order to maintain the then-current rating on the Notes.

Section 9. Purchase Contract. The Purchase Contract, in substantially the form submitted to this meeting and made a part hereof as though set forth herein, be and the same is hereby approved. Each of the President of the Board, or such other member of the Board as the President may designate, the Superintendent of the District and the Deputy Superintendent, Administrative & Fiscal Support Services of the District, or such other officer or employee of the District as the Superintendent may designate (the "Authorized Officers"), is hereby authorized, and any one of the Authorized Officers is hereby directed, for and in the name of the District, to execute and deliver the Purchase Contract in substantially said form, with such changes, insertions and omissions as the Authorized Officer executing the Purchase Contract shall approve, such approval to be conclusively evidenced by such Authorized Officer's execution and delivery of the Purchase Contract with such changes, insertions and omissions; provided however, that (a) the Purchase Contract shall specify the aggregate principal amount of the Notes, which amount shall not be in excess of \$12,000,000, (b) the Purchase Contract shall specify the maturity date of the Notes, which date shall be no later than 366 days subsequent to the date of delivery of the Notes, (c) the Purchase Contract shall specify the interest rate to be borne by the Notes, which rate shall be such that the true interest cost of the Notes shall not exceed 5.0%, (d) the Purchase Contract shall specify the dates of deposit and amounts or proportions of Unrestricted Revenues to be deposited in the Repayment Account on each such date, provided that there shall be no more than five such dates of deposit, the last such deposit shall be made no later than the maturity date of the Notes, and the last such deposit shall be in an amount sufficient (when all previous deposits and earnings on the Repayment Account are taken into account) to pay in full the principal of and interest on the Notes due and payable at maturity, and (e) the aggregate underwriter's discount (not including any original issue discount) from the principal amount of the Notes shall not be in excess of 0.35% of the aggregate principal amount of the Notes. The Board of Supervisors of the County is hereby requested to cause the Purchase

Contract to be executed and delivered on behalf of the County, with such changes, insertions and omissions therein as may be acceptable to the County and the District.

Section 10. Form of Notes; Execution and Authentication. The Notes shall be in substantially the form set forth in Exhibit A hereto, with such changes, insertions and omissions as maybe necessary to incorporate therein the terms thereof specified in the Purchase Contract, as the same shall be completed as provided in this Resolution, and as may otherwise be approved by an Authorized Officer. Each of the Director of Finance (the "Director of Finance") and the County Treasurer or any duly appointed deputy of the County Treasurer or the Director of Finance (the "County Authorized Officers") is hereby authorized, and any one of the County Authorized Officers is hereby directed, for and in the name of the County, to execute the Notes by manual or facsimile signature, and the Clerk of the Board of Supervisors or a duly appointed deputy is hereby authorized to attest to the signature of such County Authorized Officer by manual or facsimile signature. The Notes shall be authenticated by the manual signature of a duly authorized officer of the Paying Agent.

Section 11. Official Statement. The Preliminary Official Statement, in substantially the form presented to this meeting and made a part hereof as though set forth in full herein, with such changes therein as may be approved by an Authorized Officer, be and the same is hereby approved, and the use of the Preliminary Official Statement in connection with the offering and sale of the Notes is hereby authorized and approved. Each of the Authorized Officers is hereby authorized, and any one of the Authorized Officers is hereby directed, for and in the name of the District, to certify to the Underwriter that the Preliminary Official Statement has been "deemed final" for purposes of Rule 15c2-12.

The preparation and delivery of a final Official Statement (the "Official Statement"), and its use in connection with the offering and sale of the Notes, be and the same is hereby authorized and approved. The Official Statement shall be in substantially the form of the Preliminary Official Statement with such changes, insertions and omissions as may be approved by an Authorized Officer, such approval to be conclusively evidenced by such Authorized Officer's execution and delivery of the Official Statement with such changes, insertions and omissions. Each of the Authorized Officers is hereby authorized, and any one of the Authorized Officers is hereby directed, for and in the name of the District, to execute and deliver the final Official Statement.

Section 12. Continuing Disclosure Certificate. The Continuing Disclosure Certificate, in substantially the form submitted to this meeting and made a part hereof as though set forth herein, be and the same is hereby approved. Each of the Authorized Officers is hereby authorized, and any one of the Authorized Officers is hereby directed, for and in the name of the District, to execute and deliver the Continuing Disclosure Certificate in substantially said form, with such changes, insertions and omissions therein as the Authorized Officer executing the Continuing Disclosure Certificate shall approve, such approval to be conclusively evidenced by such Authorized Officer's execution and delivery of the Continuing Disclosure Certificate with such changes, insertions and omissions.

Section 13. Filing with Board of Supervisors. The Clerk of the Board is hereby authorized and directed to file a certified copy of this Resolution with the Board of Supervisors

of the County, which shall constitute the request of the Board that the Board of Supervisors of the County issue and sell the Notes on behalf of the District as soon as practicable, and to simultaneously provide certified copies of this Resolution to the Superintendent of Schools of the County and to the County Treasurer.

Section 14. Indemnification of County. The District shall indemnify and hold harmless, to the extent permitted by law, the County and its officers and employees ("Indemnified Parties"), against any and all losses, claims, damages or liabilities, joint or several, to which such Indemnified Parties may become subject because of action or inaction related to the adoption of any resolution by the Board of Supervisors of the County authorizing the Notes. The District shall also reimburse any such Indemnified Parties for any legal or other expenses incurred in connection with investigating or defending any such claims or actions.

Section 15. Notice to California Debt and Investment Advisory Commission. Each of the Authorized Officers is hereby authorized, and any one of the Authorized Officers is hereby directed to cause notices of the proposed sale and final sale of the Notes to be filed in a timely manner with the California Debt and Investment Advisory Commission pursuant to California Government Code Section 8855(g).

Section 16. No Additional Notes under Prior Resolution. The District hereby covenants not to issue any additional notes or incur any additional indebtedness under the Prior Resolution.

Section 17. Further Assurances. The District, and its appropriate officials, have duly taken all proceedings necessary to be taken by them, and will take any additional proceedings necessary to be taken by them, for the levy, collection and enforcement of the taxes, income, revenue, cash receipts and other moneys pledged hereunder in accordance with law and for carrying out the provisions of this Resolution and the Notes.

Section 18. Approval of Actions. The officers and employees of the District are, and each of them hereby is, authorized and directed to execute and deliver, for and on behalf of the District, any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the issuance and sale of the Notes and the transactions contemplated by this Resolution.

Section 19. Prior Actions. All actions heretofore taken by the officers and employees of the District with respect to the issuance and sale of the Notes, or in connection with or related to any of the agreements or documents referred to herein, are hereby approved, confirmed and ratified.

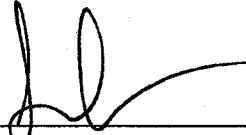
Section 20. Effective Date. This Resolution shall take effect immediately upon its adoption.

APPROVED AND ADOPTED by the Board of Education of the Lake Elsinore Unified School District on January 22, 2015.



President of the Board of Education

ATTEST:



Clerk of the Board of Education

EXHIBIT A

FORM OF NOTE

**UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF RIVERSIDE**

**LAKE ELSINORE UNIFIED SCHOOL DISTRICT
2014-2015 TAX AND REVENUE ANTICIPATION NOTE, SERIES B**

INTEREST RATE	MATURITY DATE	DATED DATE	CUSIP
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REGISTERED OWNER:

PRINCIPAL AMOUNT:

FOR VALUE RECEIVED, the County of Riverside, State of California (the "County"), on behalf of the Lake Elsinore Unified School District (the "District"), located in the County of Riverside, hereby promises to pay to the Registered Owner identified above or registered assigns (the "Registered Owner"), on the Maturity Date specified above the Principal Amount specified above in lawful money of the United States of America, together with interest thereon at the Interest Rate specified above (computed on the basis of a 360-day year of twelve 30-day months) in like lawful money. Interest on this Note shall be payable only at the maturity hereof. This Note shall not be subject to redemption prior to said Maturity Date.

Principal and interest due at maturity shall be paid to the Registered Owner hereof only upon surrender hereof at the corporate trust office of U.S. Bank National Association, in Los Angeles, California, as the initial paying agent and registrar for the Notes, or any successor thereto (the "Paying Agent"). No interest shall be payable for any period after maturity hereof during which the Registered Owner hereof fails to properly present this note for payment.

It is hereby certified, recited and declared that this Note is one of an authorized issue of notes denominated "Lake Elsinore Unified School District 2014-2015 Tax and Revenue Anticipation Notes, Series B" (the "Notes"), in the aggregate principal amount of \$_____, all of like date, tenor and effect, issued under and by authority of Title 5, Division 2, Part 1, Chapter 4, Article 7.6 (commencing with Section 53850) of the California Government Code, and made, executed and given pursuant to and by authority of a resolution of the Board of Supervisors of the County duly passed and adopted on February 3, 2015 (the "County Resolution"), which resolution was adopted at the request of the District pursuant to a resolution of the Board of Education of the District duly passed and adopted on January 22, 2015 (the "District Resolution"), and it is hereby further certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Note

have existed, happened and been performed in regular and due time, form and manner as required by law, and that this Note, together with all other indebtedness and obligations of the District, does not exceed any limit prescribed by the Constitution or statutes of the State of California. Capitalized undefined terms used herein shall have the meanings ascribed thereto in the County Resolution.

The term "Unrestricted Revenues" means the taxes, income, revenue (including, but not limited to, revenue from the state and federal governments), cash receipts and other moneys provided for Fiscal Year 2014-2015 which will be received by or will accrue to the District during such fiscal year for the General Fund of the District and which are lawfully available for the payment of current expenses and other obligations of the District. In the District Resolution, subject to the prior pledge and payment priority provisions contained in the District Resolution, the District has pledged to the payment of the Notes and the interest thereon [(a) an amount equal to _____ percent (___%) of the principal amount of the Notes [and the interest thereon] from the first Unrestricted Revenues to be received by the District during the period commencing on _____ and ending on _____], (b) an amount equal to _____ percent (___%) of the principal amount of the Notes [and the interest thereon] from the first Unrestricted Revenues to be received by the District during the period commencing on _____ and ending on _____] [and (c) an amount equal to _____ percent (___%) of the principal amount of the Notes and the interest thereon from the first Unrestricted Revenues to be received by the District during the period commencing on _____ and ending on _____ ([collectively,] the "Pledged Revenues"). As provided in Section 53856 of the California Government Code, the Notes and the interest thereon shall be a first lien and charge against, and shall be payable from the first moneys received by the District from, the Pledged Revenues. As provided in Section 53857 of the California Government Code, notwithstanding the provisions of Section 53856 of the California Government Code and the foregoing, the Notes, subject to the prior pledge and payment priority provisions contained in the District Resolution, shall be general obligations of the District and, to the extent not paid from the Pledged Revenues, shall be paid with interest thereon from any other Unrestricted Revenues. As security for the payment of the Notes and the interest thereon, the District has covenanted in the District Resolution, subject to the prior pledge and payment priority provisions contained in the District Resolution, to deposit or cause to be deposited in the Repayment Account, in trust for the registered owners of the Notes, no later than the end of each period specified above, the amount of Unrestricted Revenues specified above. In the event that there have been insufficient Unrestricted Revenues received by the District by the end of any such period, then the amount of any deficiency in the Repayment Account shall be satisfied and made up from the first Unrestricted Revenues thereafter received by the District. The amounts on deposit in the Repayment Account are pledged to the payment of the Notes and the interest thereon, and said amounts shall not be used for any other purpose until the Notes and the interest thereon have been paid in full or such payment has been duly provided for.

This Note is transferable by the Registered Owner hereof in person or by such Registered Owner's attorney duly authorized in writing at the principal office (as such term is defined in the County Resolution) of the Paying Agent, but only in the manner, subject to the limitations and upon payment of the charges provided in the County Resolution, and upon surrender and cancellation of this Note. Upon such transfer a new Note or Notes of authorized denominations and for the same aggregate principal amount and the same rate of interest will be issued to the transferees in exchange herefor. The District, the County and the Paying Agent may deem and

treat the Registered Owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and interest due hereon and for all other purposes, and the District, the County and the Paying Agent shall not be affected by any notice to the contrary.

The Notes are not a debt or obligation of the County and no money, fund or part of any fund of the County is pledged or obligated to the payment of the Notes.

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

This Note shall not be valid or become obligatory for any purpose until the Certificate of Authentication hereon shall have been signed by the Paying Agent.

IN WITNESS WHEREOF, the Board of Supervisors of the County of Riverside has caused this Note to be executed on behalf of the County by the manual or facsimile signature of the Treasurer-Tax Collector of the County, and to be attested by the manual or facsimile signature of its Clerk, all as of the Dated Date specified above.

COUNTY OF RIVERSIDE

By: _____
Treasurer-Tax Collector of the
County of Riverside

ATTEST:

Clerk of the Board of Supervisors
of the County of Riverside

CERTIFICATE OF AUTHENTICATION

This is one of the Notes described in the within-mentioned County Resolution and registered on the date set forth below.

Date: _____, 2015

**U.S. BANK NATIONAL
ASSOCIATION, AS PAYING AGENT**

By: _____
Authorized Officer

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto _____ whose address and social security or other tax identifying number is _____, the within-mentioned Note and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the registration books of the Paying Agent with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Note: Signature(s) must be guaranteed by an eligible guarantor.

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Note in every particular without alteration or enlargement or any change whatsoever.

CLERK'S CERTIFICATE

I, Juan Saucedo, Clerk of the Board of Education of the Lake Elsinore Unified School District, County of Riverside, California, hereby certify that the attached is a full, true and correct copy of a Resolution duly adopted at a special meeting of the Board of Education of said District duly held at the regular meeting place thereof on January 22, 2015, of which meeting all of the members of said Board of Education had due notice and at which a quorum thereof was present; and at said meeting said Resolution was adopted by the following vote:

AYES: 4

NOES:

ABSTAIN:

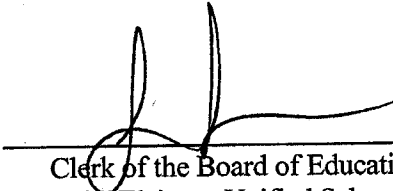
ABSENT: 1

An agenda of said meeting was posted at least 24 hours before said meeting at 545 Chaney St., Lake Elsinore, California, a location freely accessible to members of the public, and a brief description of said Resolution appeared on said agenda. A copy of said agenda is attached hereto.

I further certify that I have carefully compared the same with the original minutes of said meeting on file and of record in my office; that the foregoing Resolution is a full, true and correct copy of the original Resolution adopted at said meeting and entered in said minutes; and that said Resolution has not been amended, modified or rescinded since the date of its adoption, and the same is now in full force and effect.

I further certify that, pursuant to Section 13 of said Resolution, I have caused a certified copy thereof to be filed with the Clerk of the Board of Supervisors of the County and copies thereof to be delivered to the Superintendent of Schools of the County and to the County Treasure.

Dated: January 22, 2015


Clerk of the Board of Education of the
Lake Elsinore Unified School District

NOTE PURCHASE CONTRACT

§
LAKE ELSINORE UNIFIED SCHOOL DISTRICT
2014-2015 TAX AND REVENUE ANTICIPATION NOTES, SERIES B

_____, 2015

County of Riverside
4080 Lemon Street
Riverside, California 92501

Lake Elsinore Unified School District
545 Chaney Street
Lake Elsinore, California 92530

Ladies and Gentlemen:

Piper Jaffray & Co. (the "Underwriter") offers to enter into this Note Purchase Contract (the "Purchase Contract") with the County of Riverside (the "County") and the Lake Elsinore Unified School District (the "District"). The offer made hereby is subject to acceptance by the County and the District by execution and delivery of this Purchase Contract (the "Purchase Contract") to the Underwriter at or prior to 11:59 p.m., California time, on the date hereof, but it shall be irrevocable until such time as it is sooner accepted or rejected by the County and the District. Upon acceptance of this offer by the County and the District in accordance with the terms hereof, this Purchase Contract will be binding upon the County, upon the District and upon the Underwriter.

1. **Purchase and Sale.** Upon the terms and conditions and upon the basis of the representations, covenants and agreements hereinafter set forth, the Underwriter hereby agrees to purchase from the County for offering to the public, and the County hereby agrees, on behalf of the District, to sell to the Underwriter for such purpose, all (but not less than all) of the \$_____ aggregate principal amount of the District's Lake Elsinore Unified School District 2014-2015 Tax and Revenue Anticipation Notes, Series B (the "Notes") at the purchase price of \$_____ (representing the principal amount of \$_____, plus original issue premium of \$_____, less an underwriter's discount of \$_____). The true interest cost for the Notes is _____%.

The County and the District acknowledge and agree that the purchase and sale of the Notes pursuant to this Note Purchase Contract is an arm's-length commercial transaction among the County, the District and the Underwriter, and the Underwriter is acting solely as an underwriter and principal in connection with the matters contemplated by and with respect to all communications under this Note Purchase Contract and is not acting as the agent or fiduciary of the County or the District or the County's or the District's advisor in connection with the matters contemplated by this Note Purchase Contract.

2. The Notes. The Notes shall be issued pursuant to Sections 53850 to 53858, both inclusive, of the California Government Code (being Article 7.6 of Chapter 4 of Part 1 of Division 2 of Title 5 of said Code, and in accordance with Resolution No. _____ of the Board of Supervisors of the County, adopted on February 3, 2015 (the "County Resolution"), and with Resolution No. 10-13/14 of the Board of Education of the District, adopted on January 22, 2015 (the "District Resolution" and, together with the County Resolution, the "Resolutions"). The Notes shall conform in all respects to the terms and provisions set forth in the Resolutions. U.S. Bank National Association has been appointed to act as the initial paying agent and registrar (the "Paying Agent") with respect to the Notes pursuant to the County Resolution.

A single maturity of Notes shall be issued, dated the date of Closing (as defined herein), and the Notes shall mature on _____, 2015, without possibility of prior redemption. The Notes shall bear interest at the rate of _____% per annum. The Notes shall otherwise be as described in the Official Statement of the District with respect to the Notes, dated _____, 2015.

As security for the payment of the principal of and interest on the Notes, subject to the prior pledge and payment priority provisions contained in the District Resolution, the District covenants to deposit in trust for the registered owners of the Notes in a special account designated as the "Lake Elsinore Unified School District 2014-2015 Tax and Revenue Anticipation Note Repayment Account" (the "Repayment Account") [(a)] an amount equal to _____ percent (____%) of the principal amount of the Notes [and the interest thereon] from the first Unrestricted Revenues (as defined in the District Resolution) to be received by the District during the period commencing on _____ and ending on _____, (b) an amount equal to _____ percent (____%) of the principal amount of the Notes [and the interest thereon] from the first Unrestricted Revenues to be received by the District during the period commencing on _____ and ending on _____ [and (c) an amount equal to _____ percent (____%) of the principal amount of the Notes and the interest thereon from the first Unrestricted Revenues to be received by the District during the period commencing on _____ and ending on _____]; provided, however, that no deposit will be made in the Repayment Account for the Notes until all required amounts shall have been deposited into the repayment account for the Prior Note (as defined in the District Resolution) pursuant to the Prior Resolution (as defined in the District Resolution). In the event that there have been insufficient Unrestricted Revenues received by the District by the end of any such period, then the amount of any deficiency in the Repayment Account shall be satisfied and made up from the first Unrestricted Revenues thereafter received by the District.

A single certificate for the Notes shall be prepared and delivered as described in Section 9 hereof, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, NY ("DTC"), and shall be made available to the Underwriter for inspection at such place as may be mutually agreed to by the Underwriter and the District, not less than one business day prior to the Closing. The Underwriter shall order CUSIP identification numbers and the District shall cause such CUSIP identification numbers to be printed on the Notes, but neither the failure to print such number on any Note nor any error with respect thereto shall constitute cause for a failure or refusal by the Underwriter to accept delivery of and pay for the Notes in accordance with the terms of this Purchase Contract.

3. Offering. The Underwriter agrees to make a bona fide public offering of all the Notes. The County hereby ratifies, approves, and confirms the distribution of the County Resolution, and the District hereby ratifies, approves, and confirms the distribution of the Preliminary Official Statement of the District with respect to the Notes, dated _____, 2015 (together with the appendices thereto, any documents incorporated therein by reference, and any supplements or amendments thereto, the "Preliminary Official Statement"), in connection with the public offering and sale of the Notes by the Underwriter. The District hereby agrees to deliver or cause to be delivered to the Underwriter, within seven business days after the date hereof, copies of the Official Statement, consisting of the Preliminary Official Statement with such changes as may be made with the approval of the District and the Underwriter (the "Official Statement"), in such reasonable quantity as the Underwriter shall request.

The Underwriter hereby represents that it has received and reviewed the Preliminary Official Statement, and agrees that it will provide, consistent with the requirements of Municipal Securities Rulemaking Board ("MSRB") Rule G-32, for the delivery of a copy of the Official Statement to each customer who purchases any Notes during the underwriting period (as such term is defined in MSRB Rule G-11), and to deliver a copy of the Official Statement to a national repository on or before the date of Closing, and otherwise to comply with all applicable statutes and regulations in connection with the offering and sale of the Notes, including, without limitation, MSRB Rule G-32 and 17 CFR Section 240.15c2-12, promulgated by the Securities and Exchange Commission ("Rule 15c2-12").

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

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

(a) The County is a political subdivision duly organized and validly existing under the Constitution and general laws of the State of California.

(b) The County is duly authorized and has full legal right, power and authority to issue, sell and deliver the Notes on behalf of the District, pursuant to the direction of the District contained in the District Resolution, and to provisions of the laws of the State of California.

(c) The County has the legal right, power and authority to enter into this Purchase Contract, to adopt the County Resolution, and to observe and perform the covenants and agreements of this Purchase Contract and the County Resolution to be observed and performed by the County.

(d) The County has duly adopted the County Resolution in accordance with the laws of the State of California; the County Resolution is in full force and effect and has not been amended, modified or rescinded, and all representations of the County set forth in the County Resolution are true and correct on the date hereof; the County has

duly authorized and approved the execution and delivery of, and the observance and performance by the County of its covenants and agreements contained in the Notes and this Purchase Contract required to have been observed or performed at or prior to the date of Closing; and the County has complied, and will at the Closing be in compliance in all respects, with the obligations in connection with the issuance of the Notes on its part contained in this Purchase Contract, the County Resolution, and the Notes.

(e) The Preliminary Official Statement as of its date, and the Official Statement as of its date and as of the date of Closing, and if supplemented or amended, as of the date of any such supplement or amendment, solely with respect to the information contained therein describing the County's investment policy and current portfolio holdings (as they relate to funds of the District held by the Treasurer-Tax Collector of the County (the "Treasurer")), do not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(f) To the best knowledge of the County, there is no litigation pending (with the County having received service of process) or threatened against the County concerning the validity of the Notes, the existence of the County or the entitlement of the respective officers of the County who shall sign any documents and certificates to be executed in connection with the delivery of the Notes, to their respective offices.

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

(a) The District is a school district duly organized and validly existing under the Constitution and general laws of the State of California.

(b) The District has full legal right, power and authority to enter into this Purchase Contract, to adopt the District Resolution, and to observe and perform the covenants and agreements of this Purchase Contract and the District Resolution required to be observed and performed by the District.

(c) The District has duly adopted the District Resolution in accordance with the laws of the State; the District Resolution is in full force and effect and has not been amended, modified or rescinded, and all representations of the District set forth in the District Resolution are true and correct; the District has duly authorized and approved the execution and delivery of, and the observance and performance by the District through its officers and agents of its covenants and agreements contained in the Notes and this Purchase Contract required to have been observed or performed at or prior to the date of Closing; and the District has complied, and will at the Closing be in compliance in all respects, with the obligations in connection with the issuance of the Notes on its part contained in this Purchase Contract, the District Resolution and the Notes.

(d) The Preliminary Official Statement was "deemed final" by the District as of the date thereof within the meaning of paragraph (a)(2) of Rule 15c2-12, except for the omission of some or all of such information the omission of which is permitted under Rule 15c2-12.

(e) The Preliminary Official Statement as of its date, and the Official Statement as of its date and as of the date of Closing, and if supplemented or amended, as of the date of any such supplement or amendment, do not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading; in each case excluding therefrom any information contained therein relating to DTC or its book-entry only system, information relating to the reoffering of the Notes provided by the Underwriter, or information describing the County's investment policy and current portfolio holdings, as to all of which the District expresses no view.

(f) The District will undertake, pursuant to the District Resolution and a Continuing Disclosure Certificate, to provide notices of the occurrence of certain enumerated events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement.

(g) The District has, and has had, no financial advisory relationship with the Underwriter with respect to the Notes, nor with any investment firm controlling, controlled by or under common control with the Underwriter.

(h) The District treats the _____ apportionments to be received by the District in July 2015 pursuant to [Section 14041.5(a), Section 14041.6(f) and Section 14041.6(g) of the California Education] Code as accrued in fiscal year 2014-2015 for budgetary, financial reporting and all other relevant purposes.

(i) The District received a negative certification in connection with its first interim report for Fiscal Year 2014-2015.

(j) Unless otherwise described in the Official Statement, the District has not failed during the previous five years to comply in all material respects with any previous undertakings in a written continuing disclosure contract or agreement under Rule 15c2-12.

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

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

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

(c) The Underwriter has, and has had, no financial advisory relationship with the District or the County with respect to the Notes and no investment firm controlling, controlled by or under common control with the Underwriter has or has had any such financial advisory relationship.

(d) The Underwriter has reasonably determined that the District's undertaking pursuant to Sections 5(f) and 7(l) hereof to provide continuing disclosure with respect to the Notes is sufficient to effect compliance with Rule 15c2-12.

7. Conditions to Closing. At or before Closing, and contemporaneously with the acceptance of delivery of the Notes, and the payment of the purchase price thereof, the District will provide to the Underwriter:

(a) a certificate of the District, signed by an official of the District, dated the date of the Closing, to the effect that (i) as of the date of the Closing, all of the representations of the District contained in this Purchase Contract are true, and that the District Resolution is in full force and effect and has not been amended, modified or rescinded, (ii) as of the date of the Closing, there is no litigation pending or to the best of the knowledge of the District, threatened concerning the validity of the Notes, the corporate existence of the District, or the entitlement of the respective officers of the District who shall sign any documents and certificates to be executed in connection with the delivery of the Notes, to their respective offices, (iii) the Preliminary Official Statement as of its date, and the Official Statement as of its date and as of the date of Closing, do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, excluding in any information contained in the Official Statement relating to DTC or its book-entry only system, information relating to the reoffering of the Notes provided by the Underwriter, and information contained therein describing the County's investment policy and current portfolio holdings, and (iv) since the date of this Purchase Contract, there has been no material adverse change in the financial condition or affairs of the District;

(b) a certificate of the County, signed by the appropriate officials of the County, dated the date of the Closing, to the effect that (i) all of the representations of the County contained in this Purchase Contract are true, and that the County Resolution is in full force and effect and has not been amended, modified or rescinded, and (ii) the Preliminary Official Statement as of its date, and the Official Statement as of its date and as of the date of Closing, solely with respect to the information contained therein describing the County's investment policy and current portfolio holdings (as they relate to funds of the District held by the Treasurer), do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading;

(c) a tax certificate of the District, dated the date of the Closing, in form satisfactory to Bond Counsel;

(d) the Opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel ("Bond Counsel"), addressed to the District and dated the date of the Closing, approving the validity of the Notes substantially in the form set forth as Appendix A to the Official Statement;

(e) a reliance letter from Bond Counsel to the effect that the Underwriter may rely upon the approving opinion described in (d) above;

(f) the Opinion of Orrick, Herrington & Sutcliffe LLP, Disclosure Counsel (“Disclosure Counsel”), addressed to the District and the Underwriter and dated the date of the Closing, to the effect that, based on such counsel’s participation in conferences with representatives of the Underwriter, the District, the County, their respective counsel, Dale Scott & Company, as financial advisor to the District (the “Financial Advisor”), and others, during which conferences the contents of the Official Statement and related matters were discussed (but with no inquiry made of other attorneys in such counsel’s firm not working directly on the issuance of the Notes who may have information material to the issue), and in reliance thereon and on the records, documents, certificates and opinions described therein, such counsel advises the District and the Underwriter, as a matter of fact and not opinion, that, during the course of its engagement as disclosure counsel no facts came to the attention of such counsel’s attorneys rendering legal services in connection with such representation which caused such counsel to believe that the Official Statement as of its date and as of the Closing Date (except for any CUSIP numbers, financial, accounting, statistical, economic or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, any information about DTC or its book-entry system, litigation, ratings, rating agencies, the Underwriter, underwriting, and Appendices __, __ and __, as to which such counsel need express no opinion or view) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(g) evidence satisfactory to the Underwriter that any ratings described in the Official Statement are in full force and effect as of the date of the Closing;

(h) evidence of the determination, pursuant to California Education Code Section 42133, by the Superintendent of Schools of the County that the repayment of the Notes by the District is probable;

(i) a certificate of an appropriate official of the District evidencing his determination respecting the Preliminary Official Statement in accordance with Rule 15c2-12;

(j) a certificate, together with a fully executed copy of the District Resolution, of the Clerk of the Board of Education of the District to the effect that: (i) such copy is a true and correct copy of the District Resolution, and (ii) that the District Resolution was duly adopted and has not been modified, amended, rescinded or revoked and is in full force and effect on the date of the Closing;

(k) a certificate, together with a fully executed copy of the County Resolution, of the Clerk of the Board of Supervisors of the County to the effect that: (i) such copy is a true and correct copy of the County Resolution, and (ii) that the County Resolution was duly adopted and has not been modified, amended, rescinded or revoked and is in full force and effect on the date of the Closing;

(l) the receipt of the Treasurer confirming payment by the Underwriter of the purchase price of the Notes; and

(m) the Continuing Disclosure Certificate of the District with respect to the Notes, in substantially the form attached to the Preliminary Official Statement, containing such covenants of the District as shall be necessary to facilitate compliance by the Underwriter with the requirements of Rule 15c2-12.

At or before Closing, and contemporaneously with the acceptance of delivery of the Notes and the payment of the purchase price thereof, the Underwriter will provide to the District the receipt of the Underwriter, in form satisfactory to the District and the County and signed by an authorized officer of the Underwriter, confirming delivery of the Notes to the Underwriter and the satisfaction of all conditions and terms of this Purchase Contract by the District and the County, respectively, and confirming to the District and the County that as of the date of the Closing all of the representations of the Underwriter contained in this Purchase Contract are true and correct in all material respects.

8. Termination. (a) In the event of the District's failure to cause the Notes to be delivered at the Closing, or inability of the District or the County to satisfy the conditions to the obligations of the Underwriter contained herein (unless waived by the Underwriter), or if the obligations of the Underwriter shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate.

(b) The Underwriter may terminate this Purchase Contract, without any liability therefor, by notification to the District and the County if as of the date of Closing any of the following shall have had a material adverse effect on the marketability of the Notes, in the reasonable opinion of the Underwriter, upon consultation with the District and the County:

(i) There shall have occurred and be continuing the declaration of a general banking moratorium by any authority of the United States or the State of New York or the State of California;

(ii) There shall be in force a general suspension of trading or other material restrictions not in force as of the date hereof on the New York Stock Exchange or other national securities exchange;

(iii) Legislation shall have been enacted by the Congress of the United States, or passed by and still pending before either House of the Congress, or recommended or endorsed to the Congress for passage by the President of the United States, or favorably reported for passage to and still pending before either House of the Congress by any committee of such House to which such legislation has been referred for consideration, or a decision shall have been rendered by a court of the United States, or the United States Tax Court, with respect to federal taxation of interest received on securities of the general character of the Notes, or legislation shall have been enacted by the State of California which renders interest on the Notes not exempt from State of California personal income taxes;

(iv) Legislation shall have been enacted, or a decision of a court of the United States shall have been rendered or any action shall have been taken by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction in the subject matter which, in the opinion of Bond Counsel, has the effect of requiring the contemplated distribution of the Notes to be registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, or the County Resolution to be qualified under the Trust Indenture Act of 1939, as amended; or

(v) The New York Stock Exchange or other national securities exchange, or any governmental authority, shall impose and there shall be in effect, as to the Notes or obligations of the general character of the Notes, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charges to the net capital requirements of, underwriters.

9. Closing. At or before 9:00 a.m., California time, on _____, 2015, or at such other date and time as shall have been mutually agreed upon by the District, the County and the Underwriter (the "Closing" or "Closing Date"), the District will deliver or cause to be delivered to the Underwriter the Notes in book-entry form duly executed by the County, together with the other documents described in Section 7 hereof to be delivered by the District; and the Underwriter will accept such delivery and pay the purchase price of the Notes as set forth in Section 1 hereof in immediately available funds (e.g., by federal funds wire), and shall deliver to the District the other documents described in Section 7 hereof to be delivered by the Underwriter, as well as any other documents or certificates Bond Counsel shall reasonably require.

The Notes shall be delivered through the facilities of DTC in New York, New York, or at such other place as shall have been mutually agreed upon by the District, the County and the Underwriter. All other documents to be delivered in connection with the delivery of the Notes shall be delivered at the offices of Orrick, Herrington & Sutcliffe LLP, Los Angeles, California. Such payment and delivery is herein called the "Closing."

10. Expenses. The District shall pay the expenses incident to the performance of its obligations hereunder from the proceeds of the Notes (or from any other source of available funds of the District) which expenses include (a) the cost of the preparation and reproduction of the Resolutions, (b) the fees and disbursements of Bond Counsel, Disclosure Counsel and the Financial Advisor, (c) the costs of the preparation, printing and delivery of the Notes, (d) the costs of the preparation, printing and delivery of the Preliminary Official Statement, the Official Statement, and any amendment or supplement thereto in the quantity requested by the Underwriter in accordance with this Purchase Contract, (e) rating agency fees, and (f) fees and expenses of the Paying Agent for the Notes.

All other costs and expenses incurred by the Underwriter as a result of or in connection with the purchase of the Notes and their public offering and distribution shall be borne by the Underwriter, including, but not limited to (a) clearing house fees, (b) DTC fees, (c) CUSIP fees, (d) fees required to be paid to the California Debt and Investment Advisory Commission, (e) fees required to be paid to The Securities Industry and Financial Markets Association (SIFMA) and the MSRB, (f) costs or fees of qualifying the Notes for offer and sale in various states chosen by

the Underwriter and the costs or fees of preparing Blue Sky or legal investment memoranda to be used in connection therewith, and (g) fees of any counsel to the Underwriter.

11. Indemnification. The District agrees to, and shall indemnify the County, its officers, agents and employees against any and all losses, claims, actions, suits, judgments, demands, damages, liabilities and expenses (including attorney fees and costs of investigation) of any nature arising out of any action or inaction of the District with respect to the issuance of the Notes and the tax-exempt status of the Notes; provided, however, that this indemnity shall not apply to any loss, claim, action, suit, judgment demand, damage, liability or expenses arising out of any action or inaction of the County with respect to the issuance of the Notes, including those relating to any information furnished by the County for inclusion in the Preliminary Official Statement and the Official Statement.

12. Notices. Any notice or other communication to be given under this Purchase Contract (other than the acceptance hereof as specified in the introductory paragraph hereof) may be given by delivering the same in writing to the address of each party given below, or such other address as the District, County or the Underwriter may designate by notice to the other parties:

To the District: Lake Elsinore Unified School District
545 Chaney Street
Lake Elsinore, California 92530
Attn: Superintendent

To the County: County of Riverside
4080 Lemon Street
Riverside, California 92501
Attn: Treasurer-Tax Collector

To the Underwriter: Piper Jaffray & Co.
2321 Rosecrans Ave., Suite 3200
El Segundo, California 90245
Attn: Managing Director

13. Governing Law. The validity, interpretation and performance of this Purchase Contract shall be governed by the laws of the State of California.

14. Parties in Interest. This Purchase Contract when accepted by the District and the County in writing as heretofore specified shall constitute the entire agreement among the District, the County, and the Underwriter, and is solely for the benefit of the District, the County and the Underwriter (including the successors or assigns thereof). No other person shall acquire or have any rights hereunder or by virtue hereof. All representations and agreements in this Purchase Contract of each of the parties hereto shall remain operative and in full force and effect, regardless of (a) delivery of and payment for the Notes hereunder, or (b) any termination of this Purchase Contract.

15. **Headings.** The headings of the paragraphs of this Purchase Contract are inserted for convenience of reference only and shall not be deemed to be a part hereof.

16. **Effectiveness.** This Purchase Contract shall become effective upon the execution of the acceptance hereof by the District and by the County by the respective authorized officer of each, and shall be valid and enforceable at the time of such acceptance.

17. **Counterparts.** This Purchase Contract may be executed in several counterparts, which together shall constitute one and the same instrument.

Respectfully submitted,

PIPER JAFFRAY & CO.

By: _____
Authorized Officer

ACCEPTED:

LAKE ELSINORE UNIFIED SCHOOL DISTRICT

By: _____

COUNTY OF RIVERSIDE

By: _____

NEW ISSUE—BOOK-ENTRY ONLY

RATING: Standard & Poor's: "[]"
 (See "MISCELLANEOUS—Rating" herein)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. The amount treated as interest on the Notes and excluded from gross income may depend upon the taxpayer's election under Internal Revenue Notice 94-84. In the further opinion of Bond Counsel, interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount or the accrual or receipt of interest on, the Notes. See "TAX MATTERS."

\$12,000,000*

**LAKE ELSINORE UNIFIED SCHOOL DISTRICT
 2014-2015 TAX AND REVENUE ANTICIPATION NOTES, SERIES B**

CUSIP Number:† _____

Dated: Date of Delivery Interest Rate: ____% Yield: ____% Price: ____% Due: September 30, 2015

This cover page is not a summary of this issue; it is only a reference to the information contained in this Official Statement. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used in this cover page shall have the meanings given such terms herein.

The 2014-2015 Tax and Revenue Anticipation Notes, Series B (the "Notes") are issued by the County of Riverside, California (the "County"), on behalf of the Lake Elsinore Unified School District (the "District"), which is located in the County. The Notes are issued in anticipation of future receipt of moneys in the general fund of the District. Proceeds of the Notes will be used and expended by the District for any purpose for which the District is authorized to expend funds from the general fund of the District, including, but not limited to, current expenses, capital expenditures, investment and reinvestment, and the discharge of other obligations or indebtedness of the District, and to pay certain costs of issuing the Notes. See "THE NOTES—Sources and Uses of Funds" herein.

[The projected cash flow schedules for the District for Fiscal Year 2014-2015 currently project that there will not be enough cash available in the District's general fund to make the required set aside payments when due as described herein. Unless the District can achieve additional revenues and/or reduced expenditures for its general fund, the District intends to borrow from its other restricted and unrestricted funds to make such payment. See "RISK FACTORS" herein.]

Principal of and interest on the Notes are payable only at maturity. The Notes are not subject to redemption prior to maturity. See "THE NOTES—General Provisions of the Notes" and "—No Redemption Prior to Maturity" herein.

The Notes will be issued in fully registered book-entry form only, in denominations of \$5,000 principal amount or any integral multiple thereof. The Notes will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Notes. Purchases of Notes under the DTC system must be made by or through a DTC participant, and ownership interests in Notes and any transfer thereof will be recorded as entries on the books of said participants. Except in the event that use of this book-entry system is discontinued for the Notes, Beneficial Owners (as defined herein) will not receive physical certificates representing their ownership interests. See "APPENDIX E—BOOK-ENTRY ONLY SYSTEM."

The principal of and interest on the Notes is payable from taxes, income, revenue (including, but not limited to, revenue from the state and federal governments), cash receipts and other moneys provided for fiscal year 2014-2015 which will be received by or accrued to the District during such fiscal year for the general fund of the District and which are lawfully available for the payment of current expenses and other obligations of the District (the "Unrestricted Revenues"). The District cannot be legally obligated to pay the Notes from revenue provided for a future fiscal year, and the District is not authorized to increase tax rates to repay the Notes in the event that other available moneys are insufficient.

The District has pledged to the payment of the Notes and the interest thereon the first Unrestricted Revenues to be received by the District in the periods and in the amounts equal to the principal of and interest on the Notes as specified herein (as further defined herein, the "Pledged Revenues"). As provided in Section 53856 of the California Government Code, the Notes and the interest thereon will be a first lien and charge against, and shall be payable from the first moneys received by the District from, the Pledged Revenues. See "THE NOTES—Security and Sources of Payment" herein.

The Notes will be offered when, as and if issued by the County on behalf of the District and received by the Underwriter, subject to approval of their legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. Kutak Rock LLP is serving as

* Preliminary; subject to change.

† Copyright 2014, American Bankers Association. CUSIP data herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers are provided for convenience of reference only. Neither the District nor the Underwriter takes any responsibility for the accuracy of such CUSIP numbers.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may officers to buy 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 a 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 prior to registration or qualification under the securities laws of any such jurisdiction.

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

The issuance and sale of the Notes have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption under Section 3(a)2 thereof. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy Notes in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth herein other than that furnished by the District, although obtained from sources which are believed to be reliable, is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinion 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 Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

Certain statements contained in this Official Statement and information incorporated by reference into this Official Statement do not reflect historical facts but are forecasts and "forward-looking statements." No assurance can be given that the future results discussed in this Official Statement will be achieved and actual results may differ materially from the forecasts described herein. In this respect, the words "estimate," "forecast," "project," "anticipate," "expect," "intend," "plan," "believe" and similar expressions are intended to identify forward-looking statements. All projections, forecasts, assumptions and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement.

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

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

**LAKE ELSINORE UNIFIED SCHOOL DISTRICT
(COUNTY OF RIVERSIDE, CALIFORNIA)**

BOARD OF TRUSTEES

Heidi Matthies Dodd, *President*
Juan I. Saucedo, *Clerk*
Stan Crippen, *Member*
Susan E. Scott, *Member*
Tom Thomas, *Member*

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Dr. Douglas Kimberly, *Superintendent*
Dr. George Landon, *Deputy Superintendent, Administrative & Fiscal Support Services*
Dr. Gregory J. Bowers, *Assistant Superintendent, Facilities & Operations Support Services*
Dr. Alain Guevara, *Assistant Superintendent, Instructional Support Services*
Kip Meyer, *Assistant Superintendent, Personnel Support Services*
Sam Wensel, *Executive Director, Personnel Support Services*

COUNTY OF RIVERSIDE – BOARD OF SUPERVISORS

Marion Ashley – District 5, Chair
Kevin Jeffries – District 1, Member
John F. Tavaglione – District 2, Member
John J. Benoit – District 4, Member
Vacant – District 3, Member

SPECIAL SERVICES

Financial Advisor

Dale Scott & Company Inc.
San Francisco, California

Bond Counsel

Orrick, Herrington & Sutcliffe LLP
Irvine, California

Disclosure Counsel

Kutak Rock LLP
Denver, Colorado

Paying Agent

U.S. Bank National Association
Los Angeles, California

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\$12,000,000*
LAKE ELSINORE UNIFIED SCHOOL DISTRICT
2014-2015 TAX AND REVENUE ANTICIPATION NOTES, SERIES B

INTRODUCTION

General

This Official Statement, including the cover page, table of contents and the Appendices, is provided to furnish information in connection with the sale of \$[PAR]* aggregate principal amount of Lake Elsinore Unified School District 2014-2015 Tax and Revenue Anticipation Notes, Series B (the "Notes"), to be issued by the County of Riverside, California (the "County") on behalf of the Lake Elsinore Unified School District (the "District").

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The District has no obligation to update the information in this Official Statement, except as required by the Continuing Disclosure Certificate to be executed by the District. See "OTHER LEGAL MATTERS—Continuing Disclosure" and "APPENDIX C—FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and Piper Jaffray & Co. (the "Underwriter") or owners of any of the Notes.

Quotations from and summaries and explanations of the Notes, the Resolutions (as defined herein) providing for issuance of the Notes, and the constitutional provisions, statutes and other documents described herein, do not purport to be complete, and reference is hereby made to said documents, constitutional provisions and statutes for the complete provisions thereof. Copies of documents referred to herein and information concerning the Notes are available from the District through the [Office of the Clerk of the Board of Trustees of the Lake Elsinore Unified School District, 545 Chaney Street, Lake Elsinore, California 92530]. The District may impose a charge for copying, mailing and handling.

Risk Factors

[Purchase of the Notes is subject to certain risk factors. The projected cash flow schedules for the District for Fiscal Year 2014-2015 currently project that there will not be enough cash available in the District's general fund to make the required set aside payments when due as described herein. Unless the District can achieve additional revenues and/or reduced expenditures for its general fund, the District intends to borrow from its other restricted and unrestricted funds to make such payment. See "RISK FACTORS" herein.]

The District

The District provides public education within an approximately 140-square mile incorporated and unincorporated area in Riverside County. The District was established in November 1988 through a merger of the Lake Elsinore Elementary School District and the Lake Elsinore Union High School District, each of which had been in existence for approximately 100 years. On July 1, 1989, the District completed proceedings to reorganize as a unified school district comprised of the same boundaries as the

* Preliminary; subject to change.

predecessor districts. The District currently operates [12] elementary schools, [four] middle schools, [three] comprehensive high schools, [one] continuation high school, [two] alternative programs, [two] K-8 schools, an adult education program and a K-12 online academy school, with a total enrollment of approximately [] students as of [], 2014

The District is governed by a Board of Trustees consisting of five members, each of which is elected 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 operations are managed by a board-appointed Superintendent, Dr. Douglas Kimberly. Dr. Kimberly has served in this position since July 1, 2012.

For additional information about the District's operations and finances, see "DISTRICT FINANCIAL AND OPERATING INFORMATION." The District's audited financial statements for the fiscal year ended June 30, 2014 are included as APPENDIX B, and should be read in their entirety.

THE NOTES

Purpose of the Notes

The Notes are issued in anticipation of a projected cash flow deficit occurring during fiscal year 2014-2015, beginning July 1, 2014 and ending June 30, 2015. Proceeds of the Notes will be used and expended by the District for any purpose for which the District is authorized to expend funds from the general fund of the District, including, but not limited to, current expenses, capital expenditures, investment and reinvestment, and the discharge of other obligations or indebtedness of the District, and to pay certain costs of issuing the Notes. See "- Sources and Uses of Funds" herein.

Authority for Issuance

The Notes are issued in conformity with the laws of the State of California (the "State"), including Article 7.6 (commencing with Section 53850) of Chapter 4 of Part 1 of Division 2 of Title 5 of the California Government Code, and pursuant to resolutions adopted by the Board of Trustees of the District on January 22, 2015 (the "District Resolution"), and by the Board of Supervisors (the "Board of Supervisors") of the County on February 3, 2015, authorizing the sale and issuance of the Notes (the "County Resolution" and, together with the District Resolution, the "Resolutions").

General Provisions of the Notes

The Notes will be dated the date of their delivery, and will mature on September 30, 2015. The Notes will bear interest at the rate per annum set forth on the cover page hereof. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months, and will accrue commencing on the date of delivery of the Notes. Principal of and interest on the Notes are payable only at maturity, in lawful money of the United States of America, to the registered owners of the Notes, only upon surrender of such Notes at the principal trust office of the paying agent for the Notes, initially U.S. Bank National Association (the "Paying Agent"). No interest shall be payable on any Notes for any period after maturity of the Notes during which the registered owner thereof fails to properly present said Notes for payment.

The Notes will be issued in fully registered book-entry form only, in denominations of \$5,000 principal amount or any integral multiple thereof. The Notes will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Notes. Purchases of Notes under the DTC system must be made by or through a DTC participant, and ownership interests in Notes and any transfer thereof will be recorded as

entries on the books of said participants. Except in the event that use of this book-entry system is discontinued for the Notes, beneficial owners will not receive physical certificates representing their ownership interests (“Beneficial Owners”). See “APPENDIX E—BOOK-ENTRY ONLY SYSTEM.”

No Redemption Prior to Maturity

The Notes are not subject to redemption prior to maturity.

Security and Sources of Payment

The principal amount of the Notes, together with interest thereon, are payable from taxes, income, revenue (including, but not limited to revenue from state and federal governments), cash receipts and other moneys provided for fiscal year 2014-2015 which will be received by or will accrue to the District during such fiscal year for the general fund of the District and which are lawfully available for the payment of current expenses and other obligations of the District (the “Unrestricted Revenues”). Under the District Resolution, the District has pledged to the payment of the Notes and the interest thereon an amount equal to (a) 33% of the principal amount of the Notes from the first Unrestricted Revenues to be received by the District during the period commencing on June 1, 2015 and ending on June 30, 2015; and (b) 100% of the principal amount of the Notes together with interest thereon due at maturity from the first Unrestricted Revenues to be received by the District during the period commencing on July 1, 2015 and ending on July 31, 2015. The amounts so pledged are defined in the District Resolution as the “Pledged Revenues.” The District Resolution provides that, in the event that there have been insufficient Unrestricted Revenues received by the District by the end of any such period, then the amount of any deficiency in the Repayment Account (as defined below) shall be satisfied and made up from the first Unrestricted Revenues thereafter received by the District. The District Resolution provides further that the amounts on deposit in the Repayment Account are pledged to the payment of the Notes and the interest thereon, and that said amounts shall not be used for any other purpose until the Notes and the interest thereon have been paid in full or such payment has been duly provided for.

Due to budgetary difficulties, the State has engaged in the practice of deferring certain apportionments to K-12 school districts from one fiscal year to the next fiscal year in order to assist the State in balancing its budget each year. These “cross year” deferrals have been codified, although with the passage of Proposition 30 (as defined herein) and the improvement in the State finances, the Governor of the State has proposed to eliminate such deferrals over time. The 2014-2015 State Budget (defined herein) includes a deferral of approximately \$900 million of State aid payments owed to the school districts in fiscal year 2014-2015 to fiscal year 2015-2016 (the “Deferred Revenues”); however, if the revenues for the State exceed certain thresholds for fiscal year 2014-2015, the 2014-2015 State Budget would reduce or eliminate such Deferred Revenues, which increased funding amounts would be paid in June 2015 to school districts. Currently, the State projects that increased revenues for the State will exceed such thresholds, thereby allowing such Deferred Revenues to be eliminated in June 2015. See “DISTRICT FINANCIAL AND OPERATING INFORMATION—State Funding of Education; State Budget Process--2014-2015 State Budget--K-12 Budget Adjustments” herein. Although the State, in some cases, treats such Deferred Revenues as expenditures for the fiscal year in which they are made, the District is authorized under State law to treat such deferrals as revenues in the current fiscal year.

[Because the District in fact treats the Deferred Revenues as accrued in fiscal year 2014-2015 for budgetary, financial reporting and all other relevant purposes, the District should be able to treat its Deferred Revenues as revenues provided for fiscal year 2014-2015 and thus subject to the pledge for the repayment of the Notes. Bond Counsel is expected to render an opinion addressed to Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”) to the effect that, assuming that the District in fact treats the Deferred Revenues as accrued in fiscal year 2014-2015 for

budgetary, financial reporting and all other relevant purposes and that all laws cited in its opinion, the District Resolution, the County Resolution and Notes are valid and binding, although there is no authority directly on point and the matter is not free from doubt, if the matter were properly briefed and presented to a court, the court should hold (a) that the Deferred Revenues of the District are revenues of the District "provided for" fiscal year 2014-2015 within the meaning of Article XVI, Section 18 of the California Constitution, and (b) that the pledge of the Pledged Revenues of the District, insofar as they include such Deferred Revenues, to the repayment of the Notes is a valid pledge under the California Government Code as revenue "accrued during the fiscal year" in which the Notes are issued. Bond Counsel's opinion speaks as of its date, is based on the assumptions, qualifications, facts and circumstances cited in the opinion, is not binding on any court, does not guarantee the outcome of the matter addressed in the opinion and, accordingly, no assurance can be given that a court could not reach a contrary conclusion and hold that Deferred Revenues cannot be pledged to pay the Notes.]

As provided in Section 53856 of the California Government Code, the District Resolution provides that the Notes and the interest thereon shall be a first lien and charge against, and shall be payable from the first moneys received by the District from, the Pledged Revenues. As provided in Section 53857 of the California Government Code, the District Resolution provides that, notwithstanding the provisions of Section 53856 of the California Government Code and the preceding sentence, the Notes are general obligations of the District and, to the extent not paid from the Pledged Revenues, shall be paid with interest thereon from any other Unrestricted Revenues.

As security for the payment of the Notes and the interest thereon, the District, under the District Resolution, requests the Auditor-Controller of the County (the "County Auditor") and the Riverside County Office of Education to establish and hold in the funds or accounts of the District in the County treasury a special repayment account (the "Repayment Account") and to maintain the Repayment Account until the Notes and the interest thereon have been paid in full and covenants to deposit or cause to be deposited in the Repayment Account, in trust for the registered owners of the Notes, no later than the end of each period specified above in the first paragraph under "THE NOTES—Security and Sources of Payment," the amount of Unrestricted Revenues specified in such paragraph to be so deposited.

The District Resolution provides that all Pledged Revenues and any other Unrestricted Revenues required to be deposited in the Repayment Account pursuant to the District Resolution shall, as and when received, be deposited in the Repayment Account. The District Resolution also provides that any money deposited in the Repayment Account shall be for the benefit of the registered owners of the Notes, and until the Notes and the interest thereon are paid or until provision has been made for the payment of the Notes at maturity and interest thereon to maturity, the money in the Repayment Account shall be applied only for the purposes for which the Repayment Account is established. The District Resolution provides further that, on the date of maturity of the Notes, the money in the Repayment Account shall be used, to the extent necessary, to pay the Notes and the interest thereon. Any money remaining in or accruing to the Repayment Account after the Notes and the interest thereon have been paid in full, or provision for such payment has been made, shall be transferred to the general fund of the District. None of the County, the Treasurer-Tax Collector of the County (the "County Treasurer") or the County Auditor shall be liable or responsible for the sufficiency of amounts deposited in the Repayment Account.

Although the Notes are a general obligation of the District, the statutory pledge only extends to revenues of fiscal year 2014-2015, and the District cannot be legally obligated to pay the Notes from revenues provided for a future year. Other than a statutory entitlement to its share of the 1% local ad valorem tax levy, the District has no authority, and cannot be compelled, to levy taxes to pay the principal of or interest on the Notes. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS."

Bankruptcy Risks

The opinion of Bond Counsel, attached hereto as APPENDIX A, is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditors' rights. Bankruptcy of the County or the District could affect the security of the owners of the Notes, the ability of an owner to be paid in a timely manner, or both.

Because the County treasury is in possession of the taxes and other revenues that the District has agreed to set aside to pay the Notes, and such amounts may be deposited and invested in the County's pooled investment fund, should the County go into bankruptcy, a court might hold that the owners of the Notes do not have a valid lien on the funds set aside for payment thereof. In that case, unless the owners could trace the funds, the owners may be merely unsecured creditors of the bankrupt County. There can be no assurances that the owners could successfully so trace the pledged taxes and other revenues.

If the County were to file for bankruptcy, the District may be unable to order payment of the Notes from moneys held by the County in the fund set aside for such payment. If the District were to file for bankruptcy, the County Auditor may be enjoined from applying set-aside funds to payment of the Notes, or from setting aside any further moneys of the District for such payment.

Investment of Repayment Account

Substantially all of the District's operating funds are held in the County treasury and invested pursuant to law and the County's investment policy. Moneys set aside for repayment of the Notes will be deposited in the Repayment Account of the District held in the County treasury and invested therein. All money held in the County treasury in the Repayment Account shall be invested in the County's Pooled Investment Fund and as otherwise permitted by the California Government Code and the investment policy of the County, and the proceeds of such investments shall be retained in each such fund; provided, that no proceeds shall be invested for a term that exceeds the term of the Notes and, provided further that, at the written request of the District and approval from the County Treasurer, all or any portion of such money may be invested on behalf of the District in investment agreements, including guaranteed investment contracts, which comply with the requirements of each rating agency then rating the Notes necessary in order to maintain the then-current rating on the Notes. See "APPENDIX D—COUNTY OF RIVERSIDE OFFICE OF THE TREASURER-TAX COLLECTOR STATEMENT OF INVESTMENT POLICY AND DESCRIPTION OF INVESTMENT POOL" for a description of the County's investment policy and current portfolio holdings.

Sources and Uses of Funds

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

Sources of Funds
Principal Amount of Notes
Original Issue Premium
Total Sources:

Uses of Funds
Net Deposit to General Fund
Underwriter's Discount
Costs of Issuance¹
Total Uses:

¹Includes bond counsel and disclosure counsel fees, financial advisor fees, rating agency fees, printing fees, Paying Agent fees and other miscellaneous expenses.

RISK FACTORS

The purchase of the Notes described in this Official Statement involves a degree of risk that may not be appropriate for some investors. The following includes a discussion of certain special considerations and risk factors affecting the payment of and security for the Notes that should be considered before making an investment decision. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of any Notes and does not necessarily reflect the relative importance of the various risks.

This discussion does not purport to be comprehensive or definitive and does not purport to be a complete statement of all factors which may be considered as risks in evaluating the credit quality of the Notes. The occurrence of one or more of the events discussed herein could adversely affect the ability or willingness of the District to pay its Notes when due. In addition, the occurrence of one or more of the events discussed herein could adversely affect the value of the Notes in the secondary market. See “— Limited Secondary Market” below.

General Considerations

The District is obligated under the Resolution to pay the set-aside payments from the Pledged Revenues, and from any other source of legally available funds. The District is currently projecting a negative unrestricted general fund balance for Fiscal Year 2014-15. As set forth in the District's Audited Financial Statements for its Fiscal Year 2013-14, the auditor included the following statement:

“Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the District will continue as a going concern. As discussed in Note 22 to the financial statements, the District has suffered from inadequate cash flow that raises substantial doubt about its ability to continue as a going concern. Management's plan in regard to these matters is described in Note 22. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.”

Inadequacy of Projected General Fund Revenues

The projected cash flow schedules for the District for Fiscal Year 2014-2015 currently projects that there will not be enough cash available in the District's general fund to make the required set aside

payments when due as described herein. See “DISTRICT FINANCIAL AND OPERATING INFORMATION—District Cash Flows” herein for the District’s projections of its cash flows for its general fund for the Fiscal Year 2014-2015. Unless the District can achieve additional revenues and/or reduced expenditures for its general fund in amounts sufficient to permit it to make its set aside payments during the Repayment Period, described herein, the District intends to borrow from its other restricted and unrestricted funds to make such payments. See “—DISTRICT FINANCIAL AND OPERATING INFORMATION—Alternate Liquidity” herein for a description of such funds, as well as a projection of the amounts available to the District from such funds. Pursuant to Education Code Section 42603, the District could temporarily borrow, for its general fund cash flow purposes, up to 75% of funds held by the District outside its general fund. The District’s Board of Trustees must authorize and direct any transfer of such funds.

Additional Obligations

The District has the capacity to enter into other obligations which may constitute additional charges against its funds. To the extent that additional obligations are incurred by the District, the funds available to make the required set aside payments when due may be decreased.

No Acceleration Provision

The Notes do not contain a provision allowing for the acceleration of the Bonds in the event of a failure by the District to set aside Pledged Revenues in the amounts required during the Repayment Periods as described herein or other default by the District under the terms of the Notes or the Resolutions, as applicable, or in the event interest on the Bonds becomes included in gross income for federal income tax purposes. Pursuant to the Resolutions, Owners of the Notes are given the right for the equal benefit and protection of all owners similarly situated to pursue certain remedies.

Limitations on Remedies

Remedies available to the Owners of the Notes may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest on the Notes or to preserve the tax-exempt status of the Notes. Bond Counsel has limited its opinion as to the enforceability of the Notes and of the Resolution, to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditors’ rights, by equitable principles, by the exercise of judicial discretion and by limitations on remedies against public agencies in the State. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay, limitation or modification of the rights of the owners of the Notes.

Bankruptcy

In addition to the limitations on remedies contained in the Resolutions and the rights and remedies provided in the Resolutions may be limited by and are subject to provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors’ rights.

Risks Regarding Investments in County Investment Pool

Proceeds of the District’s Notes, the required set aside amounts and the District’s general fund are or will be held and invested by the County Treasurer in the County Investment Pool. See

“INVESTMENT OF DISTRICT FUNDS –County Investment Pool” herein for a discussion of certain risks related to the investment of such funds.

Economic Conditions in California

State income tax and other receipts can fluctuate significantly from year to year, depending on economic conditions in the State and the nation. Because much of the District’s general fund revenues derive from payments from the State, the District’s revenues can vary significantly from year to year, even in the absence of significant education policy changes. Decreases in the State’s general fund revenues during Fiscal Year 2014-2015 may significantly affect appropriations made by the State to school districts, including the District, for such Fiscal Year.

Limited Secondary Market

There can be no guarantee that there will be a secondary market for the Notes or, if a secondary market exists, that such Notes can be sold for any particular price. Although the District has committed to provide certain enumerated events notices as described under “CONTINUING DISCLOSURE” herein, there is no ongoing requirement of the District to provide any updates to any of the information contained herein related to the District or to file an annual report. Occasionally, because of general market conditions, lack of current information, the absence of a credit rating, or adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

DISTRICT FINANCIAL AND OPERATING INFORMATION

State Funding of Education; State Budget Process

General. As is true for all school districts in California, the District’s operating income consists primarily of two components which comprise the Local Control Funding Formula (“LCFF”) as more fully described below under “—Local Control Funding Formula.” The LCFF consists of a State portion funded from the State’s general fund and a local portion derived from the District’s share of the 1% local ad valorem tax authorized by the State Constitution. In addition, school districts may be eligible for other special categorical funding from State and federal government programs and may receive certain other local sources of funding. As of the District’s 2014/2015 First Interim Report, the District is projecting to receive approximately 81.4% of its general fund revenues from LCFF funds in fiscal year 2014-2015, which are projected to be approximately \$153,713,973 million in fiscal year 2014-2015. As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may significantly affect the District’s revenues and operations.

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

State's general fund expenditures, it is generally at the center of annual budget negotiations and adjustments.

State Budget Process. According to the State Constitution, the Governor must propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted no later than June 15. Historically, the budget required a two-thirds vote of each house of the State Legislature for passage. However, on November 2, 2010, the State's voters approved Proposition 25, which amended the State Constitution to lower the vote requirement necessary for each house of the State Legislature to pass a budget bill and send it to the Governor. Specifically, the vote requirement was lowered from two-thirds to a simple majority (50% plus one) of each house of the State Legislature. The lower vote requirement also would apply to trailer bills that appropriate funds and are identified by the State Legislature "as related to the budget in the budget bill." The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. Under Proposition 25, a two-thirds vote of the State Legislature is still required to override any veto by the Governor. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the fiscal year 2014-2015 State budget on June 20, 2014.

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

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

If, at year-end, the guaranteed amount is calculated to be higher than the amount actually appropriated in that year, the difference becomes an additional education funding obligation, referred to as "settle-up." If the amount appropriated is higher than the guaranteed amount in any year, that higher funding level permanently increases the base guaranteed amount in future years. The Proposition 98 guaranteed amount is reduced in years when general fund revenue growth lags personal income growth,

and may be suspended for one year at a time by enactment of an urgency statute. In either case, in subsequent years when State general fund revenues grow faster than personal income (or sooner, as the Legislature may determine), the funding level must be restored to the guaranteed amount, the obligation to do so being referred to as “maintenance factor.”

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

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years’ Proposition 98 minimum funding levels rather than current year increases; by temporarily deferring apportionments of Proposition 98 funds from one fiscal year to the next; by permanently deferring apportionments of Proposition 98 funds from one fiscal year to the next; by suspending Proposition 98, as the State did in fiscal year 2004-2005, fiscal year 2010-2011, fiscal year 2011-2012 and fiscal year 2012-2013 (see “—State Cash Management Legislation” below); and by proposing to amend the State Constitution’s definition of the guaranteed amount and settle-up requirement under certain circumstances.

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

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

The 2014-15 State Budget is based on revenue projections previously included in the Governor’s May revision to the proposed budget for fiscal year 2014-15. For fiscal year 2013-14, the 2014-15 State Budget projects total State general fund revenues of \$102.2 billion, and total State general fund expenditures of \$100.7 billion. The 2014-15 State Budget projects that the State will end the 2013-14 fiscal year with a \$2.9 billion general fund surplus. For fiscal year 2014-15, the 2014-15 State Budget projects total State general fund revenues of \$105.5 billion and total State general fund expenditures of

\$108.0 billion, leaving the State with a projected general fund surplus for fiscal year 2014-15 of approximately \$2.1 billion. This projected reserve is a combination of \$449 million in the State's general fund traditional reserve, and an authorized deposit of \$1.6 billion into the Budget Stabilization Account/Rainy Day Fund (the "BSA") established by the California Balanced Budget Act of 2004 (also known as Proposition 58).

As part of implementing certain provisions of the 2014-15 State Budget, a legislatively-referred constitutional amendment, Proposition 2 (as defined herein), was placed on the November 4, 2014 statewide ballot which was subsequently approved by the electors. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS—Proposition 2" below for additional information.

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

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

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

(a) *State Pensions.* The 2014-15 State Budget includes a plan to reduce the \$74.4 billion unfunded STRS liability in approximately 30 years by increasing contribution rates among the State, K-14 school districts, and participating employees. For fiscal year 2014-15, these increases are expected to result in \$276 million of additional contributions from all three entities. The plan also provides the STRS Board (as defined herein) with limited authority to (i) increase State, school district and community college district contributions based on changing conditions, and (ii) reduce school district and community college district contributions if they are no longer necessary. For additional information, see "THE DISTRICT—Retirement Programs" above.

(b) *Local Control Funding Formula.* An increase of \$4.7 billion in Proposition 98 funding to continue the transition to the LCFF. This includes a 0.85% COLA to prior-year Base Grants, and results in per-pupil funding that is 12% higher than the prior-year. This increase is projected to close the remaining funding implementation gap between prior year funding levels and the LCFF target levels by approximately 29%. The LAO estimates that the 2014-15 funding levels are approximately 80% of the full implementation cost. The 2014-15 State Budget also provides \$26 million towards implementing the LCFF for county offices of education, sufficient to fully fund their LCFF funding target in fiscal year 2014-15.

(c) *School Reserves.* Senate Bill 858 (Stats. 2014, Chapter 32) ("SB 858"), trailer legislation to the 2014-15 State Budget, creates new disclosure requirements effective beginning fiscal year 2015-16 for school districts that have general fund reserves in excess of the State minimum. Existing minimum reserve levels vary between one to five percent of general fund expenditures, depending on the size of the district, and generally require higher reserves for smaller school districts. SB 858 would require school districts to identify amounts in excess of

their required reserves and explain the need for higher levels. This information must be disclosed at a public meeting and in each budget submitted to a county office of education. The LAO indicates that available data shows that virtually all school districts maintain excess reserves. Voters approved Proposition 2 at the Statewide election on November 4, 2014 (See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS—Proposition 2” herein), and as a result, certain additional provisions of SB 858 will go into effect that will cap school district reserve levels. Reserves will be capped in any fiscal year following a State deposit into the Proposition 98 reserve created by Proposition 2. Caps for most school districts will range between three to ten percent of annual general fund expenditures. SB 858 will permit a county office of education to grant an exemption from the reserve cap for up to two years if a school district demonstrates that it would face extraordinary fiscal circumstances justifying a higher reserve.

(d) *K-12 Deferrals.* The 2014-15 State Budget provides \$4.7 billion to reduce outstanding apportionment deferrals for school districts. Under the budget plan, less than \$900 million in school district are expected to remain outstanding at the end of fiscal year 2014-15. The 2014-15 State Budget also provides for a trigger mechanism whereby potentially all outstanding deferrals would be repaid if the Proposition 98 minimum guarantee increases as a result of additional funding sources.

(e) *Independent Study.* The 2014-15 State Budget streamlines the existing independent study program, reducing administrative burdens and freeing up time for teachers to spend on student instruction and support, while making it easier for schools to offer and expand instructional opportunities available to students through non-classroom based instruction.

(f) *K-12 Mandates.* The 2014-15 State Budget provides \$400 million, including \$287 million of Proposition 98 funding and \$113 million from unspent prior-year funds, to reduce a backlog of unpaid reimbursement claims to school districts for the cost of State-mandated programs. Funds will be distributed to school districts on a per-student basis. The 2014-15 State Budget also adds six new K-12 reimburseable mandates to the existing block grant program. The 2014-15 State Budget does not increase funding for the block grant program as the added costs are expected to be minimal.

(g) *Proposition 39.* Passed by voters in November 2012, Proposition 39 increases State corporate tax revenues and requires a five-year period, starting in fiscal year 2013-14, that a portion of these additional revenues be used to improve energy efficiency and expand the use of alternative energy in public buildings. The 2014-15 State Budget provides \$279 million of Proposition 98 funding for qualifying school district energy programs and \$28 million for a revolving loan program for K-14 school districts.

(h) *Quality Education Investment Act.* The 2014-15 State Budget authorizes a final payment of \$410 million to retire the State’s obligation under the Quality Education Investment Act (Stats. 2006, Chapter 751), which required the State to provide additional annual school district and community college district funding payments. Of this amount, \$316 million is for continued funding of the QEIA program (including \$268 million for school districts) and \$94 million is to pay down a separate State obligation related to school facility repairs.

(i) *Emergency Repair Program.* \$189 million of funding towards the Emergency Repair Program (“ERP”), which was created in 2004 to fund critical repair projects at certain low-performing schools. Funds will be allocated to school districts that have unfunded claims for emergency repairs from the most recent ERP award cycle, which occurred in 2008.

(j) *School Infrastructure.* The 2014-15 State Budget shifts existing bonding authority under the Career Technical Education (\$4.1 million) and High Performance Initiative (\$32.9 million) school facility programs to the New Construction and Modernization facility programs. Bonding authority will be split equally between new construction and modernization.

(k) *K-12 High-Speed Internet Access.* An increase of \$26.7 million in one-time Proposition 98 funding for the K-12 High Speed Network to provide technical assistance and grants to K-12 local educational agencies required to successfully implement Common Core. These funds will be targeted to those K-12 local educational agencies most in need of help with securing internet connectivity and infrastructure required to implement the new computer adaptive tests under Common Core.

(l) *Career Technical Education Pathways Program.* An increase of \$250 million in one-time Proposition 98 funding to support competitive grants for participating K-14 local educational agencies. The Career Pathways Trust Program provides grant awards to improve career technical programs and linkages between employers, schools, and community colleges.

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

Proposed 2015-16 State Budget. The Governor released his proposed fiscal year 2015-16 State budget (the "2015-16 Proposed State Budget") on January 9, 2015. The 2015-16 Proposed State Budget proposes a multiyear plan that is balanced, while paying off budgetary debt from past years and setting aside reserves. The 2015-16 Proposed State Budget projects general fund revenues (after transfers to the Rainy Day Fund in the amount of \$1.6 billion and \$1.2 billion in fiscal year 2014-15 and 2015-16, respectively) in the amount of \$108 billion in fiscal year 2014-15 and \$113.4 billion in fiscal year 2015-16, which is an additional \$2.5 billion and \$1 billion in revenues in fiscal years 2014-15 and 2015-16, respectively, as compared to projections from the 2014-15 State Budget. According to the 2015-16 Proposed State Budget, the primary reason for such additional revenues is the higher forecast for the personal income tax and corporation tax, up almost \$2.3 billion and \$2 billion, respectively. Of the total State general fund revenues and transfers for fiscal year 2015-16, personal income taxes are expected to contribute \$75.2 billion (66.3%), sales and use taxes are expected to contribute \$25.2 billion (22.2%) and corporation taxes are expected to contribute \$10.2 billion (9%). Under the 2015-16 Proposed State Budget, general fund expenditures for fiscal year 2015-16 are \$113.3 billion (an increase of \$1.5 billion from fiscal year 2014-15 general fund expenditures), of which \$47.1 billion (41.6%) is allocated to K-12 education.

The 2015-16 Proposed State Budget proposes to reduce budgetary debt by repaying the remaining \$1 billion in deferred payments to school districts and community college districts and making the final payments on the \$15 billion in Economic Recovery Bonds borrowed to cover budget deficits since 2002 and the \$533 million in mandate reimbursements owed to local governments. Additionally, the 2015-16 Proposed State Budget increases the State's Rainy Day Fund to a total balance of \$2.8 billion by the end of fiscal year 2015-16. The 2015-16 Proposed State Budget notes that the passage of the Rainy Day Budget Stabilization Fund Act (Proposition 2) in November 2014 was a significant step toward a long-term balanced budget. For more information about the Rainy Day Fund, see "--Rainy Day Fund" above.

Despite the recent budgetary improvements as compared to recent years, the 2015-16 Proposed State Budget acknowledges that the additional tax revenues from capital gains are temporary in nature and that the additional revenues from Proposition 30 will expire in 2016 (with respect to the sales tax increase) and 2018 (with respect to the income tax increase). Further, the 2015-16 Proposed State Budget observes

several risks that the State should plan for, including: the inevitable occurrence of another recession, ongoing fiscal challenges of the federal government, the budget's heavy dependency on the performance of the stock market in fiscal year 2015-16, the high levels of State debts and liabilities, including unfunded retirement liabilities, and deferred maintenance of the State's roads and other infrastructure.

As it relates to K-12 education, the 2015-16 Proposed State Budget provides Proposition 98 funding of \$65.7 billion for fiscal year 2015-16, as well as an additional \$2.3 billion and \$400 million for fiscal years 2014-15 and 2013-14, respectively. This translates to K-12 Proposition 98 per-pupil expenditures of \$9,361 in fiscal year 2014-15 and \$9,667 in fiscal year 2015-16. Such amounts are significant increases when compared to recent years, such as the \$7,008 provided in fiscal year 2011-12. Total per-pupil expenditures from all sources are projected to be \$13,223 in fiscal year 2014-15 and \$13,462 in fiscal year 2015-16, including funds provided for prior year "settle-up" obligations. The 2015-16 Proposed State Budget notes that attendance in public schools increased in fiscal years 2013-14 and 2014-15, however, it is projected to decline slightly during 2015-16. For fiscal year 2014-15, K-12 A.D.A. is estimated to be 6,000,733, an increase of 8,166 from fiscal year 2013-14. K-12 A.D.A. is estimated to drop by 585 in fiscal year 2015-16 to 6,000,148.

The 2015-16 Proposed State Budget provides a third-year investment of \$4 billion in the Local Control Funding Formula, which is expected to eliminate more than 32% of the remaining funding gap between actual funding and the target level of funding. With respect to K-12 school facilities, the 2015-16 Proposed State Budget acknowledges the ongoing discussion of the State's role, if any, in future school facilities funding and notes several problems with the current program that should be addressed in any future plan. While such discussion is ongoing, the 2015-16 Proposed State Budget dedicates \$273.4 million in one-time Proposition 98 General Fund resources to the Emergency Repair Program to fund all remaining Emergency Repair Program projects. The 2015-16 Proposed State Budget also includes reforms and investments relating to adult education, the implementation of Common Core standards, and energy efficiency (Proposition 39).

Certain workload adjustments for K-12 programs included in the 2015-16 Proposed State Budget include the following:

- (a) *K-12 Deferrals.* An increase of almost \$900 million in one-time Proposition 98 general funds in fiscal year 2014-15 to eliminate all remaining outstanding deferral debt for K-12. Inter-year deferrals for K-12 had reached a high of \$9.5 billion in fiscal year 2011-12.
- (b) *Emergency Repair Program.* An increase of \$273.4 million in one-time Proposition 98 general fund resources for the Emergency Repair Program. This funding will retire the state's facilities funding obligation under the terms of an existing lawsuit settlement agreement.
- (c) *School District Local Control Funding Formula.* Additional growth of approximately \$4 billion in Proposition 98 general funds for school districts and charter schools in 2015-16, an increase of 8.7% from fiscal year 2014-15.
- (d) *County Offices of Education Local Control Funding Formula.* An increase of \$109,000 Proposition 98 general funds to support a cost-of-living adjustment for those county offices of education at their target funding level under the Local Control Funding Formula.
- (e) *Charter Schools.* An increase of \$59.5 million Proposition 98 general funds to support projected charter school A.D.A. growth.
- (f) *Special Education.* An increase of \$15.3 million Proposition 98 general funds to reflect a projected increase in Special Education A.D.A.

(g) *Cost-of-Living Adjustment Increases.* An increase of \$71.1 million to support a 1.58% cost-of-living adjustment for categorical programs that remain outside of the Local Control Funding Formula, including Special Education, Child Nutrition, Foster Youth, Preschool, American Indian Education Centers, and the American Indian Early Childhood Education Program. Cost-of-living adjustments for school districts and charters schools are provided within the increases for school district Local Control Funding Formula implementation noted above.

(h) *Local Property Tax Adjustments.* A decrease of \$11.4 million Proposition 98 general funds for the school district and county office of education in 2014-15 as a result of higher offsetting property tax revenues. A decrease of \$1.7 billion in Proposition 98 general funds for school districts and county offices of education in fiscal year 2015-16 as a result of increased offsetting local property tax revenues.

(i) *A.D.A.* An increase of \$197.6 million in fiscal year 2014-15 for school districts and county offices of education as a result of an increase in projected A.D.A. from the 2014-15 State Budget, and a decrease of \$6.9 million in fiscal year 2015-16 for school districts and county offices of education as a result of projected decline in A.D.A. for fiscal year 2015-16.

(j) *Full-Day State Preschool Slots.* An increase of \$14.8 million Proposition 98 general funds and \$18.8 million non-Proposition 98 general funds to support 4,000 State Preschool slots with full-day wraparound care. These slots were established in the 2014-15 State Budget as of June 15, 2015 (for 15 days in fiscal year 2014-15) and these increases reflect the difference in full-year cost for these slots in fiscal year 2015-16.

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

Changes in State Budget. The final fiscal year 2015-16 State budget, which requires approval by a majority vote of each house of the State Legislature, may differ substantially from the Governor's budget proposal. Accordingly, the District cannot provide any assurances that there will not be any changes in the final fiscal year 2015-16 State budget from the 2015-16 Proposed State Budget. Additionally, the District cannot predict the impact that the final fiscal year 2015-16 State Budget, or subsequent budgets, will have on its finances and operations. The final fiscal year 2015-16 State budget may be affected by national and State economic conditions and other factors which the District cannot predict.

Local Control Funding Formula. Beginning in fiscal year 2013-2014, the Local Control Funding Formula ("LCFF") replaces the revenue limit funding system (see "—Allocation of State Funding to School Districts" below) and most State categorical programs, and distributes combined resources to school districts through a base revenue limit funding grant ("Base Grant") per unit of average daily attendance ("ADA"), with additional supplemental funding allocated to local educational agencies based on their proportion of English language learners, students from low-income families and foster youth. The LCFF has an eight year implementation program to incrementally close the gap between actual funding and the target level of funding, as described below. The LCFF includes the following components:

(a) a Base Grant for each local education agency, equivalent to an average of \$7,643 per unit of ADA in fiscal year 2013-2014. Such Base Grant per unit of ADA, adjusted by grade span variation and to be adjusted annually for cost-of-living, is as follows for fiscal year 2013-2014: \$6,845 for grades K-3, \$6,947 for grades 4-6, \$7,154 for grades 7-8 and \$8,289 for

grades 9-12. This amount includes an adjustment of 10.4% to the Base Grant to support lowering class sizes in grades K-3, and an adjustment of 2.6% to reflect the cost of operating career technical education programs in grades 9-12. The adjusted Base Grants for fiscal year 2014-2015 are as follows: (i) \$7,011 for grades K-3, (ii) \$7,116 for grades 4-6, (iii) \$7,328 for grades 7-8, and (iv) \$8,491 for grades 9-12;

(b) a 20% supplemental grant for the unduplicated number of English language learners, students from low-income families and foster youth to reflect increased costs associated with educating those students;

(c) an additional concentration grant of up to 22.5% of a local education agency's Base Grant, based on the number of English language learners, students from low-income families and foster youth served by the local education agency that comprise more than 55% of enrollment; and

(d) an Economic Recovery Target (the "ERT") that is intended to ensure that almost every local education agency receives at least their pre-recession funding level (i.e., the fiscal year 2007-2008 revenue limit per unit of A.D.A.), adjusted for inflation, at full implementation of the LCFF. Upon full implementation, local education agencies would receive the greater of the Base Grant or the ERT.

Of the projected \$25 billion in new funding to be invested through the LCFF over the next eight years, the vast majority of new funding will be provided for Base Grants. Specifically, of every dollar invested through the LCFF, 84 cents will go to Base Grants, 10 cents will go to supplemental grants and six cents will go to concentration grants.

Under the new formula, for "basic aid districts" (as described below), local property tax revenues are used to offset up to the entire allocation under the new formula. However, "basic aid districts" continue to receive the same level of State aid as allocated in fiscal year 2012-2013.

All school districts, county offices of education and charter schools are required to develop and adopt local control and accountability plans, which identify local goals in areas that are priorities for the State, including pupil achievement, parent engagement and school climate. Such local control and accountability plans are developed in accordance with a template provided by the State Board of Education. County superintendents review and provide support to the school districts under their jurisdiction, while the Superintendent of Public Instruction performs a corresponding role for county offices of education. In addition, the 2013-2014 State budget creates the California Collaborate for Education Excellence (the "Collaborative") to advise and assist local education agencies in achieving the goals identified in their plans. For local education agencies that continue to struggle in meeting their goals, and when the Collaborative indicates that additional intervention is needed, the Superintendent of Public Instruction has authority to make changes to a local education agency's plan.

Legal Challenge to State Funding Education. The application of Proposition 98 and other statutory regulations related to the funding of public education has been the subject of various legal challenges in recent years, and is likely to be challenged in the future. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS— Proposition 98 and Proposition 111."

Prohibitions on Diverting Local Revenues for State Purposes. Beginning in 1992-1993, the State satisfied a portion of its Proposition 98 obligations by shifting part of the property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and

college districts through a local Educational Revenue Augmentation Fund (ERAF) in each county. Local agencies, objecting to invasions of their local revenues by the State, sponsored a statewide ballot initiative intended to eliminate the practice. In response, the State Legislature proposed an amendment to the State Constitution, which the State's voters approved as Proposition 1A at the November 2004 election. That measure was generally superseded by the passage of a new initiative constitutional amendment at the November 2010 election, known as "Proposition 22."

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

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert \$1.935 billion in local property tax revenues in 2009-2010 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted 2009-2010 State budget of \$1.7 billion in local property tax revenues from local redevelopment agencies, which local redevelopment agencies have now been dissolved (see "—State Funding of Education; State Budget Process—Dissolution of Redevelopment Agencies" below). Redevelopment agencies had sued the State over this latter diversion. However, the lawsuit was decided against the California Redevelopment Association on May 1, 2010. Because Proposition 22 reduces the State's authority to use or shift certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget in some years, such as reducing State spending or increasing State taxes, and school and community college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

State Cash Management Legislation. On March 1, 2010, the Governor signed a bill (and on March 4, 2010, subsequently signed a clean-up bill to clarify certain provisions of such bill) to provide additional cash management flexibility to State fiscal officials (the "Cash Management Bill"). The Cash Management Bill authorized deferral of certain payments during the 2010-2011 fiscal year for school districts (not to exceed \$2.5 billion in the aggregate at any one time, and a maximum of three deferrals during the fiscal year). The Cash Management Bill permitted deferrals of payments to K-12 schools in July 2010, October 2010 and March 2011, for not to exceed 60, 90 and 30 days, respectively, but depending on actual cash flow conditions at the time, allowed the State Controller, Treasurer and Director of Finance to either accelerate or delay the deferrals up to 30 days or reduce the amounts deferred. The Cash Management Bill also permitted the State to move a deferral to the prior month or to a subsequent month upon 30 days' written notice by the State Department of Finance to the Legislative Budget Committee, except that the Cash Management Bill provided that the deferral for March 2011 was required to be paid prior to April 30. The Cash Management Bill provided for exceptions to the deferrals for school districts that could demonstrate hardship. The Cash Management Bill made it necessary for many school districts (and other affected local agencies) to increase the size and/or frequency of their cash flow borrowings during fiscal year 2010-2011. Similar legislation was enacted for fiscal year 2011-2012. The fiscal year 2011-2012 legislation, however, set forth a specific deferral plan for K-12 education payments. The State Legislature enacted similar legislation for fiscal year 2012-2013. However, the State Legislature did not enact such legislation for fiscal years 2013-2014 or 2014-2015. The District is authorized to borrow temporary funds to cover its annual cash flow deficits and, as a result of similar future legislation, the District might find it necessary to utilize cash flow borrowings or increase the size

or frequency of its cash flow borrowings in future years. The District cannot predict if additional deferrals will be made in future years.

Dissolution of Redevelopment Agencies. The adopted State budget for fiscal 2011-2012, as signed by the Governor of the State on June 30, 2011, included as trailer bills Assembly Bill No. 26 (First Extraordinary Session) (“AB1X 26”) and Assembly Bill No. 27 (First Extraordinary Session) (“AB1X 27”), which the Governor signed on June 29, 2011. AB1X 26 suspended most redevelopment agency activities and prohibited redevelopment agencies from incurring indebtedness, making loans or grants, or entering into contracts after June 29, 2011. AB1X 26 dissolves all redevelopment agencies in existence and designates “successor agencies” and “oversight boards” to satisfy “enforceable obligations” of the former redevelopment agencies and administer dissolution and wind down of the former redevelopment agencies. Certain provisions of AB1X 26 are described further below. As signed by the Governor, AB1X 27 would have allowed a redevelopment agency to continue to exist, notwithstanding AB1X 26, upon the enactment by the city or county that created the redevelopment agency of an ordinance to comply with AB1X 27’s provisions and the satisfaction of certain other conditions.

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

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

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

Under AB1X 26, commencing February 1, 2012, property taxes that would have been allocated to each redevelopment agency if the agencies had not been dissolved will instead be deposited in a “redevelopment property tax trust fund” created for each former redevelopment agency by the related county auditor-controller and held and administered by the related county auditor-controller as provided in AB1X 26. AB1X 26 generally requires each county auditor-controller, on May 16, 2012 and June 1, 2012 and each January 16 and June 1 (now each January 2 and June 1 pursuant to AB 1484, as described

below) thereafter, to apply amounts in a related redevelopment property tax trust fund, after deduction of the county auditor-controller's administrative costs, in the following order of priority:

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

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

Future Budgets and Budgetary Actions. The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for K-12 education. The State budget will be affected by national and State economic conditions and other factors over which the District cannot predict and will have no control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools during fiscal year 2014-2015 and in future fiscal years. State budget shortfalls in any fiscal year could have a material adverse financial impact on the District.

Allocation of State Funding to School Districts. Prior to the implementation of the LCFF, under California Education Code Section 42238 and following, school districts operated under general purpose revenue limits established by the State Department of Education. In general, revenue limits were calculated for each school district by multiplying the ADA for such district by a base revenue limit per unit of ADA. Revenue limit calculations were subject to adjustment in accordance with a number of factors designed to provide cost of living adjustments ("COLAs") and to equalize revenues among school districts of the same type. Funding of a school district's revenue limit was provided by a mix of local property taxes and State apportionments of basic and equalization aid. Generally, the amount of State funding allocated to each school district was the amount needed to reach that district's base revenue limit

after taking into account certain other revenues, in particular, locally generated property taxes. This was referred to as State “equalization aid.” To the extent local tax revenues increased due to growth in local property assessed valuation, the additional revenue was offset by a decline in the State’s contribution; ultimately, a school district whose local property tax revenues exceed its base revenue limit was entitled to receive no State equalization aid, and received only its special categorical aid, which was deemed to include the “basic aid” of \$120 per student per year guaranteed by Article IX, Section 6 of the Constitution. Such districts were known as “basic aid districts.” Districts that receive some equalization aid were commonly referred to as “revenue limit districts.” The District was known as a “revenue limit district.”

Under such formula, changes in local property tax income and ADA affected revenue limit districts and basic aid districts differently. In a revenue limit district, increasing enrollment increased the total revenue limit and thus generally increased a district’s entitlement to State equalization aid, assuming property tax revenues were unchanged. Operating costs increased disproportionately slowly—and only at the point where additional teachers and classroom facilities were needed. Declining enrollment had the reverse effect on revenue limit districts, generally resulting in a loss of State equalization aid, while operating costs decreased slowly and only when, for example, the district decided to lay off teachers or close schools. In basic aid districts, the opposite was generally true: increasing enrollment increased the revenue limit, but since all revenue limit income (and more) was already generated by local property taxes, there was no increase in State income. Meanwhile, as new students imposed increased operating costs, the fixed property tax income was stretched further. Declining enrollment did not reduce property tax income, and had a negligible impact on State aid, but eventually reduced operating costs, and thus was financially beneficial to a basic aid district. Enrollment could fluctuate due to factors such as population growth or decline, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes.

The District has experienced growth in enrollment and new residential construction over the past 10 years. From Fiscal Year 2004-05 to Fiscal Year 2013-14, average attendance grew by approximately 6.4%. The following table sets forth the average daily attendance in the District for the Fiscal Years as described in the table heading.

**LAKE ELSINORE UNIFIED SCHOOL DISTRICT
AVERAGE DAILY ATTENDANCE
FISCAL YEARS 2004-05 THROUGH 2014-15**

Fiscal Year	Average Daily Attendance	% Increase/Decrease
2004-05	19,411	—
2005-06	19,870	2.4%
2006-07	20,713	4.2%
2007-08	21,229	2.5%
2008-09	20,700	-2.5%
2009-10	20,835	0.7%
2010-11	20,625	-1.0%
2011-12	20,491	-0.6%
2012-13	20,646	0.8%
2013-14	20,646 ¹	0.0%
2014-15	20,646	0.0%

¹ Estimated Average Daily Attendance, based on 2013-14 Revised Budget and 2013-14 projections.
Source: Lake Elsinore Unified School District and State of California Department of Education

The following table shows the enrollment, average daily attendance and base revenue limit per ADA for the fiscal years indicated.

LAKE ELSINORE UNIFIED SCHOOL DISTRICT
Enrollment Average Daily Attendance and Base Revenue Limit
Fiscal Year 2008-09 through 2012-13

Fiscal Year	Enrollment¹	Average Daily Attendance	Base Revenue Limit Per ADA²
2008-09	21,756	20,700	\$5,908
2009-10	22,216	20,835	5,129
2010-11	22,065	20,625	5,384
2011-12	21,419	20,616	5,357
2012-13	21,419	20,616	5,397

¹ Enrollment as of October CBEDS in each school year. Includes charter school enrollment.

² The District has a 7.844% base revenue limit deficit factor in Fiscal Year 2008-09 resulting in a funded base revenue limit of \$5,833.22. A deficit factor is applied to the base revenue limit if provided in the State Budget for a given fiscal year when appropriation of funds in the State Budget for such year is not sufficient to pay all claims for State aid. The deficit factor is applied to reduce the allocation of State aid to the amount appropriated. The District had a 18.355% base revenue limit deficit factor and a 4.25% cost of living adjustment in Fiscal Year 2009-10, which resulted in a net funding of a negative 7.74% and a funded base revenue limit of \$5,129, which included a one-time base revenue limit reduction of \$253. The District had a 17.963% base revenue limit deficit factor and a negative 0.39% cost of living adjustment in Fiscal Year 2010-11, which resulted in a net funding of a positive .10% and a funded base revenue limit of \$5,387. The District estimates a 19.754% base revenue limit deficit factor and a 2.24% cost of living adjustment in Fiscal Year 2011-12, which resulted in a net funding of a negative 0.05% and a funded base revenue limit of \$5,384.

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

Source: The District

The following table sets forth the District's ADA by grade span, total enrollment and the percentage of EL/LI student enrollment for fiscal years 2012-2013 and 2013-2014 and estimated for fiscal year 2014-2015. Beginning in fiscal year 2013-2014, school districts are now funded based on uniform funding grants assigned to certain grade spans, known as the Local Control Funding Formula. See "-Local Control Funding Formula" above.

LAKE ELSINORE UNIFIED SCHOOL DISTRICT
Local Control Funding Formula
Enrollment, Average Daily Attendance and
English Language/Low Income Enrollment Percentage
Fiscal Years 2012-13 to 2014-15

Fiscal Year	Average Daily Attendance ²				Enrollment ³		% of EL/LI Enrollment
	K-3	4-6	7-8	9-12	Total A.D.A.	Total Enrollment	
2012-13	6,432.38	4,626.98	3,259.16	6,307.32	20,525.84	21,527	64%
2013-14	6,475.10	4,749.98	3,084.70	6,258.39	20,568.17	21,655	64
2014-15 ¹	6,514.62	4,745.98	3,082.94	6,249.94	20,593.48	21,655	64

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

¹Estimated.

²Reflects P-2 Average Daily Attendance.

³As of October report submitted To the California Basic Educational Data System ("CBEDS"). For purposes of calculating supplemental funding grants, a school district's Fiscal Year 2013-14 percentage of unduplicated EL/LI students will be expressed solely as a percentage of its total Fiscal Year 2013-14 total enrollment.

Source: California Department of Education and the District

The District has projected approximately \$154 million in aggregate LCFF income in fiscal year 2014-2015, or approximately 81.38% of its general fund revenues, with approximately \$126 million of such amount projected to come from the State with the remainder projected to come from local property taxes. This amount represents an increase from the approximately \$135 million the District received in fiscal year 2013-2014. The District also has projected to receive approximately \$8.63 million from other State funding sources, a decrease from the approximately \$15.07 million received from other State funding sources in fiscal year 2013-2014. Of this amount, the District has projected to receive approximately \$3.18 million for fiscal year 2014-2015 from State lottery revenue. Such lottery revenues may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities, or the financing of research. School districts receive lottery funds proportional to their total ADA.

The revenue limit funding system described above has been replaced with the implementation of the LCFF. The District's ADA, nonetheless, will continue to affect the amount of State funding the District receives. See "—Local Control Funding Formula" herein for more information about the LCFF.

Federal and other Local Sources of Funding

The federal government provides funding for several of the District's programs, such as special education programs. For fiscal year 2014-2015, the District has projected to receive approximately \$10.96 million in federal funding, a decrease from the approximately \$11.48 million received by the District for fiscal year 2013-2014.

In addition, the District receives additional local revenues beyond local property tax collections, such as leases and rentals, interest earnings, interagency services, and other local sources. For fiscal year 2014-2015, the District has projected to receive approximately \$15.58 million in funding from other local sources, an increase from the approximately \$14.04 million estimated to have been received by the District for fiscal year 2013-2014.

Local Sources of Education Funding

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

Under the LCFF, local property tax revenues are used to offset up to the entire State aid allocation under the new formula; however, "basic aid districts" would continue to receive the same level of State aid as allocated in fiscal year 2012-2013. See "—Local Control Funding Formula" herein for more information about the LCFF.

The District is a "revenue limit district." Local property tax revenues account for approximately 18.05% of the District's aggregate LCFF income, and are projected to be approximately \$28 million, or 14.69% of total general fund revenues in fiscal year 2014-2015. Property tax levy and collection procedures are discussed in the Official Statement under "—Local Property Taxation—Tax Charges and Delinquencies." For a discussion of legal limitations on the ability of the District to raise revenues through local property taxes, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING REVENUES AND APPROPRIATIONS" herein.

Local Property Taxation

Taxable property located in the District has a 2014-2015 assessed value of approximately \$9,915,335,252. All taxable property is assessed using full cash value as defined by Article XIII A of the State Constitution. All property (real, personal and intangible) is taxable unless an exemption is granted by the California Constitution or United States law. Under the State Constitution, exempt classes of property include household and personal effects, intangible personal property (such as bank accounts, stocks and bonds), business inventories, and property used for religious, hospital, scientific and charitable purposes. The State Legislature may create additional exemptions for personal property, but not for real property. Most taxable property is assessed by the assessor of the county in which the property is located. Some special classes of property are assessed by the State Board of Equalization.

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

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

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

Shown in the following table is the assessed valuation of the various classes of property in the District in fiscal years 2008-2009 through 2014-2015:

LAKE ELSINORE UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
Assessed Valuations
Fiscal Years 2008-2009 through 2014-2015

	Local Secured	Utility	Unsecured	Total
2008-2009	\$10,969,930,248	\$516,126	\$215,774,527	\$11,186,220,901
2009-2010	9,226,440,859	516,126	201,171,625	9,428,128,610
2010-2011	8,690,536,991	516,126	369,580,622	9,060,633,739
2011-2012	8,604,084,180	516,126	241,933,380	8,846,533,686
2012-2013	8,414,779,256	228,048	266,627,896	8,681,635,200
2013-2014	8,713,896,315	228,048	239,416,820	8,953,541,183
2014-2015	9,687,473,725	228,048	227,633,479	9,915,335,252

Source: California Municipal Statistics, Inc.

Assessments may be adjusted during the course of the year when real property changes ownership or new construction is completed. Assessments may also be appealed by taxpayers seeking a reduction as

a result of economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc. When necessitated by changes in assessed value in the course of a year, taxes are pro-rated for each portion of the tax year. See also "—Appeals of Assessed Valuation; Blanket Reductions of Assessed Values" below.

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

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

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

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

Assessed Valuation by Jurisdiction. The following table gives a distribution of taxable real property located in the District by jurisdiction.

LAKE ELSINORE UNIFIED SCHOOL DISTRICT
 (County of Riverside, California)
 2014-2015 Assessed Valuation by Jurisdiction¹

Jurisdiction	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
City of Canyon Lake	\$1,519,589,641	15.33%	\$1,519,589,641	100.00%
City of Lake Elsinore	4,279,495,202	43.16	\$4,523,539,467	94.61%
City of Wildomar	2,587,086,886	26.09	\$2,615,319,309	98.92%
Unincorporated Riverside County	<u>1,529,163,523</u>	<u>15.42</u>	\$34,589,271,495	4.42%
Total District	\$9,915,335,252	100.00%		
Total Riverside County	\$9,915,335,252	100.00%	\$225,770,065,829	4.39%

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

Assessed Valuation by Land Use. The following table gives a distribution of taxable real property located in the District on the fiscal year 2014-2015 tax roll by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

LAKE ELSINORE UNIFIED SCHOOL DISTRICT
 (County of Riverside, California)
 Fiscal Year 2014-2015 Assessed Valuation and Parcels by Land Use

	2014-2015 Assessed Valuation ¹	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural	\$ 143,970,000	1.49%	397	0.78%
Commercial and Industrial	1,138,382,443	11.75	1,105	2.16
Vacant Commercial and Industrial	225,316,003	2.33	863	1.69
Vacant Other/Unclassified	<u>137,414,923</u>	<u>1.42</u>	<u>7,794</u>	15.24
Subtotal Non-Residential	\$1,645,083,369	16.98%	10,159	19.86%
Residential:				
Single Family Residence	\$6,935,303,491	71.59%	28,583	55.89%
Condominium/Townhouse	107,877,520	1.11	969	1.89
Mobile Home/Mobile Home Lots	400,607,761	4.14	4,901	9.58
2-3 Residential Units	74,963,200	0.77	260	0.51
4+ Residential Units/Apartments	246,637,407	2.55	192	0.38
Miscellaneous Residential	24,863,726	0.26	94	0.18
Vacant Residential	<u>252,137,251</u>	<u>2.60</u>	<u>5,987</u>	11.71
Subtotal Residential	\$8,042,390,356	83.02%	40,986	80.14%
Total	\$9,687,473,725	100.00%	51,145	100.00%

¹ Local Secured Assessed Valuation, excluding tax-exempt property.
 Source: California Municipal Statistics, Inc.

Assessed Valuation of Single-Family Residential Properties. The following table shows the assessed valuation of single-family residential properties in the District for fiscal year 2014-2015.

LAKE ELSINORE UNIFIED SCHOOL DISTRICT
 (County of Riverside, California)
 Per Parcel Fiscal Year 2014-2015 Assessed Valuation of Single Family Homes

	No. of Parcels	2014-15 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	28,583	\$6,935,303,491	\$242,637	\$232,987

2014-2015 Assessed Valuation	No. of Parcels ¹	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$24,999	107	0.374%	0.374%	\$ 1,783,850	0.026%	0.026%
\$25,000 - \$49,999	309	1.081	1.455	11,998,612	0.173	0.199
\$50,000 - \$74,999	665	2.327	3.782	42,287,065	0.610	0.808
\$75,000 - \$99,999	1,018	3.562	7.344	88,851,031	1.281	2.090
\$100,000 - \$124,999	1,105	3.866	11.209	124,436,784	1.794	3.884
\$125,000 - \$149,999	1,647	5.762	16.972	227,454,956	3.280	7.164
\$150,000 - \$174,999	2,216	7.753	24.724	362,106,152	5.221	12.385
\$175,000 - \$199,999	2,961	10.359	35.084	555,991,369	8.017	20.402
\$200,000 - \$224,999	3,174	11.105	46.188	674,164,451	9.721	30.122
\$225,000 - \$249,999	3,132	10.958	57.146	742,570,158	10.707	40.829
\$250,000 - \$274,999	2,814	9.845	66.991	736,969,799	10.626	51.456
\$275,000 - \$299,999	2,569	8.988	75.979	736,043,376	10.613	62.069
\$300,000 - \$324,999	2,118	7.410	83.389	661,813,545	9.543	71.611
\$325,000 - \$349,999	1,529	5.349	88.738	513,336,281	7.402	79.013
\$350,000 - \$374,999	980	3.429	92.167	353,831,892	5.102	84.115
\$375,000 - \$399,999	663	2.320	94.486	255,901,390	3.690	87.805
\$400,000 - \$424,999	340	1.190	95.676	139,813,625	2.016	89.821
\$425,000 - \$449,999	212	0.742	96.417	92,420,436	1.333	91.154
\$450,000 - \$474,999	193	0.675	97.093	88,959,249	1.283	92.436
\$475,000 - \$499,999	125	0.437	97.530	60,903,920	0.878	93.314
\$500,000 and greater	706	2.470	100.000	463,665,550	6.686	100.000
Total	28,583	100.000%		\$6,935,303,491	100.000%	

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

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Largest Taxpayers. The 20 taxpayers in the District with the greatest combined assessed valuation of taxable property on the fiscal year 2014-2015 tax roll, and the assessed valuations of all property owned by those taxpayers in all taxing jurisdictions within the District, are shown below.

LAKE ELSINORE UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
Twenty Largest Local Secured Taxpayers
Fiscal Year 2014-2015

	Property Owner	Primary Land Use	2014-2015 Assessed Valuation	% of Total ¹
1.	WNRA Wildomar	Apartments	\$ 51,600,000	0.53%
2.	Plaza Apartments Investments	Apartments	47,463,383	0.49
3.	Universal Health Realty Income Trust	Medical Facilities	42,353,999	0.44
4.	Mohr Affinity	Outlet Stores	30,759,412	0.32
5.	LG Oak Creek	Apartments	26,000,000	0.27
6.	Oak Springs Ranch	Apartments	25,205,249	0.26
7.	Rivers Edge Apartments	Apartments	24,099,546	0.25
8.	Diamond Stadium Group	Baseball Stadium	23,825,952	0.25
9.	Lake Elsinore Marketplace	Commercial	20,418,909	0.21
10.	Pacific Clay Products Inc.	Industrial – Brickyard	17,925,614	0.19
11.	Elsinore Veto	Commercial	15,198,673	0.16
12.	Walmart Stores Inc.	Commercial	15,179,554	0.16
13.	Target Corp.	Commercial	15,156,962	0.16
14.	Lowes HIW Inc.	Commercial	14,866,942	0.15
15.	ABS CA O	Commercial	14,702,881	0.15
16.	Castle & Cooke	Residential and Vacant	14,569,330	0.15
17.	MCW RC CA Bear Creek Village Center	Commercial	14,404,627	0.15
18.	Inland Valley Medical Partners	Office Building	14,269,384	0.15
19.	Blue Canary Inc.	Commercial	13,846,215	0.14
20.	Costco Wholesale Corp.	Commercial	<u>13,837,826</u>	<u>0.14</u>
			\$455,684,458	4.70%

¹2014-2015 Local Secured Assessed Valuation: \$9,687,473,725.
Source: California Municipal Statistics, Inc.

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

The rate of tax necessary to pay fixed debt service on school bonds and other voter-approved indebtedness in a given year depends on the assessed value of taxable property in that year. The rate of tax imposed on unsecured property for repayment of such bonds and indebtedness is based on the prior year's secured property tax rate. The rate of tax imposed may be affected by economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, toxic dumping, etc.

The following table shows ad valorem property tax rates for the last several years levied by all taxing entities in Tax Rate Areas 5-018, 23-003 and 65-082 of the District. Tax Rate Area 5-018 represents approximately 4.11% of the total assessed value of taxable property in the District. Tax Rate Area 23-003 represents approximately 13.34% of the total assessed value of taxable property in the District. Tax Rate Area 65-082 represents approximately 5.62% of the total assessed value of taxable property in the District.

LAKE ELSINORE UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
Typical Total Tax Rate as Percentage of Assessed Valuation (TRA 5-018, 23-003 and 65-082)
Fiscal Years 2010-2011 Through 2014-2015¹

	2010-11	2011-12	2012-13	2013-14	2014-15
<u>Within the City of Lake Elsinore: TRA 5-018 – 2014-15 Assessed Valuation: \$407,452,173¹</u>					
General	1.00000	1.00000	1.00000	1.00000	1.00000
Metropolitan Water District	<u>.00370</u>	<u>.00370</u>	<u>.00350</u>	<u>.00350</u>	<u>.00350</u>
Total	1.00370	1.00370	1.00350	1.00350	1.00350
<u>Within City of Canyon Lake: TRA 23-003 – 2014-15 Assessed Valuation: \$1,322,264,748²</u>					
General	1.00000	1.00000	1.00000	1.00000	1.00000
Metropolitan Water District	<u>.00370</u>	<u>.00370</u>	<u>.00350</u>	<u>.00350</u>	<u>.00350</u>
Total	1.00370	1.00370	1.00350	1.00350	1.00350
<u>Within Unincorporated Riverside County: TRA 65-082 – 2014-15 Assessed Valuation: \$557,241,264³</u>					
General	1.00000	1.00000	1.00000	1.00000	1.00000
Metropolitan Water District	<u>.00370</u>	<u>.00370</u>	<u>.00350</u>	<u>.00350</u>	<u>.00350</u>
Total	1.00370	1.00370	1.00350	1.00350	1.00350

¹4.11% of assessed valuation of District for 2014-15.

²13.34% of assessed valuation of District for 2014-15.

³5.62% of assessed valuation of District for 2014-15.

Source: California Municipal Statistics, Inc.

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

The county treasurer-tax collector prepares the property tax bills. Property taxes on the regular secured assessment roll are due in two equal installments: the first installment is due on November 1, and becomes delinquent after December 10. The second installment is due on February 1 and becomes delinquent after April 10. If taxes are not paid by the delinquent date, a 10% penalty attaches. If taxes remain unpaid by June 30, the tax is deemed to be in default. Penalties then begin to accrue at the rate of 1.5% per month. The property owner has the right to redeem the property by paying the taxes, accrued penalties, and costs within five years of the date the property went into default. If the property is not redeemed within five years, it is subject to sale at a public auction by the county treasurer-tax collector.

Annual bills for property taxes on the unsecured roll are generally issued in July, are due in a single payment within 30 days, and become delinquent after August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll. Unsecured taxes remaining unpaid at 5 p.m. on the

last day of the second month after the 10% penalty attaches shall be subject to an additional penalty of 1.5%, attaching on the first day of each succeeding month on the amount of the original tax. To collect unpaid taxes, the county treasurer-tax collector may obtain a judgment lien upon and cause the sale of all property owned by the taxpayer in the county, and may seize and sell personal property, improvements and possessory interests of the taxpayer. The county treasurer-tax collector may also bring a civil suit against the taxpayer for payment. The date on which taxes on supplemental assessments are due depends on when the supplemental tax bill is mailed.

The Teeter Plan. Most of the 58 counties in the State, including the County, operate under provisions of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (commonly referred to as the "Teeter Plan") as provided for in the California Revenue and Taxation Code Sections 4701-4716. Pursuant to the Teeter Plan, each participating local agency levying property taxes, including K 14 districts, receives their total secured tax levies irrespective of actual collections and delinquencies. Pursuant to said provisions, each county operating under the Teeter Plan receives and retains delinquent payments, penalties and interest as collected that would have been due the local agency. Each such county establishes a delinquency reserve and assumes responsibility for all secured delinquencies assuming that certain conditions are met.

Because of this method of tax collection, the K-14 districts located in counties operating under the Teeter Plan and participating in the Teeter Plan are assured of 100% collection of their total secured tax levies assuming that the conditions established under the applicable county's Teeter Plan are met. However, such districts are no longer entitled to share in any penalties or interest due to delinquent payments. This method of tax collection and distribution is subject to future discontinuance by the applicable county or if demanded by the participating entities. Tax delinquencies in excess of a certain percentage for a tax levying agency could trigger a discontinuance by certain counties of their Teeter Plans with respect to such agency.

Significant Accounting Policies and Audited Financial Reports

The State Department of Education imposes by law uniform financial reporting and budgeting requirements for K through 12 school districts. Financial transactions are accounted for in accordance with the Department of Education's California School Accounting Manual. This manual, according to Section 41010 of the Education Code, is to be followed by all California school districts, including the District. Significant accounting policies followed by the District are explained in Note 1 to the District's audited financial statements for the fiscal year ended June 30, 2014, which are attached hereto as Appendix B.

The accounting policies of the District conform to generally accepted accounting principles in accordance with the definitions, instructions and procedures of the California School Accounting Manual, as required by the State Education Code. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are generally recognized in the period in which the liability is incurred.

Independently audited financial reports are prepared annually in conformity with generally accepted accounting principles for educational institutions. The annual audit report is generally available about six months after the June 30 close of each fiscal year. The following tables contain data abstracted from financial statements prepared by the District's current independent auditor, Vavrinek, Trine, Day & Co., LLP, Rancho Cucamonga, California, for fiscal years 2009-2010 through 2013-2014.

Vavrinek, Trine, Day & Co., LLP has not been requested to consent to the use or to the inclusion of its report in this Official Statement, and they have not audited or reviewed this Official Statement. The District is required by law to adopt its audited financial statements after a public meeting to be conducted no later than January 31 following the close of each fiscal year.

The following table shows the statement of revenues, expenditures and changes in fund balances for the District's general fund for the fiscal years 2009-2010 through 2013-2014.

LAKE ELSINORE UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
Statement of General Fund Revenues, Expenditures and Changes in Fund Balance
Fiscal Years 2009-2010 through 2013-2014

	2009-2010 Actuals	2010-2011 Actuals	2011-2012 Actuals	2012-2013 Actuals	2013-2014 Actuals
Revenues:					
Revenue limit Sources/LCFF ¹	\$107,435,118	\$113,566,742	\$111,766,945	\$112,411,149	\$135,467,367
Federal Revenue	13,696,344	19,096,392	12,259,590	11,545,711	11,478,960
Other State Revenue	26,955,789	25,239,882	25,892,613	26,101,358	15,072,752 ²
Other Local Revenue	<u>11,578,751</u>	<u>12,483,430</u>	<u>12,051,540</u>	<u>12,551,273</u>	<u>14,035,677</u>
Total Revenues	<u>\$159,666,002</u>	<u>\$170,386,446</u>	<u>\$161,970,688</u>	<u>\$162,609,491</u>	<u>\$176,054,756</u>
Expenditures:					
Instruction	105,685,707	106,520,278	105,694,282	108,240,946	111,939,985
Instruction-related Services	15,382,997	15,325,961	14,185,062	13,805,397	15,416,146
Pupil Services	11,993,244	11,310,399	14,806,621	14,251,169	14,582,159
General Administration	7,481,495	8,171,039	8,305,644	8,309,091	8,675,018
Plant Services	18,666,197	17,814,376	18,329,851	19,310,068	19,180,573
Facility Acquisition and Const.	1,156,790	8,045	153,438	1,021,321	1,814,937
Ancillary Services	1,192,576	1,128,979	1,506,159	1,637,658	1,669,041
Community Services	1,797,240	2,421,449	2,112,079	1,814,461	1,231,053
Other Outgo	39,187	-	18,335	8,710	174,179
Enterprise Services	1,697,959	2,138,561	2,710,207	2,419,871	2,001,677
Debt Service:					
Principal	85,765	350,353	373,031	92,290	528,751
Interest & Other	<u>85,630</u>	<u>832,974</u>	<u>711,662</u>	<u>441,524</u>	<u>924,676</u>
Total Expenditures	<u>\$165,264,787</u>	<u>\$166,022,414</u>	<u>\$168,906,376</u>	<u>\$171,352,506</u>	<u>\$178,138,195</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,598,785)	4,364,032	(6,935,688)	(8,743,015)	(2,083,439)
Other Financing Sources (Uses):					
Transfers In	2,401,322	-	-	573,667	-
Transfers Out	-	(421,392)	(1,493,254)	(962,852)	(463,456)
Other Sources	<u>1,119,886</u>	<u>-</u>	<u>88,203</u>	<u>1,017,528</u>	<u>234,641</u>
Total Other Financing Sources (Uses)	3,521,208	(421,392)	(1,405,051)	628,343	(228,815)
Net Change in Fund Balance	<u>(2,077,577)</u>	<u>3,942,640</u>	<u>(8,340,739)</u>	<u>(8,114,672)</u>	<u>(2,312,254)</u>
Fund Balance – Beginning (July 1)	18,240,270	16,162,693	20,105,333	11,764,594	3,649,922
Prior Period Adjustment					
Fund Balance – Ending (June 30)	<u>\$ 16,162,693</u>	<u>\$ 20,105,333</u>	<u>\$ 11,764,594</u>	<u>\$ 3,649,922</u>	<u>\$ 1,337,668</u>

¹Local Control Funding Formula replaced revenue limit sources in Fiscal Year 2013-14. See “—Local Control Funding Formula” herein for more information about the LCFF.

²Beginning in fiscal year 2013-14, categorical spending restrictions associated with a majority of State mandated programs were eliminated, and funding for these programs was folded into the LCFF. Categorical funding for 14 programs was excluded from the LCFF—including, among others, child nutrition, after school education and safety, special education, and State preschool—and school districts will continue to receive restricted State revenues to fund these programs.

Source: Lake Elsinore Unified School District Audited Financial Reports for fiscal years 2009-2010 through 2013--2014

The following table shows the general fund balance sheets of the District for the fiscal years 2009-2010 through 2013-2014.

LAKE ELSINORE UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
Summary of General Fund Balance Sheet
Fiscal Years 2009-2010 Through 2013-2014

	Fiscal Year 2009-2010	Fiscal Year 2010-2011	Fiscal Year 2011-2012	Fiscal Year 2012-2013	Fiscal Year 2013-2014
Assets:					
Deposits and Investments	\$13,838,663	\$7,443,121	\$2,161,024	\$12,844,991	\$8,523,838
Accounts Receivable	28,544,838	37,628,603	48,518,695	30,728,881	39,980,619
Due from Other Funds	1,018,725	1,267,188	2,786,519	3,667,227	1,912,949
Stores Inventories	<u>89,442</u>	<u>167,856</u>	<u>164,605</u>	<u>152,428</u>	<u>178,608</u>
Total Assets	<u>\$43,491,668</u>	<u>\$46,506,768</u>	<u>\$53,630,843</u>	<u>\$47,393,527</u>	<u>\$50,596,014</u>
Liabilities and Fund Balance:					
Liabilities:					
Accounts Payable	\$7,113,662	\$3,934,947	\$3,877,626	\$15,311,822	\$21,783,285
Due to Other Funds	4,601,079	5,022,851	10,149,948	9,346,707	5,644,578
Unearned/Deferred Revenue	1,224,234	583,632	43,675	58,076	483
Current Loans	<u>14,390,000</u>	<u>16,860,000</u>	<u>27,795,000</u>	<u>19,027,000</u>	<u>21,830,000</u>
Total Liabilities	<u>\$27,328,975</u>	<u>\$26,401,435</u>	<u>\$41,866,249</u>	<u>\$43,743,605</u>	<u>\$49,258,346</u>
Fund Balance¹:					
Nonspendable:	-	\$193,856	\$190,605	\$178,428	\$204,608
Restricted	-	1,855,578	1,591,018	919,434	2,411,640
Committed	-	-	-	-	-
Assigned	-	13,167,863	5,023,606	-	-
Unassigned	-	4,888,036	4,959,365	2,552,060	(1,278,580)
Reserved	\$3,511,198	-	-	-	-
Unreserved	<u>12,651,495</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>\$16,162,693</u>	<u>\$20,105,333</u>	<u>\$11,764,594</u>	<u>\$3,649,922</u>	<u>\$1,337,668</u>
Total Liabilities and Fund Balances	<u>\$43,491,668</u>	<u>\$46,506,768</u>	<u>\$53,630,843</u>	<u>\$47,393,527</u>	<u>\$50,596,014</u>

¹ [GASB 54, which became effective for fiscal year 2010-2011, caused the District to change its Fund Balance classifications from "Reserved" and "Unreserved" to "Nonspendable," "Restricted," "Committed," "Assigned" and "Unassigned."]

Source: Lake Elsinore Unified School District Audited Financial Reports for fiscal years 2009-2010 through 2013-2014

District Budget Process and County Superintendent Review

State law requires school districts to maintain a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the Riverside County Superintendent of Schools.

The county superintendent must review and approve or disapprove the budget no later than August 15. The county superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Trustees and identify technical corrections necessary to bring the budget into compliance with the established standards. If the budget is disapproved, it is returned to the District with recommendations for revision. The District is then required to revise the budget, hold a public hearing thereon, adopt the revised budget and file it with the county superintendent no later than September 8. Pursuant to State law, the county superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the

circumstances, if a budget is disapproved. After approval of an adopted budget, the school district's administration may submit budget revisions for governing board approval.

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

A State law adopted in 1991 ("A.B. 1200") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the county superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The county superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that is deemed unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.

A school district that receives a qualified or negative certification in any fiscal year may not issue tax and revenue anticipation notes or certificates of participation without approval by the county superintendent in that fiscal year or in the next succeeding fiscal year. The District received a positive certification for both first and second interim for Fiscal Year 2013-14. However, the District received a negative certification in connection with its first interim report for Fiscal Year 2014-15, and therefore, in order to be able to issue the Notes, the County Superintendent of Schools must determine that the District's repayment of the Note is probable.

Summary of District Revenues and Expenditures

The following table summarizes the District's general fund audited actuals for Fiscal Year 2012-2013, adopted budget and audited actuals for Fiscal Year 2013-2014 and adopted budget and first interim projections for Fiscal Year 2014-2015. The District's audited financial statements for the year ending June 30, 2014, are reproduced in Appendix B. The final (unaudited) statement of receipts and expenditures for each fiscal year ending June 30 is required by State law to be approved by the District's Board of Trustees by September 15, and the audit report must be filed with the Riverside County Superintendent of Schools and State officials by December 15 of each year.

The District is required by State law and regulation to maintain various reserves. The District is generally required to maintain a reserve for economic uncertainties in the amount of 3% of its total general fund expenditures, based on total student attendance. However, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS—Proposition 2." For fiscal year 2014-2015, the District budgeted an unrestricted general fund reserve that is negative by over \$1 million, and therefore is not in compliance with such required 3% reserve. The District is implementing a Fiscal Stabilization Plan in order to ensure that the District can meet cash operations and have a 3% reserve balance by fiscal year 2016-17. Substantially all funds of the District are required by law to be deposited with and invested by the County Treasurer on behalf of the District, pursuant to law and the investment policy of the County. See "APPENDIX D—COUNTY OF RIVERSIDE OFFICE OF THE TREASURER-TAX COLLECTOR STATEMENT OF INVESTMENT POLICY AND DESCRIPTION OF INVESTMENT POOL."

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LAKE ELSINORE UNIFIED SCHOOL DISTRICT
(County of Riverside, California)

**General Fund Audited Actuals for Fiscal Year 2012-2013, Adopted Budget and Audited Actuals for Fiscal Year 2013-2014
and Adopted Budget and First Interim Projections for Fiscal Year 2014-2015***

	2012-2013 Audited Actuals	2013-2014 Original Adopted Budget	2013-2014 Audited Actuals	2014-2015 Original Adopted Budget	2014-2015 First Interim Projections
Revenues:					
Revenue Limit/LCFF Sources ¹	\$112,411,149	\$135,204,576	\$135,467,367	\$151,075,040	\$153,713,973
Federal Revenue	11,545,711	12,080,415	11,478,960	10,212,628	10,961,561
Other State Revenue	26,101,358	11,736,511	15,072,752	7,438,272	8,634,640
Other Local Revenue	<u>12,551,273</u>	<u>12,440,641</u>	<u>14,035,677</u>	<u>13,186,666</u>	<u>15,575,969</u>
Total Revenues	<u>\$162,609,491</u>	<u>\$171,462,144</u>	<u>\$176,054,756</u>	<u>\$181,912,606</u>	<u>\$188,886,143</u>
Expenditures:					
Certificated Salaries		85,809,922		94,916,845	95,370,312
Classified Salaries		24,357,118		26,158,975	26,609,921
Employee Benefits		34,814,367		36,452,951	37,485,369
Books and Supplies		9,063,932		8,257,671	9,277,154
Services and Other Operating Expenditures		15,572,532		16,939,586	18,561,509
Capital Outlay		207,834		72,427	328,030
Other Outgo (excluding Transfers of Indirect Costs)		903,392		910,826	908,916
Other Outgo – Transfers of Indirect Costs		<u>(410,000)</u>		<u>(410,000)</u>	<u>(410,000)</u>
Total Expenditures	<u>\$171,352,506</u>	<u>\$170,319,097</u>	<u>\$178,138,195</u>	<u>\$183,299,281</u>	<u>\$188,131,211</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,743,015)	1,143,046	(2,083,439)	(1,386,675)	754,932
Other Financing Sources/(Uses)					
Interfund Transfers In	573,667	5,076,804	—	737,892	—
Interfund Transfers Out	(962,852)	(10,434)	(463,456)	(1,038,065)	2,350,000
Other Sources (Uses)	1,017,528	—	234,641	—	—
Contributions	—	—	—	—	—
Total Other Financing Sources/Uses	628,343	5,066,370	(228,815)	(300,173)	2,350,000
Net Increase (Decrease) In Fund Balance	<u>(8,114,672)</u>	<u>6,209,416</u>	<u>(2,312,254)</u>	<u>(1,688,848)</u>	<u>(1,595,068)</u>
Beginning Fund Balance, July 1	11,764,594	3,175,449	3,649,922	8,418,726	1,616,122
Other Restatements	—	—	—	—	—
Audit Adjustments	—	474,473	—	—	(5,076,804)
Adjusted Beginning Balance	—	<u>3,649,922</u>	—	<u>8,418,726</u>	<u>1,616,122</u>
Ending Balance, June 30	<u>\$ 3,649,922</u>	<u>\$ 9,859,338</u>	<u>\$ 1,337,668</u>	<u>\$ 6,731,878</u>	<u>\$ 21,054</u>

¹Local Control Funding Formula replaced revenue limit sources in Fiscal Year 2013-14. See “—Local Control Funding Formula” herein for more information about the LCFF.

*Totals may not add due to rounding.

Source: Lake Elsinore Unified School District

District Cash Flows

The District’s general fund expenditures tend to be heaviest in the middle and end of the school year and lightest during the summer months. Receipts follow an uneven pattern, primarily because secured tax installment payment dates are in December and April and, in recent years, because of State deferrals. The District exercises virtually no control over the amount or timing of its own revenues. The level of receipts depends on assessed value of taxable property and State income. (See “—State Funding of Education; State Budget Process” above.) The timing of receipt of State funds is dictated by statute, which funds may become subject to deferral. The timing of receipt of local property tax revenues

depends on County policy. The timing and level of expenditures are largely predictable, depending primarily on scheduled employee payrolls and benefits payments as negotiated with employee labor organizations for the current year. The following tables show actual general fund cash receipts and disbursements for fiscal year 2013-2014 and projected cash receipts and disbursements for fiscal year 2014-2015. The projected monthly receipts and disbursements take the receipt of Note proceeds and repayment of the Notes into consideration.

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LAKE ELSINORE UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
Fiscal Year 2013-2014
Actual General Fund Cash Flows (in dollars)

LAKE ELSINORE UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
Fiscal Year 2014-2015
Projected General Fund Cash Flows (in dollars)

The projected cash flow schedule for the District for Fiscal Year 2014-15 currently projects that there will not be enough cash available in the District's general fund to make the required set aside payments when due. Unless the District can achieve additional revenues or savings for its general fund and through other means, the District intends to borrow from its other unrestricted and restricted funds to make such payment as described below under "—Alternate Liquidity" below. See "RISK FACTORS" in the body of the Official Statement.

Alternate Liquidity

The District maintains additional restricted and unrestricted funds in certain of its accounts and such restricted funds are restricted to certain uses. However, if the Pledged Revenues are insufficient to permit the District to make the required deposits to its Repayment Account as set forth herein under "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS—Note Repayment Period", then the District could elect to satisfy such deficiency by borrowing from such unrestricted and restricted funds. Set forth below is a projection of the amounts that the District expects to have available to it in each of such funds.

Fund	06/30/2015	07/30/2015	09/30/2015
05—Charter School Special Revenue ¹			
11—Adult Education ¹			
12—Child Development ¹			
13—Cafeteria Special Revenue ¹			
25—Capital Facilities ¹			
35—County School Facilities ¹			
40—Special Reserve For Capital Outlay ²			
67— Self-Insurance ¹			
Total			

¹ Restricted fund.
² Unrestricted fund.
Source: The District

District Expenditures

General. The largest part of each school district's general fund budget is used to pay salaries and benefits of certificated (credentialed teaching) and classified (non-instructional) employees. Changes in salary and benefit expenditures from year to year are generally based on changes in staffing levels, negotiated salary increases, and the overall cost of employee benefits.

In its fiscal year 2014-2015, the District projects that it will expend \$159 million in salaries and benefits, or approximately 84.76% of its general fund expenditures. This amount represents an increase of approximately []% from the \$[] million the District expended in fiscal year 2013-2014. As of [] 2014, the District employed approximately [] certificated employees, and [] classified employees, including management and some part-time employees.

Labor Relations. The certificated professionals and classified employees, except management and some part-time employees, are represented by two employee bargaining units as follows:

LAKE ELSINORE UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
Labor Organizations

Labor Organization	Represented Employees	Contract Expiration
Lake Elsinore Teachers Association ("LETA")	[1,096]	June 30, 2015 ¹
California School Employees Association ("CSEA")	[1,219]	June 30, 2017 ¹

¹Over the last several years of fiscal constraints relating to reduced State funding of schools, the District and the District's collective bargaining units negotiated reductions in the District's fixed obligations in the areas of employee salaries, wages and benefits to mitigate layoffs.

Source: Lake Elsinore Unified School District

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

STRS. All full-time certificated employees 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. Prior to fiscal year 2014-15, neither the employee, employer or State contribution rate to STRS varied annually to make up funding shortfalls or assess credits for actuarial surpluses. In recent years, the combined employer, employee and State contribution to STRS have not been sufficient to pay actuarially required amounts. As a result, and due to significant losses, the unfunded actuarial liability of STRS has increased significantly in recent fiscal years. In September 2013, STRS projected that the STRS plan would be depleted in 31 years assuming existing contribution rates continued, and other significant actuarial assumptions were realized. In an effort to reduce unfunded actuarial liability of the STRS plan, the State recently adopted legislation to increase contribution rates. Prior to July 1, 2014, the District was required by State statutes to contribute 8.25% of eligible salary expenditures, while participants contributed 8% of their respective salaries. On June 24, 2014, the Governor signed A.B. 1469 ("A.B. 1469") into law as part of the 2014-15 State Budget (described herein). A.B. 1469 seeks to fully fund the unfunded actuarial obligation with respect to service credited to members of the STRS plan before July 1, 2014 (the "2014 Liability"), within 32 years, by increasing employee, employer and State contributions to STRS. Commencing on July 1, 2014, the employee contribution rates will increase over a three year phase in period in accordance with the following schedule:

EMPLOYEE CONTRIBUTION RATES
STRS (Defined Benefit Program)

Effective Date	STRS Member Hired Prior to January 1, 2013	STRS Member Hired After to January 1, 2013
July 1, 2014	8.150%	8.150%
July 1, 2015	9.200	8.560
July 1, 2016	10.250	9.205

Source: A.B. 1469