PRELIMINARY OFFICIAL STATEMENT DATED __________, 2015

NEW ISSUE — BOOK-ENTRY ONLY

RATINGS: S&P: "A" (Underlying)
(See "RATINGS" herein.)

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the District described herein, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Bond Counsel is further of the opinion that interest on the Bonds is exempt from personal income taxes of the State of California (the "State") under present State law. See "TAX MATTERS" herein regarding certain other tax considerations.

$____________*

VAL VERDE UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
GENERAL OBLIGATION BONDS
2012 ELECTION, SERIES 2015B

$____________* SERIES 2015B
(CURRENT INTEREST BONDS)

$____________* SERIES 2015B
(CAPITAL APPRECIATION) BONDS)

Dated: Date of Delivery

Due: August 1, as shown on the inside cover.

The County of Riverside (the "County") will issue the captioned Bonds (the "Bonds") in the name and on behalf of the Val Verde Unified School District (the "District"), pursuant to an authorization approved by the voters of the District at an election conducted on June 5, 2012 (the "Authorization"), as more fully described herein under the caption "INTRODUCTION." The Bonds are being issued in order to (i) defease the District's 2013 General Obligation Bond Anticipation Notes, currently outstanding in the aggregate principal amount of $28,770,000, (ii) finance the acquisition, construction and improvement of certain public school facilities for the District, (iii) fund a deposit to the debt service fund for the Bonds, and (iv) pay certain costs of issuance of the Bonds, as more fully described herein under the caption "THE FINANCING PLAN." The Bonds are the second series of bonds to be issued under the Authorization, and are issued on a parity with all other general obligation bonds of the District (See "THE BONDS – Debt Service Schedule.") The District previously issued its $40,540,000 General Obligation Bonds 2012 Election, 2013 Series A on March 20, 2013, of which $38,975,000 currently remains outstanding.

The Bonds shall be issued in denominations of $5,000 principal, or Maturity Amount, or any integral multiple thereof. The Bonds are being issued as current interest bonds (the "Current Interest Bonds") and capital appreciation bonds (the "Capital Appreciation Bonds") as further described herein. Interest on the Current Interest Bonds is payable on August 1, 2015, and thereafter on each February 1 and August 1 to maturity. Principal of the Current Interest Bonds is payable on August 1 in each of the years and in the amounts set forth on the inside front cover hereof.

The Capital Appreciation Bonds will not pay interest on a current, periodic basis but will accrete in value to their Maturity Amount payable only at maturity on August 1 in each of the years and in the amounts set forth on the inside front cover hereof. The Capital Appreciation Bonds will be compounded on each February 1 and August 1 to maturity, commencing August 1, 2015.

The Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers of beneficial ownership interests in the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds. Payment to registered owners of $1,000,000 or more in principal of Current Interest Bonds or Accreted Value of Capital Appreciation Bonds, at the registered owner's written request, will be made by wire transfer to an account in the United States of America. Payments of principal (or, in the case of Capital Appreciation Bonds, the Maturity Amount or Accreted Value) of and interest on the Bonds will be paid by Zions First National Bank, as Paying Agent, Registrar and Transfer Agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Bonds. (See "THE BONDS – Book-Entry Only System.")

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

The Bonds are general obligations of the District. The Board of Supervisors of the County of Riverside has the power and is obligated to levy a tax for each fiscal year upon the taxable property of the District in an amount at least sufficient, together with other moneys available for such purpose, to pay the principal of (or, in the case of the Capital Appreciation Bonds, the Maturity Amount) and interest and premium, if any, on each Bond as the same become due and payable. See the caption "SECURITY FOR THE BONDS."

---

*Preliminary, subject to change.

The District has applied for a policy of municipal bond insurance to insure the payment of the principal of (or, in the case of the Capital Appreciate Bonds, the Maturity Amount) and interest on the Bonds when due, but no commitment to issue such a policy has been issued as of the date of the Preliminary Official Statement. Furthermore, there can be no assurance that, if the District did receive such a commitment for insurance, it would be cost effective or accepted by the District.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION. CAPITALIZED TERMS USED ON THIS COVER PAGE NOT OTHERWISE DEFINED SHALL HAVE THE MEANINGS SET FORTH HEREIN.

MATURITY SCHEDULE (See Inside Front Cover)

The Bonds will be offered when, as and if issued and received by the Underwriter, subject to approval as to their legality by Nixon Peabody LLP, as Bond Counsel to the District. Certain legal matters will be passed upon for the District by Nossaman LLP, Irvine, California, as Disclosure Counsel to the District and for the County by the Office of County Counsel of the County of Riverside. Certain legal matters will be passed upon for the Underwriter by Stradling Yocca Carlson & Rauth a Professional Corporation, San Francisco, California. It is anticipated that the Bonds will be available for delivery in New York, New York, through the facilities of DTC on or about February ___, 2015.

PiperJaffray.

Dated: February ___, 2015

MATURITY SCHEDULE*

$________ Serial Current Interest Bonds

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	CUSIP[(†)] No. (918820)

$______ ____% Term Current Interest Bonds maturing August 1, 20___, Yield: _______% CUSIP[(†)] No.: _______

$_______ ____% Term Current Interest Bonds maturing August 1, 20___, Yield: ______% CUSIP[(†)] No.: _______

$________ ______% Term Current Interest Bonds maturing August 1, 20__, Yield: ____% CUSIP[(†)] No.: _______

$_______ Serial Capital Appreciation Bonds

Maturity (August 1)	Initial Denominational Amount	Accretion Rate	Yield to Maturity	Maturity Amount	CUSIP[(†)] No. (918820)

---

* Preliminary, subject to change.

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

The financial and other information relating to the District presented or incorporated by reference in this Official Statement has been provided by the District, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other revenues, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the District. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

The Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions contained thereunder by Section 3(a)2 and 3(a)12, respectively, and have not been registered or qualified under the securities laws of any state.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly described herein, are intended solely as such and are not to be construed as a representation of facts.

The information set forth herein has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. 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 contains statements which, to the extent they are not recitations of historical fact, constitute "forward looking statements." In this respect, the words "estimate," "project," "anticipate," "expect," "intend," "believe," and similar expressions are intended to identify forward looking statements. A number of important factors affecting the District's business and financial results could cause actual results to differ materially from those stated in the forward looking statements. Except as provided in the Continuing Disclosure Agreement, the District does not plan to issue any updates or revisions to those forward looking statements if or when its expectations or the events, conditions or circumstances on which such statements are based occur or do not occur.

Although certain information set forth in this Official Statement has been provided by the County of Riverside, the County of Riverside has not approved this Official Statement and is not responsible for the accuracy or completeness of the statements contained in this Official Statement except for the information set forth in APPENDIX F – "THE RIVERSIDE COUNTY POOLED INVESTMENT FUND."

The District maintains an internet website. The information presented on such website is ***not*** incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds. Various other websites referred to in this Official Statement also are ***not*** incorporated herein by such references.

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, their 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.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER OR SELL THE BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF. THE PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

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

District Board of Education

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

District Administrators

Juan M. Lopez, Superintendent
R. Darrin Watters, Assistant Superintendent, Business Services

SPECIAL SERVICES

Bond Counsel
Nixon Peabody LLP

Disclosure Counsel
Nossaman LLP
Irvine, California

Underwriter
Piper Jaffray & Co.
San Francisco, California

Financial Advisor
Fieldman, Rolapp & Associates
Irvine, California

Paying Agent and Escrow Agent
Zions First National Bank
Los Angeles, California

Verification Agent
Causey Demgen & Moore P.C.
Denver, Colorado

TABLE OF CONTENTS

Page

TABLE OF CONTENTS
(continued)

$____________*

VAL VERDE UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
GENERAL OBLIGATION BONDS
2012 ELECTION, SERIES 2015B

$____________* SERIES 2015B **(CURRENT INTEREST BONDS)**

$____________* SERIES 2015B **(CAPITAL APPRECIATION BONDS)**

INTRODUCTION

The County of Riverside (the "County") proposes to issue $_________* aggregate principal and denominational amount of General Obligation Bonds, 2012 Election, Series 2015B (the "Bonds") in the name and on behalf of the Val Verde Unified School District (the "District"), under and pursuant to an authorization (the "Authorization") for the issuance and sale of $178,000,000 aggregate principal amount of general obligation bonds approved by more than 55% of the voters of the District voting at an election held on June 5, 2012 (the "Authorization"). The Bonds consist of current interest bonds (the "Current Interest Bonds"), and capital appreciation bonds (the "Capital Appreciation Bonds"), all as indicated on the inside front cover hereof. The Bonds are the second series of bonds issued under the Authorization. Following the issuance of the Bonds, $_______* of general obligation bonds under the Authorization will remain to be issued. The District previously issued its $40,540,000 General Obligation Bonds 2012 Election, 2013 Series A on March 20, 2013, of which $38,975,000 currently remains outstanding (the "2013 Bonds"). All general obligation bonds of the District are issued on a parity with one another. (See "THE BONDS – Debt Service Schedule.")

The Bonds are being issued in order to (i) defease the District's 2013 General Obligation Bond Anticipation Notes, currently outstanding in the aggregate principal amount of $28,770,000 (the "2013 Notes), (ii) finance the acquisition, construction and improvement of certain public school facilities for the District, (iii) fund a deposit to a debt service fund for the Bonds, and (iv) pay certain costs of issuance of the Bonds, including the premium for the Insurance Policy, (as defined below), all as more fully described herein under the caption "THE FINANCING PLAN."

The District serves an area of approximately 67 square miles located in Riverside County, including portions of the Cities of Moreno Valley and Perris and adjacent areas of unincorporated Riverside County and has a fiscal year 2014-15 enrollment of approximately 19,878 students. The District currently operates twelve elementary schools, four middle schools, two high schools, one continuation high school, one virtual academy, one opportunity school and one preschool. Additional information on the District is included under the caption "DISTRICT FINANCIAL INFORMATION" herein and in "APPENDIX B – VAL VERDE UNIFIED SCHOOL DISTRICT AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2014."

THE BONDS

Authority for Issuance and Security for the Bonds

The Bonds are general obligations of the District. The Bonds are being issued under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Government Code"), applicable provisions of the Education Code of the State of California (the "Education Code"), pursuant to a resolution of the Board of Education of the District (the "District Board") adopted on February 3, 2015 (the "District Resolution"), and pursuant to a resolution of

---

*Preliminary, subject to change.

the Board of Supervisors of the County (the "County Board") adopted February 17, 2015, at the request of the District, (the "County Resolution", and together with the District Resolution, the "Resolutions"). The Resolutions authorized the issuance and sale of the Bonds in an aggregate principal amount not to exceed $42,000,000.00.

The Bonds are general obligation bonds of the District payable solely from *ad valorem* property taxes levied and collected by the County on taxable property located within the boundaries of the District. The County Board has the power and is obligated to annually levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates). Although the County is obligated to levy an *ad valorem* tax for the payment of the Bonds and to make timely payment of the principal (or, in the case of Capital Appreciation Bonds, the Maturity Amount) of and interest on the Bonds when due and will maintain the Debt Service Fund pledged to the repayment of the Bonds, the Bonds are not a debt of the County. See "DISTRICT FINANCIAL INFORMATION" herein.

Purpose of Issue

The net proceeds of the Bonds will be used to defease all outstanding 2013 Notes and to finance capital improvements specified in the Project List approved with the District bond proposition submitted at the Authorization, which include constructing a new high school, rehabilitating inadequate heating, ventilation, sewer, drainage and safety/security systems; upgrading school technology; replacing portables with permanent classrooms; and renovating, acquiring, constructing and equipping classrooms and schools. See "THE FINANCING PLAN" below.

Description of the Bonds

The Bonds shall be issued in denominations of $5,000 principal amount, or Maturity Amount, as applicable, or any integral multiple thereof. The Bonds are being issued as Current Interest Bonds and Capital Appreciation Bonds, as further described herein. Interest on the Current Interest Bonds is payable on August 1, 2015, and thereafter on each February 1 and August 1 to maturity. Principal of the Current Interest Bonds is payable on August 1 in each of the years and in the amounts set forth on the inside front cover hereof.

The Capital Appreciation Bonds will not pay interest on a current, periodic basis but will accrete in value to their maturity value payable only at maturity on August 1 in each of the years and in the amounts set forth on the inside front cover hereof. The Capital Appreciation Bonds will be compounded on each February 1 and August 1 to maturity, commencing August 1, 2015.

The principal or Maturity Amount, as applicable, of the Bonds is payable at maturity upon surrender of the Bonds for payment.

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Owners or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds.

So long as Cede & Co. is the registered owner of the Bonds, principal of and interest or premium, if any, on the Bonds are payable by wire transfer of New York Clearing House or equivalent next-day funds or by wire transfer of same day funds by Zions First National Bank, as paying agent (the "Paying Agent"), to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the

DTC Participants ("DTC Participants") for subsequent disbursement to the Beneficial Owners. Payments of principal, and premium, if any, for any Bonds shall be made only upon the surrender of such Bonds to the Paying Agent. See APPENDIX D – "BOOK ENTRY ONLY SYSTEM" herein.

Payment of the Bonds

Payment of interest on any Bond on any Bond Payment Date shall be made to the person appearing on the registration books of the Paying Agent as the Owner thereof as of the close of business on the 15th day of the month immediately preceding such Bond Payment Date, whether or not such day is a business day (the "Record Date"), such interest to be paid by check mailed by first-class mail to such Owner on the Bond Payment Date at his or her address as it appears on such registration books on the Record Date. The Owner of an aggregate principal amount of Current Interest Bonds or Accreted Value of Capital Appreciation Bonds of $1,000,000 or more may request in writing, prior to the close of business on the Record Date, to the Paying Agent that such Owner be paid interest by wire transfer to the bank in the continental United States of America and account number on file with the Paying Agent as of the Record Date.

Payments of principal of and redemption premiums, if any, on the Current Interest Bonds and the payments of Accreted Value or Maturity Amount and redemption premiums, if any, on the Capital Appreciation Bonds, shall be payable at maturity or redemption upon surrender at the principal office of the Paying Agent or such other location as the Paying Agent shall designate to the County and the District in writing. The interest, principal, Accreted Value, Maturity Amount and premiums, if any, on the Bonds shall be payable in lawful money of the United States of America. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity and to cancel all Bonds upon payment thereof. The Bonds are general obligations of the District secured by *ad valorem* tax revenues levied and collected pursuant to the California Constitution, the Authorization and State law and do not constitute an obligation of the County, except as provided in the Resolution. No part of any fund of the County is pledged or obligated to the payment of the Bonds.

Current Interest Bonds. The Current Interest Bonds will be dated as of their date of delivery, and bear interest at the rates set forth on the inside front cover page of this Official Statement, payable on February 1 and August 1 of each year (each, an "Interest Payment Date"), commencing on August 1, 2015, computed using a year of 360 days comprised of twelve 30-day months. Current Interest Bonds authenticated and registered on any date prior to the close of business on July 15, 2015, shall bear interest from their dated date. Current Interest Bonds authenticated during the period between the 15th day of the calendar month immediately preceding the Record Date and the close of business on that Interest Payment Date shall bear interest from that Interest Payment Date or unless they are authenticated on or before the Record Date prior to the initial Interest Payment Date, in which event they shall bear interest from the date of issuance. Any other Current Interest Bond shall bear interest from the Interest Payment Date immediately preceding the date of its authentication. If, at the time of authentication of any Current Interest Bond, interest is then in default on Outstanding Current Interest Bonds, such Current Interest Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Capital Appreciation Bonds. The Capital Appreciation Bonds will be dated as of their date of delivery. The Capital Appreciation Bonds will not bear interest on a periodic basis; instead, each Capital Appreciation Bond will increase in value by the accumulation of earned interest from its denomination on the date of issuance to its Maturity Amount, as stated on the inside front cover page of this Official Statement. Interest commences to accrete on the date of delivery, and is compounded on each Interest Payment Date, commencing on August 1, 2015, computed using a year of 360 days, comprising twelve 30-day months, and payable only at maturity.

Accreted Values. The rate of interest at which a Capital Appreciation Bond's Maturity Amount is discounted to its initial principal amount is known as the "Accretion Rate," and is stated on the inside front cover page of this Official Statement. For any Capital Appreciation Bond, the value of principal plus accrued interest on any given Interest Payment Date prior to maturity may be calculated by discounting the Maturity Amount of the Capital Appreciation Bond from its maturity date to that Interest Payment Date at a discount rate equal to the Accretion Rate, assuming a year of 360 days comprising twelve 30-day months. The Accreted Value on any other date may be calculated on the basis of a straight-line interpolation between the values calculated for the Interest Payment Dates immediately preceding and following the date in question.

The Underwriter has prepared the Table of Accreted Values shown in Appendix E hereto in order to provide the Accreted Value per $5,000 of Maturity Amount for each Capital Appreciation Bond on each Interest Payment Date prior to maturity. See "TAX MATTERS" herein for Bond Counsel's discussion of the federal tax treatment of accrued interest on the Capital Appreciation Bonds.

Redemption*

The Bonds are subject to redemption as follows:

Optional Redemption of Bonds

The Current Interest Bonds maturing on or before August 1, 20__, are not subject to optional redemption prior to their respective stated maturity dates. The Current Interest Bonds maturing on or after August 1, 20__, may be redeemed before maturity, at the option of the District, from any source of available funds, in whole or in part on any date on or after August 1, 20__, at par, together with interest accrued thereon to the date of redemption, without premium.

The Capital Appreciation Bonds maturing on or after August 1, 2025, are subject to optional redemption prior to their stated maturity date, at the option of the District, from any source of available funds, as a whole or in part, on any date on or after August 1, 20__, at a redemption price equal to the Accreted Value as of the date of redemption of the Capital Appreciation Bonds called for redemption without premium.

Mandatory Redemption of Term Bonds

The term Current Interest Bonds maturing on August 1, 20__, are subject to mandatory sinking fund redemption prior to their stated maturity in part from mandatory sinking fund payments on August 1 of each of the years shown below, at a redemption price equal to 100% of their principal amount, together with accrued interest thereon to the date fixed for redemption, without premium, on the dates and in the aggregate principal amounts listed below:

Redemption Date (August 1)	Mandatory Sinking Fund Payment

(1) Maturity.

* Preliminary, subject to change.

The term Current Interest Bonds maturing on August 1, 20__, are subject to mandatory sinking fund redemption prior to their stated maturity in part from mandatory sinking fund payments on August 1 of each of the years shown below, at a redemption price equal to 100% of their principal amount, together with accrued interest thereon to the date fixed for redemption, without premium, on the dates and in the aggregate principal amounts listed below:

Redemption Date **(August 1)**	**Mandatory Sinking** **Fund Payment**

(1) Maturity.

The term Current Interest Bonds maturing on August 1, 20__, are subject to mandatory sinking fund redemption prior to their stated maturity in part from mandatory sinking fund payments on August 1 of each of the years shown below, at a redemption price equal to 100% of their principal amount, together with accrued interest thereon to the date fixed for redemption, without premium, on the dates and in the aggregate principal amounts listed below:

Redemption Date **(August 1)**	**Mandatory Sinking** **Fund Payment**

(1) Final Maturity.

The principal amount of each mandatory sinking fund payment of any maturity will be reduced proportionately by the amount of Bonds, if any, of that maturity which have been optionally redeemed prior to the mandatory sinking fund payment date.

Selection of Bonds for Redemption

Whenever provision is made for the redemption of Bonds and less than all outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District given at least 60 days prior to the date designated for such redemption, shall select Bonds for redemption in such order as the District may direct, or, in the absence of such direction, in inverse order of maturity. Within a maturity, the Paying Agent shall select Bonds for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; *provided, however*, that the portion of any Bond to be redeemed in part shall be in the Principal Amount or Maturity Amount of $5,000 or any integral multiple thereof.

Notice of Redemption

When redemption is authorized or required pursuant to the County Resolution, the Paying Agent, upon written instruction from the District given at least 60 days prior to the date designated for such redemption, shall give notice (a "Redemption Notice") of the redemption of the Bonds. Such Redemption Notice shall specify: (a) the Bonds or designated portions thereof (in the case of any Bond to be redeemed in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the Principal Amount or Maturity Amount, of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part. Such Redemption Notice shall further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the redemption price, together with the interest accrued to the redemption date, and that from and after such date, interest with respect thereto shall cease to accrue and be payable.

The Paying Agent shall take the following actions with respect to such Redemption Notice: (i) at least 20 but not more than 45 days prior to the redemption date, such Redemption Notice shall be given to the respective Owners of Bonds designated for redemption by first class mail, postage prepaid, at their addresses appearing on the Bond Register; (ii) in the event that the Bonds shall no longer be held in book-entry form, at least two days before the date of the notice required by clause (i) above, such Redemption Notice shall be given by (1) registered or certified mail, postage prepaid, (2) telephonically confirmed facsimile transmission, or (3) overnight delivery service, to each of the Securities Depositories (described in the County Resolution); and (iii) in the event that the Bonds shall no longer be held in book-entry only form, at least two days before the date of notice required by clause (i) above, such Redemption Notice shall be given by (1) first class mail, postage prepaid, or (2) overnight delivery service, to one of the Information Services.

Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given shall affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds shall bear or include the CUSIP number (if any) identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Partial Redemption of Bonds

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

Conditional Redemption

Any Redemption Notice given under the County Resolution may be made conditional upon the satisfaction of certain conditions and may be rescinded by the District at any time prior to the scheduled date of redemption by so notifying the Owners of affected Bonds and the Information Services.

Effect of Notice of Redemption

Notice having been given as required in the County Resolution, and the moneys for redemption (including the interest to the applicable date of redemption) having been set aside in the Debt Service Fund, or a suitable escrow fund, the Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Bonds to be redeemed, together with interest to such redemption date, shall be held by the Paying Agent so as to be available therefor on such redemption date, and if notice of redemption thereof shall have been given, then from and after such redemption date, interest with respect to the Bonds to be redeemed shall cease to accrue and become payable. All money held by or on behalf of the Paying Agent for the redemption of Bonds shall be held in trust for the account of the Owners of the Bonds so to be redeemed.

All Bonds paid at maturity or redeemed prior to maturity shall be cancelled upon surrender thereof and delivered to or upon the order of the District. All or any portion of a Bond purchased by the District shall be cancelled by the Paying Agent upon written notice by the District given to the Paying Agent.

Transfer and Exchange

Any Bond may be exchanged for Bonds of like maturity, Principal Amount or Maturity Amount upon presentation and surrender at the principal office of the Paying Agent, together with a request for exchange signed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred on the Bond Register only upon presentation and surrender of such Bond at the principal office of the Paying Agent together with an assignment executed by the Owner or a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of any authorized denomination or denominations requested by the Owner equal to the Principal Amount or Maturity Amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

[Remainder of this page intentionally left blank.]

Debt Service Schedule

The following table summarizes the annualized debt service requirements of the District for the Bonds and its other outstanding general obligation bond issues, including the 2013 Bonds (the "Outstanding Bonds"):

Year Ending	Outstanding	Current Interest Bonds		Capital Appreciation Bonds		Total
August 1	Bonds[(1)]	Principal	Interest	Principal	Interest	Debt Service
2016	$	$	$	$	$	$
2017						
2018						
2019						
2020						
2021						
2022						
2023						
2024						
2025						
2026						
2027						
2028						
2029						
2030						
2031						
2032						
2033						
2034						
2035						
2036						
2037						
2038						
2039						
2040						
2041						
2042						
2043						
2044						
2045						
TOTAL	$	$	$	$	$	$

(1) Includes the 2013 Bonds and other outstanding bonds of the District issued pursuant to an authorization of the voters in 2008. See "DISTRICT FINANCIAL INFORMATION – General Obligation Bonds."

Defeasance

If any or all Outstanding Bonds shall be paid and discharged in any one or more of the following ways:

(a) by paying or causing to be paid the Principal Amount or Maturity Amount, premium, if any, and interest on such Bonds, and when the same become due and payable;

(b) by depositing with the Paying Agent, in trust, at or before maturity, cash, which, together with amounts then on deposit in an escrow fund, together with interest to accrue thereon without the need for further investment, is fully sufficient to pay all Bonds outstanding at maturity or earlier redemption thereof, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; or

(c) by depositing with an institution to act as escrow agent selected by the District and which meets the requirements for serving as Paying Agent pursuant to the County Resolution, in trust, lawful money or noncallable direct obligations issued by the United States Treasury (including State and Local Government Series Obligations) or obligations which are unconditionally guaranteed by the United States of America and permitted under Section 149(b) of the Internal Revenue Code of 1986, as amended (the "Tax Code"), which, in the opinion of nationally recognized bond counsel, will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds, in such amount as will, together with the interest to accrue thereon without need for further investment, be fully sufficient, in the opinion of a verification agent, to pay and discharge all Bonds outstanding at maturity thereof, including any premium and all interest thereon, notwithstanding that any Bond shall not have surrendered for payment;

then all obligations of the District and the Paying Agent under the County Resolution with respect to all Outstanding Bonds shall cease and terminate, except only the obligation of the Paying Agent to pay or cause to be paid to the Owners of the Bonds all sums due thereon, and the obligation of the District to pay to the Paying Agent amounts owing to the Paying Agent under the County Resolution.

THE FINANCING PLAN

A portion of the net proceeds of the Bonds will be transferred to U.S. Bank National Association, as escrow agent (the "Escrow Agent") for deposit into an escrow fund to be established under an Escrow Deposit and Trust Agreement, dated as of the February 1, 2015 (the "Escrow Agreement"), by and between the District and the Escrow Agent.

The Escrow Agent will invest the net proceeds of the Bonds in the "Escrow Investments" specified under the Escrow Agreement that mature no later than August 1, 2016. The Escrow Agent will invest the net proceeds of the Bonds in certain federal securities as specified in the Escrow Agreement. These funds will be sufficient to pay (i) the interest on the 2013 Notes to and including August 1, 2016, and (ii) the redemption price of the 2013 Notes on August 1, 2016.

Sufficiency of the deposits in the escrow fund for those purposes will be verified by Causey Demgen & Moore P.C., Denver, Colorado (the "Verification Agent"). See "VERIFICATION OF MATHMETICAL ACCURACY" below. Assuming the accuracy of computations by the Verification Agent, as a result of the deposit and application and investment of funds as provided in the Escrow Agreement, the 2013 Notes will be defeased under the provisions of the resolution under which they were issued, as of the date of issuance of the Bonds.

The District also intends to apply a portion of the net proceeds of sale of the Bonds to finance capital improvements specified in the Project List approved with the District bond proposition submitted under the Authorization, which include constructing a new high school, rehabilitating inadequate heating, ventilation, sewer, drainage and safety/security systems; upgrading school technology; replacing portables with permanent classrooms; and renovating, acquiring, constructing and equipping classrooms and schools.

The remaining proceeds of the Bonds will be used to fund the Debt Service Fund, pay the Underwriter's discount and costs of issuance of the Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds

Principal Amount	$
[Net] Original Issue Premium/Discount	
Total Sources	$

Uses of Funds

Deposit to Building Fund	$
Deposit to Debt Service Fund	
Deposit to Escrow Fund	
Costs of Issuance(1)	
Total Uses	$

(1) Includes Underwriter's discount, bond insurance premium, if any, legal and rating fees, fees of the Financial Advisor, Paying Agent, Escrow Agent, and other costs of issuance.

SECURITY FOR THE BONDS

The Bonds are general obligations of the District, and the Board of Supervisors of the County has the power and is obligated to levy and collect *ad valorem* taxes upon all property within the District subject to taxation by the District, without limitation as to rate or amount (except certain personal property which is taxable at limited rates) for payment of the principal of, premium, if any, accreted value and interest on the Bonds. The Bonds do not constitute a debt or obligation of the County. No part of any fund of the County is pledged or obligated to the payment of the Bonds.

Assessed Valuation

As required by State law, the District utilizes the services of the County for the assessment and collection of taxes for District purposes. District taxes are collected at the same time and on the same tax rolls as are County, city and other special district taxes.

California law exempts $7,000 of the full cash value of an owner-occupied dwelling, but this exemption does not result in any loss of revenue to local entities, since an amount equivalent to the taxes which would have been payable on such exempt values is paid by the State.

The law provides, among other things, for accelerated recognition and taxation of increases in real property assessed valuation upon change in ownership of property or completion of new construction. Accordingly, each K-12 school district is to receive, on a timely basis and in proportion to its average daily attendance ("ADA"), allocations of revenue from such accelerated taxation remaining after allocations to each redevelopment agency in the county and, in accordance with various apportionment factors, to the county, the county superintendent of schools, each community college district, each city and each special district within the county.

In fiscal year 2014-15, the District's total secured and unsecured assessed valuation is $6,033,490,174. Shown in the following table is the assessed valuation of property in the District over the past five fiscal years and the current fiscal year.

VAL VERDE UNIFIED SCHOOL DISTRICT
ASSESSED VALUATIONS
FISCAL YEARS 2009-10 THROUGH 2014-15

Year	Local Secured	Utility	Unsecured	Total
2009-10	$ 5,242,153,341	$ 1,330,306	$ 198,672,651	$ 5,442,156,298
2010-11	4,925,388,454	1,330,306	141,249,136	5,067,967,896
2011-12	4,971,937,047	1,330,306	170,443,268	5,143,710,621
2012-13	4,894,739,424	222,020	181,358,021	5,076,319,465
2013-14	5,079,876,787	222,020	201,956,215	5,282,055,022
2014-15	5,827,920,130	222,020	205,348,024	6,033,490,174

Source: California Municipal Statistics, Inc.

The following table describes the percentage and value of the total assessed value of the District situated in the cities of Moreno Valley and Perris and unincorporated portions of the County.

VAL VERDE UNIFIED SCHOOL DISTRICT
2014-15 Assessed Valuation by Jurisdiction[1]

Jurisdiction	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
City of Moreno Valley	$ 2,274,868,127	37.70%	$ 12,199,658,731	18.65%
City of Perris	2,459,351,857	40.76	$4,396,577,460	55.94%
Unincorporated Riverside County	1,299,270,190	21.53	$ 34,589,271,495	3.76%
Total District	$ 6,033,490,174	100.00%		
Total Riverside County	$ 6,033,490,174	100.00%	$ 225,770,065,829	2.67%

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

The following table gives a distribution of taxable property located in the District on the 2014-15 tax roll by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

VAL VERDE UNIFIED SCHOOL DISTRICT
Assessed Valuation and Parcels by Land Use
Fiscal Year 2014-15

Type of Property	2014-15 Assessed Valuation[1]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural	$ 131,401,289	2.25%	391	1.57%
Commercial/Industrial	1,746,758,854	29.97	462	1.85
Vacant Commercial/Industrial	381,668,320	6.55	900	3.60
Other Vacant/Miscellaneous	66,095,756	1.13	1,179	4.72
Subtotal Non-Residential	$ 2,325,924,219	39.91%	2,932	11.74%
Residential:				
Single Family Residence	$ 3,106,287,950	53.30%	16,065	64.34%
Condominium/Townhouse	50,654,705	0.87	540	2.16
Mobile Home/Lots	197,933,235	3.40	3,039	12.17
2-4 Residential Units	29,497,501	0.51	119	0.48
5+ Residential Units/Apartments	39,732,187	0.68	9	0.04
Miscellaneous Residential	1,299,584	0.02	10	0.04
Vacant Residential	76,590,749	1.31	2,254	9.03
Subtotal Residential	$ 3,501,995,911	60.09%	22,036	88.26%
TOTAL	$ 5,827,920,130	100.00%	24,968	100.00%

[1] Local secured assessed valuation, excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

The following table shows the assessed valuation of single family homes and condominiums located in the District for fiscal year 2014-15.

VAL VERDE UNIFIED SCHOOL DISTRICT
2014-15 Per Parcel Assessed Valuation of Single Family Homes and Condominiums

	Number of Parcels	2014-15 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	16,065	$3,106,287,950	$193,357	$184,767

2014-15 Assessed Valuation	No. of SFR Parcels[1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	23	0.143%	0.143%	$ 421,715	0.014%	0.014%
$25,000 - $49,999	67	0.417	0.560	2,525,558	0.081	0.095
$50,000 - $74,999	155	0.965	1.525	10,247,134	0.330	0.425
$75,000 - $99,999	556	3.461	4.986	49,665,637	1.599	2.024
$100,000 - $124,999	1,150	7.158	12.144	130,481,188	4.201	6.224
$125,000 - $149,999	2,129	13.252	25.397	293,785,988	9.458	15.682
$150,000 - $174,999	2,826	17.591	42.988	459,889,985	14.805	30.487
$175,000 - $199,999	2,642	16.446	59.434	494,482,654	15.919	46.406
$200,000 - $224,999	2,010	12.512	71.945	425,325,600	13.692	60.098
$225,000 - $249,999	1,725	10.738	82.683	409,060,949	13.169	73.267
$250,000 - $274,999	1,131	7.040	89.723	295,533,184	9.514	82.781
$275,000 - $299,999	626	3.897	93.620	178,299,796	5.740	88.521
$300,000 - $324,999	465	2.894	96.514	143,445,065	4.618	93.139
$325,000 - $349,999	192	1.195	97.709	64,592,060	2.079	95.218
$350,000 - $374,999	157	0.977	98.687	56,732,616	1.826	97.045
$375,000 - $399,999	72	0.448	99.135	27,776,795	0.894	97.939
$400,000 - $424,999	40	0.249	99.384	16,508,435	0.531	98.470
$425,000 - $449,999	36	0.224	99.608	15,709,127	0.506	98.976
$450,000 - $474,999	33	0.205	99.813	15,249,869	0.491	99.467
$475,000 - $499,999	10	0.062	99.876	4,810,340	0.155	99.622
$500,000 and greater	20	0.124	100.000	11,744,255	0.378	100.000
Total	16,065	100.000%		$ 3,106,287,950	100.000%	

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

Economic and other factors beyond the District's control, such as economic recession, deflation of land values, a relocation out of the District or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood or other natural disaster, could cause a reduction in the assessed value of taxable property in the District and, all other factors being equal, necessitate a corresponding increase in the annual tax rate applied with respect to general obligation bonds issued by the District.

Appeals of Assessed Value; Proposition 8 Reductions. A property owner may appeal a County Assessor's determination of assessed value based on Proposition 8, passed by the voters in November 1978 ("Proposition 8"), or based on a challenge to the base year value.

Proposition 8 requires that for each January 1 lien date, the taxable value of real property must be the lesser of its base year value, annually adjusted by the inflation factor pursuant to Article XIIIA of the State Constitution, or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. Property owners may apply for a Proposition 8 reduction of their property tax assessment with the County board of equalization or assessment appeals board. In most cases, an appeal is based on the property owner's belief that market conditions cause the property to be worth less than its current assessed value. Proposition 8 reductions may also be unilaterally applied by the County Assessor.

Any reduction in the assessed value granted as a result of a Proposition 8 appeal, or unilateral reassessment by the County Assessor, applies to the year for which the application or reassessment is made. These reductions are subject to annual review and the assessed values are adjusted back to the original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it becomes subject to the annual inflationary factor growth rate allowed under Article XIIIA.

Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is made and thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of change of ownership or new construction date.

The District cannot predict the changes in assessed values that might result from pending or future appeals by taxpayers. Any reduction in aggregate assessed valuation of property within the District due to appeals, as with any reduction in assessed valuation due to other causes, will result in an increase of the tax rate levied upon all property subject to taxation within the District for the payment of Principal of, Maturity Amount and interest on the Bonds, when due.

Tax Rates, Levies, Collections and Delinquencies

Taxes are levied for each fiscal year on taxable real and personal property as of the preceding February 1. Real property which changes ownership or is newly constructed is revalued at the time the change occurs or the construction is completed. The current year property tax rate is applied to the reassessed value, and the taxes are then adjusted by a proration factor that reflects the portion of the remaining tax year for which taxes are due. The annual tax rate is based on the amount necessary to pay all obligations payable from *ad valorem* taxes and the assessed value of taxable property in a given year. 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, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the District.

For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing real property the taxes on which are a lien sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year, and become delinquent on December 10 and April 10, respectively. A penalty of ten percent attaches immediately to all delinquent payments. Properties on the secured roll with respect to which taxes are delinquent become tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then may be sold at public auction by the County Treasurer and Tax Collector.

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

The Board of Supervisors of the County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code. This alternative method is used for distribution of the *ad valorem* property tax revenues. Under the Teeter Plan, each entity levying property taxes in the County may draw on the amount of uncollected secured taxes credited to its fund, in the same manner as if the amount credited had been collected. The District participates in the Teeter Plan, and thus receives 100% of secured property taxes levied in exchange for foregoing any interest and penalties collected on delinquent taxes.

The Teeter Plan is to remain in effect unless the Board of Supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors shall receive a petition for its discontinuance joined in by resolutions adopted by two thirds of the participating revenue districts in the County, in which event the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. In the event that the Teeter Plan were terminated, receipt of revenue of *ad valorem* taxes in the District would depend upon the collections of the *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District. The County has never discontinued the Teeter Plan with respect to any levying agency.

So long as the Teeter Plan remains in effect, the District's receipt of revenues with respect to the levy of *ad valorem* property taxes will not be dependent upon actual collections of the *ad valorem* property taxes by the County.

The table below shows the tax rates for Tax Rate Area No. 21-388 of the District for the five fiscal years presented.

VAL VERDE UNIFIED SCHOOL DISTRICT
TYPICAL TOTAL TAX RATE (TRA 21-388/2014-15 ASSESSED VALUATION: $480,477,185)

	2010-11	2011-12	2012-13	2013-14	2014-15
General Tax Rate	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
Val Verde Unified School District	.03347	.03160	.08383	.07235	.07882
Riverside City Community College District	.01499	.01700	.01702	.01768	.01791
Metropolitan Water District	.00370	.00370	.00350	.00350	.00350
Eastern Municipal Water District I.D. U-22	.03000	.03000	.03000	.03000	.01100
Total Tax Rate	1.08216%	1.08230%	1.13435%	1.12353%	1.11123%

Source: California Municipal Statistics, Inc.

The table below summarizes the annual secured tax charges for debt service within the District and the amount delinquent as of June 30 for the previous six fiscal years. Under the terms of the County's Teeter Plan, the District is paid 100% of the secured tax levy each year by the County and the County takes responsibility for collecting delinquencies and keeps penalties and interest.

VAL VERDE UNIFIED SCHOOL DISTRICT
SECURED TAX CHARGES AND DELINQUENCIES
FISCAL YEARS 2008-09 THROUGH 2013-14

Fiscal Year	Secured Tax Charge[1]	Delinquent Taxes Secured as of June 30	% Delinquent June 30
2008-09	$ 1,991,120	$ 196,857	9.89%
2009-10	2,111,154	136,127	6.45
2010-11	1,622,026	59,734	3.68
2011-12	1,524,752	39,559	2.59
2012-13	4,030,798	80,663	2.00
2013-14	3,634,817	62,114	1.71

[1] Debt service levy only.
Source: California Municipal Statistics, Inc.

The following table sets forth the largest local secured taxpayers for fiscal year 2014-15.

VAL VERDE UNIFIED SCHOOL DISTRICT
LARGEST 2014-15 LOCAL SECURED TAXPAYERS

	Property Owner	Primary Land Use	2014-15 Assessed Valuation	% of Total(1)
1	Ross Dress for Less Inc.	Industrial	$ 263,865,112	4.53%
2	DB Rreef Perris CA Inc.	Industrial	132,642,622	2.28
3	Walgreen Co.	Industrial	112,573,107	1.93
4	First Industrial	Industrial	86,032,604	1.48
5	IIT Inland Empire 3700 Indian Ave.	Industrial	83,609,871	1.43
6	Lowes HIW Inc.	Industrial	83,336,516	1.43
7	Knox Logistics	Industrial	78,598,621	1.35
8	HD California DFDC Landlord	Industrial	60,511,717	1.04
9	I215 Logistics	Industrial	56,220,375	0.96
10	FR Cal Indian Avenue	Industrial	50,583,234	0.87
11	Majestic Freeway Business Center	Vacant	50,542,330	0.87
12	FR Cal Moreno Valley	Industrial	50,445,977	0.87
13	CLPF 16850 Heacock Street	Industrial	47,982,117	0.82
14	Knickerbocker Prop Inc.	Apartments	42,500,000	0.73
15	Ozark Automotive Distributors Inc.	Industrial	25,577,328	0.44
16	Moreno Valley Industrial	Industrial	25,516,806	0.44
17	CA Boulder Springs Holdings	Residential Development	25,379,276	0.44
18	Perris Citrus Avenue Storage	Industrial	22,887,038	0.39
19	Indian Street	Industrial	22,880,294	0.39
20	Moreno Knox	Vacant	22,175,389	0.38
			$ 1,343,860,334	23.06%

(1) 2014-15 Local Secured Assessed Valuation: $5,827,920,130.
Source: California Municipal Statistics, Inc.

District Debt

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics Inc. on November 21, 2014, and dated January 1, 2015. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representations in connection therewith. The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The first column in the table identifies each public agency that has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. Column 2 shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in column 3, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

VAL VERDE UNIFIED SCHOOL DISTRICT
SCHEDULE OF DIRECT AND OVERLAPPING BONDED DEBT
AS OF JANUARY 1, 2015

2014-15 Assessed Valuation: $6,033,490,174

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 1/1/15
Metropolitan Water District	0.260%	$ 343,915
Eastern Municipal Water District Improvement District No. U-9	79.592	2,252,454
Eastern Municipal Water District Improvement District No. U-22	35.361	927,873
Riverside City Community College District	7.215	16,385,072
Val Verde Unified School District	**100.**	**99,351,948**[(1)]
Val Verde Unified School District Community Facilities District	100.	40,999,000
Eastern Municipal Water District Community Facilities District No. 2003-25, Improvement Area C and D	85.071 & 100.	5,408,256
City of Perris Community Facilities Districts	51.025-100.	88,129,757
County Community Facilities Districts	92.725-100.	6,372,310
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$260,170,585
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Riverside County General Fund Obligations	2.672%	$ 17,558,963
Riverside County Pension Obligations	2.672	8,938,241
Riverside County Board of Education Certificates of Participation	2.672	49,031
Val Verde Unified School District Certificates of Participation	**100.**	**77,865,000**[(2)]
City of Moreno Valley Certificates of Participation	18.647	11,893,709
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$116,304,944
Less: Riverside County supported obligations		225,470
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$116,079,474
OVERLAPPING TAX INCREMENT DEBT:		
Perris Redevelopment Agency	46.470-53.397%	$ 27,659,321
Riverside County Redevelopment Agency	5.463-33.755	56,450,497
Moreno Valley Redevelopment Agency	0.884	422,154
TOTAL OVERLAPPING TAX INCREMENT DEBT		$ 84,531,972
GROSS COMBINED TOTAL DEBT		$461,007,501[(3)]
NET COMBINED TOTAL DEBT		$460,782,031

Ratios to 2014-15 Assessed Valuation:

Direct Debt ($99,351,948)	**1.65%**
Total Overlapping Tax and Assessment Debt	4.31%
Combined Direct Debt ($177,216,948)	**2.94%**
Gross Combined Total Debt	7.64%
Net Combined Total Debt	7.64%

Ratios to Redevelopment Incremental Valuation ($1,404,098,255):

Overlapping Tax Increment Date	6.02%

Source: California Municipal Statistics, Inc.

(1) Excludes the Bonds described herein.

(2) Excludes Refunding Certificates of Participation, 2015 Series A, but includes certificates of participation being prepaid by such Refunding Certificates of Participation, 2015 Series A. See "DISTRICT FINANCIAL INFORMATION – Certificates of Participation."

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

DISTRICT FINANCIAL INFORMATION

This section provides information concerning the operations and finances of the District. The Bonds are general obligation bonds of the District, secured and payable from ad valorem property taxes assessed on taxable properties within the District. The Bonds are not an obligation of the County or of the general fund of the District. Prospective purchasers of the Bonds should be aware that the following discussion of the District's financial condition, its fund balances, budgets and obligations, is intended as general information only, and no implication is made that the payment of principal or interest on the Bonds is dependent in any way upon the District's financial condition. The District neither receives nor accounts for ad valorem tax revenues collected by the County to pay debt service on the Bonds (or its other general obligation bonds). Pursuant to Section 15251 of the Education Code, all tax revenues collected for payment of debt service on the Bonds must be deposited into the interest and sinking fund of the District. The Bonds are and will continue to be payable solely from ad valorem taxes collected by the County within the boundaries of the District. See "SECURITY FOR THE BONDS" herein.

District Reports and Certification

State law requires each school district to certify at two points during the fiscal year whether or not it is able to meet its financial obligations for the remainder of such fiscal year, the first for the period ending October 31 and the second for a period ending January 31. Such certifications and a report shall be filed with the County Superintendent of Schools within forty-five days after the close of the period being reported and, to the extent required, to the State Controller and the Superintendent of Public Instruction.

California Assembly Bill 1200 ("A.B. 1200"), effective January 1, 1992, tightened the budget development process and interim financial reporting for school districts, enhancing the authority of the county schools superintendents' offices and establishing guidelines for emergency State aid apportionments. Many provisions affect District operations directly, while others create a foundation from which outside authorities (primarily state and county school officials) may impose actions on the District. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The first interim report is due December 15 for the period ending October 31. The second interim report is due March 17 for the period ending January 31. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the fiscal year or subsequent 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. Each certification is based on then-current projections.

As of the first interim report, the District's Fiscal Year 2014-15 Budget has received a positive certification within the meaning of Section 42131 of the Education Code of the State from the Riverside County Office of Education following its review thereof.

Copies of the District's reports and certifications, as well as audited financial statements, may be obtained upon request from the District's Business Office at 975 West Morgan Street, Perris, California 92571. A fee may be imposed for copying, mailing and handling.

District Organization

The Val Verde Unified School District was formed by unification on July 1, 1991, to provide educational services to residents in and to the north side of the City of Perris, plus the southeast side of the City of Moreno Valley, and an unincorporated area of the County. The Cities of Moreno Valley and Perris are located approximately 5 and 8 miles, respectively, southeast of the City of Riverside, California, generally along U.S. Interstate 215. The District services an area of approximately 67 square miles within the County.

Facilities, Staff and Enrollment

The District currently operates twelve elementary schools, four middle schools, two high schools, one continuation high school, one virtual academy, one opportunity school and one preschool. It is administered by a Board of Education whose members and officers are shown below:

District Board of Education

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

As of December 11, 2014, the District employed 943 full-time certificated employees and 417 full-time classified employees. The District also employs a number of part-time and temporary employees.

The following table provides a summary of population and school enrollment growth in the City of Perris, the City of Moreno Valley, the County of Riverside, and the District from Fiscal Year 2008-09 through Fiscal Year 2014-15.

Val Verde Unified School District
Population and School Enrollment Figures
2008-09 through 2014-15

Fiscal Year	Population City of Perris(1)(2)	Population City of Moreno Valley(1)(2)	Population County of Riverside(1)(2)	Enrollment in District(3)
2008-09	54,323	186,301	2,107,653	19,183
2009-10	67,607	192,599	2,179,692	19,636
2010-11	69,506	194,451	2,205,731	19,687
2011-12	70,391	197,086	2,234,193	19,613
2012-13	70,983	198,183	2,255,653	19,832
2013-14	72,103	199,258	2,279,967	19,737
2014-15	–	–	–	19,878

Sources: (1) California State Department of Finance.
(2) As of January 1. Population figures for Fiscal Year 2014-15 not yet available.
(3) District's Statistical Records – October Enrollment for Fiscal Year.

Significant Accounting Policies and Audited Financial Statements

The California State Department of Education imposes by law uniform financial reporting and budgeting requirements for K-12 school districts. Financial transactions are accounted for in accordance with the California School Accounting Manual. Vavrinek, Trine, Day & Co., L.L.P., Rancho Cucamonga, California, serve as independent auditors to the District and their report for Fiscal Year Ended June 30, 2014, is attached hereto as APPENDIX B.

[Remainder of this page intentionally left blank.]

The following tables contain accounting data abstracted from financial statements prepared by the Auditor.

Val Verde Unified School District
Historical Statement of Revenues, Expenditures and Changes in General Fund Balances
Fiscal Years Ending June 30, 2012 through June 30, 2014

	Fiscal Year 2011-12[1]	Fiscal Year 2012-13	Fiscal Year 2013-14
REVENUES			
Revenue Limit Sources/LCFF Sources	$ 103,817,284	$ 105,200,350	$ 125,188,130
Federal Sources	11,801,070	9,153,415	10,149,443
Other State Sources	20,792,494	22,518,293	16,277,893
Other Local Sources	22,827,909	24,451,832	22,936,055
Total Revenues	$ 159,238,757	$ 161,323,890	$ 174,551,521
EXPENDITURES			
Current			
Instruction	$ 103,266,451	$ 101,565,308	$ 110,996,736
Instruction-related Activities:			
Supervision of instruction	5,158,817	5,807,398	6,470,286
Instructional library, media and technology	1,288,298	1,391,048	1,466,713
School site administration	9,317,474	10,705,169	11,690,946
Pupil Services:			
Home-to-school transportation	1,927,556	2,122,318	2,308,782
Food services	160,891	19,603	81,790
All other pupil services	9,639,544	10,419,005	11,730,098
General administration:			
Data processing	2,261,211	2,021,903	2,117,253
All other general administration	7,736,982	6,291,418	7,253,881
Plant services	15,252,363	16,138,568	17,981,332
Facility acquisition and construction	3,374,826	1,655,346	2,938,886
Ancillary Services	859,805	913,145	974,640
Other outgo	(7,775)	6,398	508,760
Debt Service			
Principal	112,010	27,382	—
Interest and Other	51,670	357,348	481,082
Total Expenditures	$ 160,400,123	$ 159,441,357	$ 177,001,185
Excess (Deficiency) of Revenues Over Expenditures	(1,161,366)	1,882,533	(2,449,664)
Other Financing Sources (Uses)			
Transfer in		1,143,055	42,980
Other sources	149,476	—	—
Transfers out	(5,562,184)	(4,317,042)	(6,363,602)
Other uses			
Net Financing Sources (Uses)	(5,412,708)	(3,173,987)	(6,320,622)
NET CHANGE IN FUND BALANCE	(6,574,074)	1,291,454	(8,770,286)
Fund Balance – Beginning	41,869,529	35,295,455	34,004,001
Fund Balance – Ending	$ 35,295,455	$ 34,004,001	$ 25,233,715

(1) In fiscal year 2011-12, the District discontinued the attribution of the Riverside Special Education Local Plan Area ("SELPA") activity to the General Fund of the District.

Source: Audited Financial Statements of the District.

District Budget

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 file with the county superintendent of schools a tentative budget by July 1 in each fiscal year and an adopted budget by September 8 of each fiscal year. After approval of the adopted budget, the school district's administration may submit budget revisions for governing board approval.

School districts in California must also conduct a review of their budgets according to certain standards and criteria established by the State Department of Education. A written explanation must be provided for any element in the budget that does not meet the established standards and criteria. The district superintendent or designee must certify that such a review has been conducted and the certification, together with the budget review checklist and a written narrative, must accompany the budget when it is submitted to the governing board for approval. The balanced budget requirement makes appropriations reductions necessary to offset any revenue shortfalls.

Furthermore, the offices of county superintendents of schools are required to review district budgets, complete the budget review checklist and conduct an analysis of any budget item that does not meet the established standards. A copy of the completed checklist, together with any comments or recommendations, must be provided to the district and its governing board by November 1. By November 30, every district must have an adopted and approved budget, or the county superintendent of schools will impose one.

In connection with legislation adopted in connection with the State's fiscal year 2014-15 Budget ("SB 858"), the Education Code was amended to provide that, beginning in fiscal year 2015-16, if a district's proposed budget includes a local reserve above the minimum recommended level, the governing board must provide the information for review at the annual public hearing on its proposed budget. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 2."

[Remainder of this page intentionally left blank.]

The following table summarizes the District's adopted general fund budgets for fiscal years 2012-13 through 2014-15, unaudited actuals for fiscal years 2012-13 and 2013-14, and first interim report for fiscal year 2014-15. The District adopted its budget for the 2014-15 Fiscal Year on June 3, 2014.

VAL VERDE UNIFIED SCHOOL DISTRICT
General Fund Budgets for Fiscal Years 2012-13 through 2014-15, Unaudited Actuals for Fiscal Years 2012-13 and 2013-14

	2012-13 Original Adopted Budget	2012-13 Unaudited Actuals(1)	2013-14 Original Adopted Budget	2013-14 Unaudited Actuals(1)	2014-15 Original Adopted Budget	2014-15 First Interim Report
REVENUES						
Revenue Limit/LCFF Sources	$105,100,814.00	$105,200,350.52	$110,526,483.00	$125,188,131.31	$145,175,047.00	$146,852,841.00
Federal Revenue	8,945,371.00	9,153,415.03	10,819,189.00	10,149,442.34	11,124,955.00	11,910,473.00
Other State Revenue	18,009,768.00	19,064,122.75	18,873,251.00	12,620,562.84	9,797,001.00	9,048,863.00
Other Local Revenue	22,939,200.00	25,569,423.73	20,297,819.00	22,911,396.24	21,048,224.00	24,430,587.00
TOTAL REVENUES	154,995,153.00	158,987,312.03	160,516,742.00	170,869,532.73	187,145,227.00	192,242,764.00
EXPENDITURES						
Certificated Salaries	72,421,620.00	71,811,596.32	74,298,498.00	79,726,680.07	81,423,843.00	81,916,147.32
Classified Salaries	23,300,769.00	23,939,006.45	24,684,048.00	26,307,158.42	27,024,468.00	27,268,811.00
Employee Benefits	25,641,353.00	26,990,680.09	26,641,346.00	27,367,919.22	31,732,630.00	31,146,473.77
Books and Supplies	5,456,339.00	4,708,924.77	7,091,129.00	8,095,502.29	12,427,039.00	15,818,849.37
Services, Other Operating Expenses	31,234,336.00	27,379,851.03	27,191,401.00	28,676,454.67	31,322,507.00	32,364,881.02
Capital Outlay	90,992.00	1,626,801.67	539,283.00	3,340,167.85	2,432,113.00	1,689,881.12
Other Outgo (excluding Direct Support/Indirect Costs)	4,258,977.00	3,473,718.81	6,112,935.00	5,471,239.14	3,891,358.00	4,428,700.67
Other Outgo - Transfers of Indirect Costs	(503,148.00)	(509,921.78)	(699,914.00)	(684,724.24)	(694,312.00)	(694,312.00)
TOTAL EXPENDITURES	161,901,238.00	159,420,657.36	165,858,726.00	178,300,397.42	189,559,646.00	193,939,432.27
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(6,906,085.00)	(433,345.33)	(5,341,984.00)	(7,430,864.69)	(2,414,419.00)	(1,696,668.27)
OTHER FINANCING SOURCES (USES)						
Inter-fund Transfers In	-	-	-	42,980.13	-	-
Inter-fund Transfers Out	(444,092.00)	(883,570.30)	(942,712.00)	(1,407,059.47)	(1,256,521.00)	(1,256,521.00)
Other Sources (Uses)	-	-	-	-	-	-
Contributions	-	-	-	-	-	-
TOTAL, OTHER FINANCING SOURCES (USES)	(444,092.00)	(883,570.30)	(942,712.00)	(1,364,079.34)	(1,256,521.00)	(1,256,521.00)
NET INCREASE (DECREASE) IN FUND BALANCE	(7,350,177.00)	(1,316,915.63)	(6,284,696.00)	(8,794,944.03)	(3,670,940.00)	(2,953,189.27)
BEGINNING BALANCE, as of July 1	22,122,433.00	27,937,232.61	26,620,316.98	26,620,316.98	17,825,372.95	17,825,372.95
ENDING BALANCE	$14,772,256.00	$26,620,316.98	$20,335,620.98	$17,825,372.95	$14,154,432.95	$14,872,183.68

(1) Total revenues and total expenditures do not match the District's audited financial statements because the District does not include contributions to the State Teacher's Retirement System made by the State on behalf of the District in its internal financial reports, which amounts are included in the actual revenues and expenditures in the District's audited financial statements. Such on behalf of payments amounted to $3,454,171 and $3,657,331 for fiscal years 2012-13 and 2013-14, respectively. In addition, due to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects for reporting purposes in the general fund, additional revenues and expenditures pertaining to this other fund is included in the revenues and expenditures in the District's audited financial statements, but is not included in the District's internal financial reports.

Source: Val Verde Unified School District adopted general fund budgets for fiscal years 2012-13, 2013-14 and 2014-15; unaudited actuals for fiscal years 2012-13 and 2013-14; and first interim report for fiscal year 2014-15.

Collective Bargaining 2014-15

The District has not concluded negotiations with the Val Verde Teachers Association ("VVTA") and with the California School Employees Association ("CSEA," and together with VVTA, the "Associations") for 2013-14. The District and the Associations have negotiated a health and welfare benefits cap of $9,000 for full-time VVTA members and $9,048 for full-time CSEA members for 2014-15.

Retirement Systems

The District participates in the State Teachers' Retirement System ("STRS"). The plan provides retirement, disability and survivor benefits to beneficiaries. This plan covers all full-time certificated and some classified District employees. Pursuant to Education Code Sections 22950 and 22951, the District's contribution rate is 8.88% of the total creditable compensation earned by each employee enrolled in STRS. In order to receive STRS benefits, an employee must be at least 55 years old and have provided five years of service to State public schools. The District's employer contribution to STRS was $5,783,159 for Fiscal Year 2011-12, $5,937,759 for Fiscal Year 2012-13, $6,470,206 for Fiscal Year 2013-14, and is budged to be $6,980,810 for Fiscal Year 2014-15.

In connection with the State's adoption of its fiscal year 2014-15 Budget, the Governor signed into law Assembly Bill 1469 ("AB 1469"), which represents a legislative effort to address the unfunded liabilities of the STRS pension plan (see below caption "State Pensions Trusts"). AB 1469 addresses the funding gap by increasing contributions of plan members, employers (including the District) and the State commencing in fiscal year 2014-15. Pursuant to AB 1469, employer contribution rates to the STRS plan will increase over the next seven years, from the contribution rate of 8.25% in fiscal year 2013-14 to 19.1% in fiscal year 2020-21. Thereafter, employer contribution rates will be determined by the STRS board to reflect the contribution required to eliminate unfunded liabilities by June 30, 2046. STRS employer contribution rates under AB 1469 for fiscal years 2014-15 through 2020-21 are summarized in the following table.

AB 1469 STRS Employer Contribution Rates

Fiscal Year	% Increase From FY 2013-14 Rate* Under AB 1469	Total Contribution Rate
2014-15	0.63%	8.88%
2015-16	2.48	10.73
2016-17	4.33	12.58
2017-18	6.18	14.43
2018-19	8.03	16.28
2019-20	9.88	18.13
2020-21	10.85	19.10

**Fiscal Year 2013-14 rate of 8.25%.*

The District also participates in the State Public Employees' Retirement System ("PERS"). The plan provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. This plan covers all classified personnel who are employed four or more hours per day. Unlike the STRS employer contribution rate, which is fixed by statute, the PERS rate varies. PERS implemented a rate hike of an average of 9.6% (which became effective in January 2013) of the total creditable compensation earned by each employee enrolled in PERS. In order to receive PERS benefits, an employee must be at least 50 years old and have provided five years of creditable service in PERS. The District's employer contribution to PERS was $2,382,639 for Fiscal Year 2011-12,

$2,769,573 for Fiscal Year 2012-13, $4,805,136 for Fiscal Year 2013-14, and is budged to be $4,861,561 for Fiscal Year 2014-15.

On April 16, 2014, the Board of Administration of PERS approved new contribution rates beginning on July 1, 2014. School district employer contribution rates will reflect new demographic assumptions and other changes in actuarial assumptions which were adopted by the Board in February 2014. The new assumptions, which are aimed at eliminating the unfunded liability of PERS in approximately 30 years, will be implemented for school districts beginning in fiscal year 2016-17, with the costs spread over 20 years and the increases phased in over the first five years. These new employer contribution rates continue to recognize asset losses from prior years. Projected employer contribution rates for school districts are as follows:

Projected PERS Contribution Rates for School Districts

2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
11.7%	12.6%	15.0%	16.6%	18.2%	19.9%	20.4%

Source: California Public Employees' Retirement System

State Pensions Trusts. Both the PERS and STRS systems are operated on a statewide basis. District contribution rates to PERS can vary annually depending on changes in actuarial assumptions and other factors, such as liability. Contributions to STRS can only be changed legislatively. Both PERS and STRS have substantial State unfunded actuarial liabilities, being $57 billion for PERS as of June 30, 2012 (the date of the last actuarial valuation for PERS) and $73.7 billion for STRS as of June 30, 2013 (the date of the last actuarial valuation for STRS). As described above, AB 1469 was enacted in connection with the State's 2014-15 Budget in an attempt to reduce and eliminate the unfunded liability of the STRS pension plan, and the PERS Board has recently taken actions to increase contribution rates in order to address unfunded liabilities. Both STRS and PERS issue separate comprehensive financial reports that include financial statements and required supplemental information. Copies of such reports may be obtained from STRS and PERS, respectively, as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; (ii) PERS, P.O. Box 942703, Sacramento, California 94229-2703. More information regarding STRS and PERS can also be obtained at their websites, www.calstrs.com and www.calpers.ca.gov, respectively. However, information in the financial reports and on the websites is not incorporated in this Official Statement by reference. See also the following paragraph on recent pension reform legislation.

Pension Reform Act of 2013 (Assembly Bill 340). On September 12, 2012, Governor Brown signed AB 340, a bill that will enact the California Public Employees' Pension Reform Act of 2013 ("PEPRA") which amended various sections of the California Education and Government Codes. AB 340 (i) increases the retirement age for new State, school, and city and local agency employees depending on job function, (ii) caps the annual PERS and STRS pension benefit payouts, (iii) addresses abuses of the system, and (iv) requires State, school, and certain city and local agency employees to pay at least half of the costs of their PERS pension benefits. PEPRA will apply to all public employers except the University of California, charter cities and charter counties (except to the extent they contract with PERS.)

The provisions of AB 340 went into effect on January 1, 2013 with respect to new State, school, and city and local agency employees hired on that date and after; existing employees who are members of employee associations, including employee associations of the District, will have a five-year window to negotiate compliance with AB 340 through collective bargaining. If no deal is reached by January 1, 2018, a city, public agency or school district could require employees to pay their half of the costs of

PERS pension benefits, up to 8 percent of pay for civil workers and 11 percent or 12 percent for public safety workers.

PERS has predicted that the impact of AB 340 on employers, including the District and other employers in the STRS system, and employees will vary, based on each employer's current level of benefits. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in lower retirement benefits than employees currently earn. Additionally, PERS has noted that AB 340 changes may have an adverse impact on public sector recruitment in areas that have historically experienced recruitment challenges due to higher pay for similar jobs in the private sector.

With respect to STRS, for employees hired after January 1, 2013, future members will pay the greater of either (1) at least 50 percent of the cost of their retirement plan, rounded to the nearest one-quarter percent, or (2) the contribution rate paid by current members. The member contribution rate could be increased from this level through collective bargaining or may be adjusted based on other factors. Public employers will pay at least the normal cost rate, after subtracting the member's contribution. The District is unable to predict the amount of future contributions it will make to STRS as a result of the implementation of AB 340 (being its future contributions for the normal costs of new employees), and as a result of negotiations with its employee associations, or, notwithstanding the adoption of AB 340, resulting from any legislative changes regarding STRS employer contributions that may be adopted in the future.

More information about AB 340 can be accessed through the PERS's web site at www.calpers.ca.gov. and through the STRS website at www.calstrs.com. The references to these internet websites are shown for reference and convenience only; the information contained within the websites may not be current and has not been reviewed by the District and is not incorporated herein by reference.

The District is unable to predict what the amount of liabilities will be in the future, or the amount of future contributions that the District may be required to pay. See APPENDIX B — "VAL VERDE UNIFIED SCHOOL DISTRICT AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2014" for additional information concerning STRS and PERS contained in the notes to said financial statements.

Other Post-Employment Benefits

The District's annual other postemployment benefits ("OPEB") cost/(expense) is calculated based on an annual required contribution ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year, and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

School districts should establish a reserve fund and annually transfer sufficient funds to this reserve in order to pay for retiree employment benefits other than pensions ("Health & Welfare Benefits"), for the period of time agreed in union contracts. Employees who are eligible to receive Health & Welfare Benefits while in retirement must meet specific criteria, *i.e.*, age and years with the District. Currently certificated criteria are currently 60 years old and 15 years with the District. Classified criteria are 50 years old and 10 years with the District. Management criteria are 50 years old and 10 years with the District. At June 30, 2014, 54 employees met those eligibility requirements and the District contributes the COBRA medical premium for the retiree only until age 65. Expenditures for post-employment benefits are currently recognized on a pay-as-you-go basis, as premiums are paid. During fiscal year 2013-14, expenditures of $427,844 were recognized for retirees' healthcare benefits. Based on an actuarial study completed on January 1, 2013, the District's actuarially accrued liability is $7,948,823.

The actuarial study also indicated that the District had an unfunded actuarial accrued liability ("UAAL") of $5,677,125. The UAAL is being amortized at a level percentage payroll method. The remaining amortization period at January 1, 2013, was 27 years. In Fiscal Year 2006-07, the District deposited $1,500,000 in an Irrevocable Trust for post-employment benefits but in Fiscal Years 2007-08, 2008-09, 2009-10 and 2011-12, the District did not deposit any moneys into such Irrevocable Trust. The District deposited $726,049 into the Irrevocable Trust in Fiscal Year 2010-11, $679,945 in Fiscal Year 2012-13 and 850,650 in Fiscal Year 2013-14. The Irrevocable Trust had a balance of $4,091,327 as of June 30, 2014.

Insurance

The District maintains various insurance programs, the majority of which are partially or entirely self-insured, while smaller and/or specialized types of coverage are placed with commercial insurance carriers including excess property coverage for loss due to fire.

The District is a member of the Riverside Schools Risk Management Authority public entity risk pool, a self-insured Joint Powers Authority ("JPA") for its Workers' Compensation Program, a member of the Riverside County Insurance Authority self-insured JPA for Property and Liability Insurance, and a member of the Riverside County Employer/Employee Partnership self-insured JPA for Health and Welfare Insurance. The relationships between the District, the pools and the JPAs is such that they are not a component unit of the District for financial reporting purposes.

The District has budgeting and financial reporting requirements independent of member units and their financial statements are not presented in the District's audited financial statements. Fund transactions between the District and the entities are included in the District financial statements. Audited financial statements are available from the respective entities. See APPENDIX B – "VAL VERDE UNIFIED SCHOOL DISTRICT AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2014."

Long-Term Obligations

A schedule of changes in the District's long-term obligations for the year ended June 30, 2014, consisted of the following:

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due in One Year
General Obligation Bonds					
2008 Series A	$ 24,475,000	$ -	$ -	$ 24,475,000	$ -
2010 Series B	10,287,205	112,563	1,355,000	9,044,768	1,470,000
2013 Series A	40,540,000		1,400,000	39,140,000	165,000
Premium on Issuance	3,606,420	-	135,745	3,470,675	-
Bond Anticipation Notes(1)					
Certificates of Participation		28,770,000	-	28,770,000	-
2005 Series B Refunding (2)	38,235,000	-	1,430,000	36,805,000	1,500,000
2009 Series A	43,290,000	-	730,000	42,560,000	1,205,000
Discount on Issuance	(326,987)	-	(14,217)	(312,770)	-
Capital Leases	97,945	-	28,630	69,315	30,695
Supplemental Early Retirement Program	422,604	-	378,236	44,368	44,368
Net OPEB Obligation	263	1,114,702	1,278,506	(163,541)	-
	$ 160,627,450	$ 29,997,265	$ 6,721,900	$ 183,902,815	$ 4,415,063

(1) Notes will be prepaid by the Bonds on August 1, 2016.
(2) The District expects to prepay all outstanding 2005 Series B Certificates through the execution and delivery of its Refunding Certificates of Participation, 2015 Series A in early 2015.
Source: The District.

General Obligation Bonds

The District has three series of bonds outstanding, each of which is secured by *ad valorem* taxes upon all property subject to taxation by the District.

The District received authorization at an election held on June 3, 2008, to issue bonds of the District in an aggregate principal amount not to exceed $43,440,000 to finance specific construction and modernization projects approved by the voters, to acquire, renovate and construct classrooms. The measure required approval by at least 55% of the votes cast by eligible voters within the District (the "2008 Authorization"). On August 27, 2008, the County, at the request of the District, issued the Val Verde Unified School District (County of Riverside, California) General Obligation Bonds, 2008 Election, 2008 Series A (the "2008 Series A Bonds"), in an aggregate principal amount of $30,000,000, as its first series of bonds to be issued under the 2008 Authorization. On February 25, 2010, the County, at the request of the District, issued the Val Verde Unified School District (County of Riverside, California) General Obligation Bonds, 2008 Election, 2010 Series B, in an aggregate initial principal amount of $13,436,947.70 (the "2010 Series B Bonds"), as the second and final series of authorized bonds to be issued under the 2008 Authorization.

The 2008 Series A Bonds mature through 2034 as follows:

Year Ending June 30,	Principal	Interest to Maturity	Total
2015	$ -	$ -	$ -
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019	915,000	1,268,059	2,183,059
2020-2024	5,580,000	5,642,113	11,222,113
2025-2029	7,680,000	3,902,956	11,582,956
2030-2034	10,300,000	1,493,250	11,793,250
Total	**$ 24,475,000**	**$ 12,306,378**	**$ 36,781,378**

Source: District Audited Financial Report for fiscal year 2013-14.

The 2010 Series B Bonds mature through 2034 as follows:

Year Ending June 30,	Principal	Future Interest Accretion	Interest
2015	$ 1,470,000	$ 119,581	$ 239,350
2016	1,600,000	127,035	177,950
2017	1,730,000	134,954	111,350
2018	1,875,000	143,367	47,375
2019	450,000	152,305	9,000
2020-2024	-	671,720	208,556
2025-2029	-	369,617	695,188
2030-2034	532,050	1,493,250	591,369
2035	1,387,718	-	14,088
Total	**$ 9,044,768**	**$ 12,306,378**	**$ 2,094,226**

Source: District Audited Financial Report for fiscal year 2013-14.

The District received authorization at an election held on June 5, 2012, to issue bonds of the District in an aggregate principal amount not to exceed $178,000,000 to finance specific construction and modernization projects approved by the voters (the "Authorization"). The measure required approval by at least 55% of the votes cast by eligible voters within the District. On March 20, 2013, the County, at the request of the District, issued the 2013 Bonds in an aggregate principal amount of $40,540,000, as its first series of bonds to be issued under the Authorization.

The 2013 Bonds mature through 2043 as follows:

Year Ending June 30,	Principal	Interest to Maturity	Total
2015	$ 165,000	$ 1,718,163	$ 1,883,163
2016	645,000	1,706,838	2,351,838
2017	-	1,697,163	1,697,163
2018	-	1,697,163	1,697,163
2019	55,000	1,696,613	1,751,613
2020-2024	1,435,000	8,410,513	9,845,313
2025-2029	3,925,000	8,018,919	11,943,919
2030-2034	7,395,000	7,084,113(1)	11,479,113(1)
2035-2039	12,515,000	4,944,125	17,459,125
2040-2043	13,005,000	1,206,125	14,211,125
Total	**$ 39,140,000**	**$ 38,179,731(1)**	**$ 77,319,731(1)**

(1) Amount differs from the table for the 2012 Series A Bonds included in Note 9 to the District's financial statements for the fiscal year ended June 30, 2014, attached hereto as Appendix B. Such table in the District's financial statements indicates an interest payment in the amount of $7,084,063 for the 2030-34 period, which interest payment amount should be $7,084,113.
Source: Val Verde Unified School District.

Certificates of Participation

In July 2005, the District executed and delivered its Certificates of Participation (Refunding and School Construction Project), 2005 Series B in the aggregate principal amount of $65,630,000 (the "2005 Series B COPs") for the purpose of advance refunding the District's prior 2004 Series A Certificates, 2004 Series B Certificates and 2005 Series A Certificates. The District applied a portion of the net proceeds of the sale of the 2005 Series B COPs to fund costs of construction of public school facilities of the District and also refund certain outstanding lease-purchase obligations of the District. At June 30, 2014, the principal balance outstanding was $36,805,000. The District intends to prepay the 2005 Series B COPs in full with proceeds of its Certificates of Participation (Refunding and 2015 Combined Projects), 2015 Series A expected to be executed and delivered on or about February ___, 2015.

The 2005 Series B COPs mature as follows:

Year Ending June 30,	Principal	Interest to Maturity[1]	Total[1]
2015	$1,500,000	$1,840,250	$3,340,250
2016	1,070,000	1,765,250	2,835,250
2017	1,120,000	1,711,750	2,831,750
2018	1,175,000	1,655,750	2,830,750
2019	1,235,000	1,597,000	2,832,000
2020-2024	7,175,000	6,994,000	14,169,000
2025-2029	9,150,000	5,012,250	14,162,250
2030-2034	11,680,000	2,483,750	14,163,750
2035	2,700,000	135,000	2,835,000
Total	$36,805,000	$23,195,000	$60,000,000

(1) A portion of the proceeds of the 2005 Series B COPs were partially refunded in March, 2007. The table for the 2005 Series B COPs included in Note 9 to the District's financial statements for the fiscal year ended June 30, 2014, attached hereto as Appendix B, does not properly reflect the adjusted interest to maturity and, accordingly, total debt service payments evidenced by the 2005 Series B COPs as a result of such prior refunding.
Source: The District.

In September 2009, the District executed and delivered its Certificates of Participation (Refunding Project), 2009 Series A in the aggregate principal amount of $43,920,000 (the "2009 Series A COPs") for the purpose of prepaying the District's Variable Rate Demand Refunding Certificates of Participation, 2008 Series A (the "2008 Series A COPs"). The 2009 Series A COPs mature on March 1, 2036, with interest yields ranging from 1.15 to 4.49%. The District applied a portion of the net proceeds of sale of the 2009 Series A COPs to affect the refunding of the outstanding balances of the 2008 Series A COPs and provided funding for capital improvement projects planned by the District. At June 30, 2014, the principal balance outstanding was $42,560,000 and unamortized discount was $312,770.

The 2009 Series A COPs mature as follows:

Year Ending June 30,	Principal	Interest to Maturity	Total
2015	$1,205,000	$2,020,468	$3,225,468
2016	1,240,000	1,984,318	3,224,318
2017	1,280,000	1,944,018[1]	3,224,018[1]
2018	1,320,000	1,899,218	3,219,218
2019	1,370,000	1,849,718	3,219,718
2020-2024	7,760,000	8,340,408	16,100,408
2025-2029	9,835,000	6,276,688	16,111,688
2030-2034	12,575,000	3,528,819	16,103,819
2035-2036	5,975,000	463,044	6,438,044
Total	$42,560,000	$28,306,695[1]	$70,866,695[1]

(1) Amount differs from the table for the 2009 Series A COPs included in Note 9 to the District's financial statements for the fiscal year ended June 30, 2014, attached hereto as Appendix B. Such table in the District's financial statements indicates an interest payment in the amount of $1,944,178 for the year ending June 30, 2017, which interest payment amount should be $1,944,018.
Source: The District.

Capital Leases

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

Balance, July 1, 2013	$109,461
Payments	34,566
Balance, July 30, 2014	$74,895

Source: District Audited Financial Report for fiscal year 2013-14.

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2015	$34,566
2016	34,566
2017	5,763
Total	74,895
Less: Amount Representing Interest	5,580
Present Value of Minimum Lease Payments	$69,315

Source: District Audited Financial Report for fiscal year 2013-14.

Golden Handshake

In prior years, the District adopted an early retirement incentive program, pursuant to Education Code Section 22714 and 44929, whereby the service credit to eligible employees is increased by two years. As a result of this early retirement incentive program, the District expects to incur $875,660 in additional costs that will be repaid over three years as follows:

Year Ending June 30	Amounts
2013	$ 453,056
2014	378,236
2015	44,368
Total	**$ 875,660**

[Remainder of this page intentionally left blank.]

Bonded Debt – Community Facilities District (CFD) Special Tax Bonds

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

Year CFD Bonds Issued	Original Principal	CFD Bonds Outstanding Beginning of Year	Issued	Redeemed	Remaining	CFD
2003	1,984,000	1,705,000	-	44,000	1,661,000	2003-1 Citation Area No. 1
2003	2,975,000	2,490,000	-	65,000	2,425,000	2003-2 John Laing Homes
2005	2,751,000	2,400,000	-	57,000	2,343,000	2003-1 Meritage Area No. 2
2005	16,440,000	15,895,000	-	170,000	15,725,000	2002-1 Boulder Springs Area A
2014	19,600,000	19,600,000	-	755,000	18,845,000	2014 Refunding
Totals:	$ 43,750,000	$42,090,000	-	$1,091,000	$ 40,999,000	

Source: The District.

Major Employers

The County is host to a diverse mix of major employers representing industries ranging from manufacturing to hospitals as well as casinos, schools and government offices. The following table lists the major employers within the County.

[Remainder of this page intentionally left blank.]

COUNTY OF RIVERSIDE
MAJOR EMPLOYERS
2014

Employer	Product/Service	Employer Size Class
Abbott Vascular	Physicians & Surgeons Equipment & Supplies	1,000-4,999
Corrections Dept	State Government-Correction Institutions	1,000-4,999
Desert Regional Medical Center	Hospitals	1,000-4,999
Eisenhower Medical Center	Hospitals	1,000-4,999
Handsome Rewards	Internet & Catalog Shopping	1,000-4,999
Hemet Valley Medical Center	Hospitals	1,000-4,999
Hotel At Fantasy Springs	Casinos	1,000-4,999
Hub International of CA Ins	Insurance	1,000-4,999
Inland Valley Medical Center	Hospitals	1,000-4,999
JW Marriott	Hotels & Motels	1,000-4,999
Kaiser Permanente	Physicians & Surgeons	1,000-4,999
La Quinta Golf Course	Golf Courses	1,000-4,999
La Quinta Inn	Resorts	1,000-4,999
Morongo Casino Resort & Spa	Casinos	1,000-4,999
Morongo Tribal Gaming Ent	Business Management Consultants	1,000-4,999
Pechanga Resort & Casino	Casinos	1,000-4,999
Restoration Technologies Inc.	Electronic Equipment & Supplies-Repair	5,000-9,999
Riverside Community Hospital	Hospitals	1,000-4,999
Riverside County Regional Med	Hospitals	1,000-4,999
Roupe's Renovations	Remodeling & Repairing Bldg Contractors	5,000-9,999
Starcrest of California	Internet & Catalog Shopping	1,000-4,999
Starcrest Products	Gift Shops	1,000-4,999
Sun World Intl LLC	Fruits & Vegetables-Growers & Shippers	1,000-4,999
Universal Protection Svc	Security Guard & Patrol Service	1,000-4,999
US Air Force Dept	Military Bases	1,000-4,999

Source: California Employment Development Department: Labor Market Information, Major Employers in Other Counties.

Financial Statements

The District's financial statements are prepared on a modified accrual basis of accounting in accordance with generally accepted accounting principles as set forth by the National Council on Governmental Accounting.

Funds and Accounting Groups used by the District are categorized as follows:

Governmental Funds
General Fund
Special Revenue Funds
Capital Projects Funds

Proprietary Fund
Internal Service Funds

Fiduciary Funds
Expendable Trust Funds

Account Group
General Long-Term Debt Account Group

The General Fund of the District, as shown herein, is a combined fund comprised of moneys which are unrestricted and available to finance the legally authorized activities of the District not financed by restricted funds and moneys which are restricted to specific types of programs or purposes. General

Fund revenues shown thereon are derived from such sources as taxes, aid from other government agencies, charges for current services and other revenue.

The financial statements included herein were prepared by the District using information from the Annual Financial Reports which are prepared by the Director of Accounting for the District and audited by independent certified public accountants each year. Vavrinek, Trine, Day & Co., L.L.P., Rancho Cucamonga, California, serve as independent auditors to the District and their report for Fiscal Year Ended June 30, 2014, is attached hereto as APPENDIX B. Copies of the audited report are available from the District upon request to the District at the District offices; a fee may be imposed for copying, shipping and handling.

Budgets of District

The fiscal year of the District begins on the first day of July of each year and ends on the 30th day of June of the following year. The District adopts on or before July 1 of each year a fiscal line-item budget setting forth expenditures in priority sequence so that appropriations during the fiscal year can be adjusted if revenues do not meet projections.

The District is required by provisions of the California Education Code to maintain a balanced budget each year, where the sum of expenditures plus the ending fund balance cannot exceed the revenues plus the carry-over fund balance from the previous year. The California State Department of Education imposes a uniform budgeting format for each school district in the State.

State Emergency Loan Program

The California Education Code provides that a school district which determines during a fiscal year that its revenues are less than the amount necessary to meet its current year expenditure obligations may request an emergency apportionment from the State through the State Superintendent of Public Instruction (the "State Superintendent") subject to certain conditions.

The District is not currently participating in the State emergency loan program.

FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA

Major Revenues

The Treasurer and Tax Collector of the County of Riverside (the "Treasurer") manages, in accordance with California Government Code Section 53600 *et seq.*, funds deposited with the Treasurer by County school and community college districts, various special districts and some cities. State law generally requires that all moneys of the County, school districts and certain special districts be held in the County's Treasury Pool as described below. The composition and value of investments under management in the Treasury Pool vary from time to time, depending on cash flow needs of the County and the other public agencies invested in the Treasury Pool, the maturity or sale of investments, purchase of new securities and fluctuations in interest rates generally.

Public school district revenues consist primarily of guaranteed State moneys, *ad valorem* taxes and funds received from the State and federal government in the form of categorical aid, which are amounts restricted to specific categories of use, under various ongoing programs. All State apportionment ("State Aid") is subject to the appropriation of funds in the State's annual budget. Decreases in State revenues may affect appropriations made by the State Legislature to the District.

Historically, approximately 90% of the District's annual General Fund revenues (unrestricted) have consisted of payments from or under the control of the State. Payments made to K-12 public schools and public colleges and universities are priority payments for State funds and are expected to be made prior to other State payment obligations. Although the State Constitution protects the priority of payments to K-12 schools, college and universities, it does not protect the timing of such payments, and other obligations may be scheduled and have been scheduled to be paid in advance of those dates on which payments to school districts are scheduled to be made.

On June 27, 2013, the State adopted a new method for funding school districts commonly referred to as the "Local Control Funding Formula" (the "LCFF"). Descriptions of the prior revenue limit funding system and the LCFF follow.

Revenue Limit Funding. School districts in the State have historically received most of their revenues under a formula known as the "revenue limit." Generally, revenue limits were calculated for each school district by multiplying the average daily attendance ("ADA") for such district by a base revenue limit per unit of ADA. Revenue limit calculations were subject to adjustment to provide cost of living adjustments ("COLAs") and to equalize revenues among school districts of the same type. The revenue limit system of funding has been replaced by the LCFF. A description of the revenue limit system is included herein as the District has historically received financial assistance from the State pursuant to this method of appropriations.

Each school district's revenue limit, which was funded by State moneys and local *ad valorem* taxes from the general 1% *ad valorem* tax levy, was allocated based on the ADA of each school district for either the current or preceding school year. Generally, State Aid to a school district amounted to the difference between the school district's revenue limit and the school district's local property tax allocation from the general 1% *ad valorem* tax levy. In Fiscal Year 2012-13, approximately 88% of the District's revenues (unrestricted) were derived from the revenue limit.

Local Control Funding Formula. Effective in Fiscal Year 2013-14, the State established the LCFF, a new system for funding school districts, charter schools and county offices of education. The LCCF replaces the revenue limit funding system, as well as many categorical programs. The LCCF distributes State resources to schools through a guaranteed base funding grant per unit of ADA (a "Base Grant"). The Base Grants per unit of ADA for each grade span are: (i) $6,845 for grades K-3; (ii) $6,947 for grades 4-6; (iii) $7,154 for grades 7-8; and (iv) $8,289 for grades 9-12. Implementation of the LCFF is expected to take several years, ending in Fiscal Year 2020-21. An annual transition adjustment is calculated for each school district, equal to such district's proportionate share of appropriations included in the State budget to close the gap between the prior-year funding level and the target allocation following full implementation of the LCFF. Beginning in Fiscal Year 2014-15, the Base Grants are adjusted for COLAs by applying the implicit price deflator for government goods and services. Following full implementation of the LCFF, the provision of COLAs will be subject to appropriation for such adjustment in the annual State budget.

The Base Grants for grades K-3 are subject to adjustments of 10.4% to cover the costs of class size reduction. Following full implementation of the LCFF, and unless otherwise collectively bargained for, school districts serving students in grades K-3 must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site in order to continue receiving the adjustment to the K-3 Base Grant. The Base Grants for grades 9-12 are subject to adjustments of 2.6% for the provision of career technical education.

School districts that serve students of limited English proficiency ("EL" students), students from low-income families that are eligible for free or reduced priced meals ("LI" students) and foster youth are eligible to receive additional funding grants. Enrollment counts are unduplicated; if the school district has students with both limited English proficiency and eligibility for reduced price meals, for instance, such students will not be duplicated for purposes of determining the additional funding grants. Foster students automatically qualify for free or reduced priced meals. A supplemental grant add-on (each, a

"Supplemental Grant") is authorized for school districts that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by such districts' percentage of unduplicated EL/LI student enrollment. School districts whose EL/LI populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a "Concentration Grant") equal to 50% of the applicable Base Grant multiplied the percentage of such district's unduplicated EL/LI student enrollment in excess of the 55% threshold. The following table shows a breakdown of the District's ADA by grade span, total enrollment, and the percentage of EL/LI student enrollment, for Fiscal Years 2013-14 and 2014-15 (budgeted).

VAL VERDE UNIFIED SCHOOL DISTRICT
ADA, ENROLLMENT AND EL/LI ENROLLMENT PERCENTAGE
FISCAL YEARs 2013-14 and 2014-15 (Budgeted)

	Average Daily Attendance[1]					Enrollment[2]	
Fiscal Year	**TK1 K-3**	**4-6**	**7-8**	**9-12**	**Total ADA**	**Total Enrollment**	**% of EL/LI Enrollment**
2013-14	5,934	4,391	2,982	5,791	19,098	19,876	84.41%
2014-15	5,897	4,467	2,971	5,819	19,154	19,878	84.33%

(1) Reflects P-2 ADA.
(2) As 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: The District.

The LCFF provides for a permanent economic recovery target ("ERT") add-on for school districts that would have received greater funding levels under the revenue limit system. The ERT is equal to the difference between the revenue limit allocations such districts would have received under the prior system in Fiscal Year 2020-21, and the target LCFF allocations owed to such districts in the same year. The ERT add-on will be paid incrementally over the implementing period of the LCFF. The District does not qualify for the ERT add-on.

The sum of a school district's adjusted Base, Supplemental and Concentration Grants will be multiplied by such district's P-2 ADA for the current or prior year, whichever is greater (with certain adjustments applicable to small school districts). This funding amount, together with any applicable ERT or categorical block grant add-ons, will yield a district's total LCFF allocation. Generally, the amount of annual State apportionments received by a school district will amount to the difference between such total LCFF allocation and such district's share of applicable local property taxes.

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

In Fiscal Year 2011-12, the District received approximately $103.8 million from revenue limit sources, accounting for approximately 65% of its total General Fund revenues. For Fiscal Year 2012-13, the District received approximately $105.2 million of revenue limit source income which is approximately 65% of its total estimated General Fund revenues. Beginning in Fiscal Year 2013-14, the funding is determined pursuant to the LCFF and comprised of (1) local property tax, (2) Education Protection Account ("EPA") receipts, and (3) State Aid. Utilizing the LCFF transition funding formula and based on the Audit for Fiscal Year 2013-14, the District received approximately $18.3 million in local property tax, approximately $22.2 million in EPA receipts and approximately $84.5 million in State aid for a total of approximately $125 million of LCFF funding formula revenues, which is approximately 71% of total budgeted General Fund revenues. The District has estimated additional revenue for Fiscal Year 2014-15 of about $22 million it will receive pursuant to the LCFF compared to the prior revenue limit funding model.

The following table sets forth the District's funded revenue limits per ADA for the Fiscal Years 2008-09 through 2013-14. For Fiscal Year 2011-12 and 2012-13 the District's base funded revenue limit per unit of ADA were $5,517 and $5,547, respectively. For Fiscal Year 2013-14, the District estimates that its LCFF funding revenue limit per unit of ADA was $6,555.

VAL VERDE UNIFIED SCHOOL DISTRICT
FUNDED REVENUE LIMIT/LCFF FUNDING FORMULA PER ADA
FISCAL YEARS 2008-09 THROUGH 2013-14

Fiscal Year	Funded Revenue Limit/ LCFF Funding Formula
2008-09	$7,387
2009-10	6,458
2010-11	6,810
2011-12	5,517
2012-13	5,547
2013-14 (LCFF)	6,555[1]

[1] Estimated; the LCFF per ADA amount includes dollars that were previously provided to the District in the form of grants and accounted for in the restricted categories. Therefore, the per-ADA figure is higher than the traditional Funded Revenue Limit model.

Source: The District.

Other Funding Sources. A large percentage of a school district's budgeted revenues come from categorical funds provided exclusively by the State and federal government. These funds are to be used for specific programs and typically cannot be used for any other purpose. The State lottery is another source of funding for school districts, providing approximately 1.7% of a school district's general fund budget. Every school district receives the same amount of lottery funds per pupil from the State. The initiative authorizing the State lottery mandates the funds be used for instructional purposes and prohibits their use for land acquisition, construction or research and development. A small part of a school district's budget is from local sources other than property taxes, such as interest income, donations and sales of property. Some school districts derive a significant portion of their operating funds from voter-approved parcel taxes.

Average Daily Attendance. The District's ADA record for Fiscal Years 2008-09 through 2013-14 and the projected ADA for fiscal years 2014-15 and 2015-16 is set forth below:

VAL VERDE UNIFIED SCHOOL DISTRICT
AVERAGE DAILY ATTENDANCE

Fiscal Year	Average Daily Attendance
2008-09	18,273
2009-10	18,525
2010-11	18,723
2011-12	18,816
2012-13	18,965
2013-14	19,098
2014-15	19,154[1]
2015-16	19,154[1]

[1] Projected.
Source: The District.

A school district's enrollment can fluctuate due to factors such as population, competition from private, parochial, and public charter schools, inter-district transfers in or out of the district, and other causes. Losses in enrollment lower a school district's LCFF funding (and may result in loss of operating revenues), without necessarily permitting the district to make adjustments in fixed operating costs.

State Assistance

The District's principal funding formulas and revenue sources are derived from the budget of the State of California. **The following information concerning the State of California's budgets has been obtained from publicly available information which the District believes to be reliable; however, the State has not entered into any contractual commitment with the District, the County, the Underwriter, Bond and Disclosure Counsel nor the Owners of the Bonds to provide State budget information to the District or the Owners of the Bonds. Although they believe the State sources of information listed above are reliable, none of the District, the County, Bond and Disclosure Counsel nor the Underwriter assumes any responsibility for the accuracy of the State budget information set forth or referred to herein or incorporated by reference herein. Additional information regarding State budgets is available at various State-maintained websites including www.dof.ca.gov, which website is not incorporated herein by reference.**

The State Budget Process. The State's fiscal year begins on July 1 and ends on June 30. According to the State Constitution, the Governor of the State (the "Governor") is required to propose a budget for the next fiscal year (the "Governor's Budget") to the State Legislature no later than January 10 of each year. Proposition 25, which was adopted by voters in the State at an election held on November 2, 2010, amended the State Constitution such that a final budget must be adopted by a simple majority vote of each house of the State Legislature by no later than June 15 and the Governor must sign the adopted budget by no later than June 30. The budget becomes law upon the signature of the Governor. In certain recent years, the State's final budget has not been timely adopted.

Under State law, the annual Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor's Budget, the State Legislature takes up the proposal. Under the State Constitution, money may be drawn from the State Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the State Legislature and signed by the Governor. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each house of the State Legislature. Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (except for K-14 education) must be approved by a two-thirds majority vote in each house of the State Legislature and be signed by the Governor. Bills containing K-14 education appropriations require only a simple majority vote. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution. Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt. However, delays in the adoption of a final State budget in any fiscal year may affect payments of State funds during such budget impasse.

Fiscal Year 2014-15 State Budget. On June 20, 2014, Governor Brown signed the fiscal year 2014-15 State Budget Act (the "2014-15 State Budget"). The 2014-15 State Budget including approximately $109.3 billion in State General Fund resources (including revenues, transfers and prior year balance) and approximately $108.0 billion in planned State General Fund expenditures. $1.6 billion in State General Fund revenues will be transferred to a budget stabilization fund. The 2014-15 State Budget includes an approximately 7.2 percent State General Fund spending increase from the State's fiscal year 2013-14 budget. The 2014-15 State Budget includes approximately $10 billion more in Proposition 98 funding than in fiscal year 2013-14.

The 2014-15 State Budget also assumed a proposed constitutional amendment to strengthen California's reserve fund, which amendment passed at the November 2014 election. Among other things, the constitutional amendment creates a Proposition 98 reserve, whereby spikes in funding will be saved for future years of decline, designed to minimize cuts during times of economic downturn. The establishment of such a reserve does not affect the guaranteed level of funding for school districts under also see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS—Proposition 2."

Approval of this amendment had the effect of enacting a related trailer bill (SB 858), which caps the amount school districts may maintain in reserves. Specifically, the legislation, among other things, enacts Education Code Section 42127.01, operative December 15, 2014, and provides that in any fiscal year immediately after a fiscal year in which a transfer is made to the Public School System Stabilization Account, a school district may not adopt a budget that contains a reserve for economic uncertainties in excess of twice the applicable minimum recommended reserve for economic uncertainties established by the State Board (for school districts with ADA over 400,000, the limit is three times the amount). Exemptions can be granted by the County Superintendent under certain circumstances. AB 146 is currently pending in the State legislature, which would repeal Education Code Section 42127.01.

The 2014-15 State Budget included the following significant adjustments affecting California K-12 school districts:

- K-12 Deferrals – The 2014-15 State Budget repays nearly $4.7 billion Proposition 98 General Fund for K-12 expenses that had been deferred from one year to the next during the recent economic downturn, leaving an outstanding balance of less than $900 million in K-12 deferrals. Further, the 2014-15 State Budget includes a trigger mechanism that will appropriate any additional funding resources attributable to fiscal years 2013-14 and 2014-15 subsequent to the enactment of the 2014-15 State Budget for the purpose of retiring the remaining deferral balance.

- Local Control Funding Formula – An increase of $4.75 billion Proposition 98 General Fund to continue the State's transition to the LCFF. This increase will close the remaining funding implementation gap by more than 29 percent. Additionally, the 2014-15 State Budget addresses an administrative problem related to the collection of income eligibility forms that are used to determine student eligibility for free or reduced-price meals.

- K-12 Mandates – An increase of $400.5 million in one-time Proposition 98 General Fund to reimburse K-12 local educational agencies for the costs of state-mandated programs. These funds will make a significant down payment on outstanding mandate debt, while providing school districts, county offices of education, and charter schools with discretionary resources to support critical investments.

- Career Technical Education Pathways Program – An increase of $250 million in one-time Proposition 98 General Fund to support a second cohort of competitive grants for participating K-12 local educational agencies. Established in the 2013-14 State Budget Act, the Career Pathways Trust Program provides grant awards to improve career technical programs and linkages between employers, schools, and community colleges.

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.

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:

- 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.

- 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.

- 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.

- 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.

- Charter Schools. An increase of $59.5 million Proposition 98 general funds to support projected charter school A.D.A. growth.

- Special Education. An increase of $15.3 million Proposition 98 general funds to reflect a projected increase in Special Education A.D.A.

- 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.

- 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.

- 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.

- 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.

Additional Information. Information about the State budget and State spending for education is regularly available at various State-maintained websites. Text of the State budget may be found at the website of the Department of Finance, www.dof.ca.gov, under the heading "California Budget." Various analyses of the budget may be found at the website of the LAO at www.lao.ca.gov. In addition, various State 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 via the website of the State Treasurer, www.treasurer.ca.gov. The information presented in these websites is not incorporated by reference in this Official Statement.

Future State Budgets. The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address any future budget deficits and cash management practices. Future State budgets will be affected by national and State economic conditions over which the District has no control, and other factors over which the District will have no control. To the extent that the State budget process results in reduced revenues deferred revenues or increased expenses for the District, the District will be required to make adjustments to its budget and cash management practices. In the event current or future State Budgets decrease the District's revenues or increase required expenditures by the District from the levels assumed by the District, the District will be required to generate additional revenues, curtail programs or services, or use its reserve funds to ensure a balanced budget.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

The Bonds are general obligations of the District payable solely from *ad valorem* taxes levied on taxable property within the District. The *ad valorem* tax is required to be levied by the County in an amount sufficient for the payment of debt service on the Bonds. See "SECURITY FOR THE BONDS." Articles XIIIA, XIIIB, XIIIC and XIIID of the Constitution, Propositions 98 and 11, and certain other provisions of law discussed below, describe the potential effect of these Constitutional and statutory measures on the ability of the County to levy taxes and the District to spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County to levy *ad valorem* taxes for payment of the Bonds. The *ad valorem* tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with Article XIIIA, Article XIIIC and all applicable laws.

Article XIIIA of the California Constitution. Article XIIIA of the California Constitution limits the amount of any *ad valorem* tax on real property, to one percent of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." The full cash value may be increased at a rate not to exceed two percent per year to account for inflation.

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

Legislation Implementing Article XIIIA. Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent property tax is automatically levied by the County and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the two percent annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "status." Any such allocation made to a local agency continues as part of its allocation in future years.

Article XIIIB of the California Constitution. In 1979, an initiative added Article XIIIB to the State Constitution ("Article XIIIB"). Under Article XIIIB, the State and each local governmental entity has an annual "appropriations limit" and is not permitted to spend certain moneys that are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the appropriations limit. Article XIIIB does not affect the appropriations of moneys that are excluded from the definition of "appropriations subject to limitation," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the appropriations limit is to be based on certain 1978-79 expenditures, and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIIIB, if these entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years. However, in the event that a school district's revenues exceed its spending limit, the district may, in any fiscal year, increase its appropriations limit to equal its spending by borrowing appropriations limit from the State, provided the State has sufficient excess appropriations limit in such year.

Article XIIIC and Article XIIID of the California Constitution. The so-called "Right to Vote on Taxes Act" ("Proposition 218") was approved by the voters in 1996. Proposition 218 added Articles XIIIC and XIIID to the State Constitution, which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges. Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes); prohibits special purpose government agencies such as school districts from levying general taxes; and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote. Article XIIIC also provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4.

Article XIIIC also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. The State Constitution and the laws of the State impose a mandatory, statutory duty on a county treasurer-tax collector to levy a property tax sufficient to pay debt service on general obligation bonds coming due in each year. The initiative power cannot be used to reduce or repeal the authority and obligation to levy such taxes which are pledged as security for payment of general obligation bonds or to otherwise interfere with performance of the mandatory, statutory duty of the District and the County with respect to such taxes which are pledged as security for payment of the general obligation bonds. Legislation adopted in 1997 provides that Article XIIIC shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure which would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

Article XIIID deals with assessments and property-related fees and charges. Article XIIID explicitly provides that nothing in Article XIIIC or XIIID shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development; however it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by the District. Developer fees imposed by the District are neither pledged nor available to pay the Certificates.

Proposition 62. In 1986, California voters adopted Proposition 62, a statutory initiative which amended the California Government Code by the addition of Sections 53720-53730. Proposition 62 requires that (i) any local tax for general governmental purposes (a "general tax") must be approved by a majority vote of the electorate; (ii) any local tax for specific purposes (a "special tax") must be approved by a two-thirds vote of the electorate; (iii) any general tax must be proposed for a vote by two-thirds of the legislative body; and (iv) proceeds of any tax imposed in violation of the vote requirements must be deducted from the local agency's property tax allocation. Provisions applying Proposition 62 retroactively from its effective date to 1985 are unlikely to be of any continuing importance; certain other restrictions were already contained in the Constitution.

Most of the provisions of Proposition 62 were affirmed by the 1995 California Supreme Court decision in *Santa Clara County Local Transportation Authority v. Guardino*, which invalidated a special sales tax for transportation purposes because fewer than two-thirds of the voters voting on the measure had approved the tax. Following the California Supreme Court's decision upholding Proposition 62, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62, which was passed in November 1986. On June 4, 2001, the California Supreme Court released its decision in one of these cases, *Howard Jarvis Taxpayers Association v. City of La Habra, et* *al.* ("La Habra"). In this case, the court held that public agency's continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought.

Although by its terms, Proposition 62 applies to school districts, the District has not experienced any substantive adverse financial impact as a result of the passage of this initiative or the Santa Clara or La Habra decisions and believes that any impact experienced by the District will not adversely affect the ability of the District to make payments with respect to the Certificates.

Proposition 98. In 1988, California voters approved Proposition 98, a combined initiative, constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). The Accountability Act changed State funding of public education below the university level, and the operation of the State's Appropriations Limit, primarily by guaranteeing State funding for K-12 school districts and community college districts (collectively, "K-14 districts").

Under Proposition 98 (as modified by Proposition 111, which was enacted on June 5, 1990), K-14 districts are guaranteed the greater of (a) in general, a fixed percent of the State's General Fund (the "State General Fund") revenues ("Test 1"), (b) the amount appropriated to K-14 schools in the prior year, adjusted for changes in the cost-of-living (measured as in Article XIIIB by reference to State per capita personal income) and enrollment ("Test 2"), or (c) a third test, which would replace Test 2 in any year when the percentage growth in per capita State General Fund revenues from the prior year plus one-half of one percent is less than the percentage growth in State per capita personal income ("Test 3"). Under Test 3, schools would receive the amount appropriated in the prior year adjusted for changes in enrollment and per capita State General Fund revenues, plus an additional small adjustment factor. If Test 3 is used in any year, the difference between Test 3 and Test 2 would become a "credit" to schools which would be the basis of payments in future years when per capita State General Fund revenue growth exceeds per capita personal income growth. Legislation adopted prior to the end of the 1988-89 fiscal year, implementing Proposition 98, determined the K-14 districts' funding guarantee under Test 1 to be 40.3% of the State General Fund tax revenues, based on 1986-87 appropriations. However, that percentage has been adjusted to 35% to account for a subsequent redirection of local property taxes whereby a greater proportion of education funding now comes from local property taxes.

Proposition 98 permits the State Legislature by a two-thirds vote of both houses, with the Governor's concurrence, to suspend the K-14 districts' minimum funding formula for a one-year period. In the fall of 1989, the Legislature and the Governor utilized this provision to avoid having 40.3% of revenues generated by a special supplemental sales tax enacted for earthquake relief go to K-14 districts. Proposition 98 also contains provisions transferring certain State tax revenues in excess of the Article XIIIB limit to K-14 districts.

Application of Proposition 98. The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. One major reason is that Proposition 98 minimum funding levels under Test 1 and Test 2 are dependent on State General Fund revenues. In past fiscal years, the State made actual allocations to K-14 districts based on an assumption of State General Fund revenues at a level above that which was ultimately realized. In such years, the State has considered the amounts appropriated above the minimum as a loan to K-14 districts, and has deducted the value of these loans from future years' estimated Proposition 98 minimum funding levels. The State determined that there were loans to K-14 districts of $1.3 billion during fiscal year 1990-91, $1.1 billion during fiscal year 1991-92, $1.3 billion during fiscal year 1992-93 and $787 million during fiscal year 1993-94. These loans have been combined with the K-14 1992-93 loans into one loan totaling

$1.760 billion. The State proposed that repayment of this loan would be from future years' Proposition 98 entitlements, and would be conditioned on maintaining current funding levels per pupil for K-12 schools.

In 1992, a lawsuit, *California Teachers' Association et al. v. Gould*, was filed, which challenged the validity of the off-budget loans. As part of the negotiations leading to the 1995-96 Budget Act, an agreement was reached to settle this case. The agreement provides that both the State and K-14 districts share in the repayment of prior years' emergency loans to schools. Of the total $1.76 billion in loans, the State will repay $935 million, while K-14 districts will repay $825 million. The State share of the repayment will be reflected as expenditures above the current Proposition 98 base calculation. The K-14 districts' share of the repayment will count as appropriations that count toward satisfying the Proposition 98 guarantee, and thus are treated as from "below" the current base. Repayments are spread over the eight-year period of 1994-95 through 2001-02 to mitigate any adverse fiscal impact. In April 1996, a court settlement was reached and $360 million in appropriations from the 1995-96 fiscal year was disbursed to districts in August 1996.

Substantially increased State General Fund revenues, above initial budget projections, in the fiscal years 1994-95 and thereafter have resulted or will result in retroactive increases in Proposition 98 appropriations from subsequent fiscal years' budgets. Because of the State's increasing revenues, per-pupil funding at the K-12 level has increased by about 42% from the level in place from 1991-92 through 1993-94. A significant amount of the "extra" Proposition 98 moneys in the last few years has been allocated to special programs, most particularly an initiative to allow each classroom from grades K-3 to have no more than 20 pupils by the end of the 1997-98 school year. There are also new initiatives to improve reading skills and to upgrade technology in high schools, as well as numerous programs approved by the State Budget Act for Fiscal Year 1999-2000 and proposed for Fiscal Year 2001-02. The economy of the State has slowed and the State is experiencing severe budget shortfalls. For a discussion of State funding of the District, see "FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA" herein.

Proposition 39. On November 7, 2000, California voters approved Proposition 39, called the "Smaller Classes, Safer Schools and Financial Accountability Act" (the "Smaller Classes Act") which amends Section 1 of Article XIIIA, Section 18 of Article XVI of the California Constitution and Section 47614 of the California Education Code and allows an alternative means of seeking voter approval for bonded indebtedness by 55 percent of the vote, rather than the two-thirds majority required under Section 18 of Article XVI of the Constitution. The 55 percent voter requirement applies only if the bond measure submitted to the voters includes, among other items: (1) a restriction that the proceeds of the bonds may be used for "the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities," (2) a list of projects to be funded and a certification that the school district board has evaluated "safety, class size reduction, and information technology needs in developing that list" and (3) that annual, independent performance and financial audits will be conducted regarding the expenditure and use of the bond proceeds.

Section 1(b)(3) of Article XIIIA has been added to except from the one percent *ad valorem* tax limitation under Section 1(a) of Article XIIIA of the Constitution levies to pay bonds approved by the 55 percent of the voters, subject to the restrictions explained above.

The Legislature enacted AB 1908, Chapter 44, which became effective upon passage of Proposition 39 and amends various sections of the Education Code. Under amendments to Section 15268 and 15270 of the Education Code, the following limits on *ad valorem* taxes apply in any single election: (1) for a school district, indebtedness shall not exceed $30 per $100,000 of taxable property, (2) for a unified school district, indebtedness shall not exceed $60 per $100,000 of taxable property, and (3) for a community college district, indebtedness shall not exceed $25 per $100,000 of taxable property. Finally, AB 1908 requires that a citizens' oversight committee must be appointed who will review the use of the bond funds and inform the public about their proper usage.

Proposition 1A. Proposition 1A (SCA 4), proposed by the Legislature in connection with the State budget for fiscal year 2004-05 and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the State Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the Vehicle License Fee rate below 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, schools or community colleges, excepting mandates relating to employee rights, in any year that the State does not fully reimburse local governments for their cost of compliance with such mandates.

Proposition 22. Under Proposition 1A, the State no longer has the authority to permanently shift city, county, and special district property tax revenues to schools, or take certain other actions that affect local governments. In addition, Proposition 1A restricts the State's ability to borrow State gasoline sales tax revenues. (See "— Proposition 1A" above). These provisions in the Constitution, however, do not eliminate the State's authority to temporarily borrow or redirect some city, county, and special district funds or the State's authority to redirect local redevelopment agency revenues. However, Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, reduces or eliminates the State's authority: (1) to use State fuel tax revenues to pay debt service on State transportation bonds; (2) to borrow or change the distribution of State fuel tax revenues; (3) to direct redevelopment agency property taxes to any other local government; (4) to temporarily shift property taxes from cities, counties, and special districts to schools; and (5) to use vehicle license fee revenues to reimburse local governments for State mandated costs. As a result, Proposition 22 impacts resources in the State's General Fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to the LAO's analysis of Proposition 22 submitted by the LAO on July 15, 2010, the expected reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 will be approximately $1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1% of the State's total General Fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's General Fund costs by approximately $1 billion annually for several decades.

This proposition was intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. Proposition 22 did not prevent the California State Legislature from dissolving State redevelopment agencies pursuant to AB 1X26, as confirmed by the decision of the California Supreme Court decision in *California Redevelopment Association v. Matosantos* (2011).

Proposition 30. On November 6, 2012, State voters approved "The Schools and Local Public Safety Protection Act of 2012" ("Proposition 30"). Proposition 30 generally provides for (i) a 0.25 percent increase in the state sales tax over four calendar years, commencing on January 1, 2013 and ending December 31, 2016, and (ii) an increase on personal income taxes on taxpayers with annual earnings over $250,000 (approximately 1% of California personal income tax filers), retroactive to January 1, 2012 and ending December 31, 2018. The personal income tax rate increase is as follows: (i) 1% for individual filer taxable income over $250,000 but less than $300,000 (joint filers taxable income over $340,000 but less than $408,000); (ii) 2% for individual filer taxable income over $300,000 but less than $500,000 (joint filers taxable income over $408,000 but less than $680,0000); and (iii) 3% for individual filer taxable income over $500,000 (joint filers taxable income over $680,000). Proposition 30 amends the State Constitution by adding Section 36 to Article XIII, providing, among other things for the establishment of the Education Protection Account ("EPA") in the State's General Fund.

The revenues derived from the temporary tax increases will, pursuant to Proposition 30, be deposited in the EPA and will be included in the calculation of Proposition 98 minimum funding guarantee. See " — Proposition 98" above. Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to school districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than $200 per unit of ADA and no community college district will receive less than $100 per full time equivalent student.

The governing board of each school district, charter school and community college district is granted sole authority to determine how to spend funds received from the EPA; provided, however, that the governing board is required to make spending determinations in open session, at a public meeting. Furthermore, such entities may not use any funds from the EPA for salaries or benefits of administrators or any other administrative costs. Each school district, charter school and community college district must annually publish on its Internet web site an accounting of how much money was received from the EPA and how that money was spent.

Proposition 2. Proposition 2, the Rainy Day Budget Stabilization Fund Act (Assembly Constitutional Amendment 1), proposed by the State Legislature and approved by the voters in November 2014, changed the State's existing requirements for the Budget Stabilization Account ("BSA") and establishes a Public School System Stabilization Account ("PSSSA"). The PSSSA will be funded by the capital gains-related tax revenues in excess of 8% of general fund revenues. Funds will be appropriated from the PSSSA when State support for K-14 education exceeds the allocation of general fund revenues, allocated property taxes and other available resources.

Proposition 2 requires the State Controller to deposit annually 1.5 % of general fund revenues and an amount equal to revenues derived from capital gains-related taxes in situations where such tax revenues are in excess of 8% of general fund revenues. Deposits to the BSA are expected to begin no later than October 1, 2015, and such deposits will be made until the BSA balance reaches an amount equal to 10% of general fund revenues.

Proposition 2 will require the director of finance to submit estimates of general fund revenues and expenditures for the ensuing fiscal year and the three fiscal years thereafter within 10 days following the submission of proposed adjustments to the governor's budget. It also permits the legislature to suspend or reduce deposits to the BSA and withdraw for appropriation from the BSA upon the governor declaring a budget emergency.

Proposition 2 additionally requires that from the 2015-2016 fiscal year through the 2029-2030 fiscal year, 50% of the revenues that would have otherwise been deposited into the BSA must be used to pay for fiscal obligations, such as budgetary loans and unfunded state-level pension plans. Starting with the 2030-2031 fiscal year, up to 50% of revenues that would have otherwise been deposited into the BSA may be used to pay specified fiscal obligations.

Future Initiatives. From time to time other amendments to the State constitution, propositions and initiative measures could be adopted that further affect District revenues or the District's ability to expend revenues.

BOND INSURANCE

The District has applied for a policy of municipal bond insurance to insure the payment of the principal of (or, in the case of the Capital Appreciation Bonds, the Maturity Amount) and interest on the Bonds when due, but no commitment to issue such a policy has been issued as of the date of the Preliminary Official Statement. Furthermore, there can be no assurance that, if the District did receive such a commitment for insurance, it would be cost effective or accepted by the District.

LEGAL MATTERS

The legal opinion of Nixon Peabody LLP, Bond Counsel to the District, attesting to the validity of the Bonds, will be supplied to the original purchasers of the Bonds without charge. Bond Counsel will receive compensation contingent upon the sale and delivery of the Bonds.

TAX MATTERS

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Bonds. Pursuant to the District Resolution and the tax and nonarbitrage certificate executed by the District in connection with the issuance of the Bonds (the "Tax Certificate"), the District has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the District has made certain representations and certifications in the District Resolution and the Tax Certificate. Bond Counsel will not independently verify the accuracy of those representations and certifications.

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by the District described above, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

In rendering these opinions, Bond Counsel has relied upon representations and covenants of the District in the Tax Certificate concerning the property financed and refinanced with Bond proceeds, the investment and use of Bond proceeds and the rebate to the federal government of certain earnings thereon. In addition, Bond Counsel has assumed that all such representations are true and correct and that the District will comply with such covenants. Bond Counsel has expressed no opinion with respect to the exclusion of the interest on the Bonds from gross income under Section 103(a) of the Code in the event that any of such District representations are untrue or the District fails to comply with such covenants, unless such failure to comply is based on the advice or the opinion of Bond Counsel.

State Taxes

Bond Counsel is also of the opinion that interest on the Bonds is exempt from personal income taxes of the State under present State law. Bond Counsel expresses no opinion as to other state or local tax consequences arising with respect to the Bonds nor as to the taxability of the Bonds or the income therefrom under the laws of any state other than California.

Original Issue Discount

Bond Counsel is further of the opinion that the difference between the principal amount of the Bonds maturing August 1, ____ through August 1, ______, inclusive (collectively, the "Discount Bonds"), and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Bonds.

Original Issue Premium

The Bonds maturing on August 1, ____ through August 1, ____, inclusive (collectively, the "Premium Bonds"), are being offered at prices in excess of their principal amounts. An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

Ancillary Tax Matters

Ownership of the Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, and individuals seeking to claim the earned income credit. Ownership of the Bonds may also result in other federal tax consequences to taxpayers who may be deemed to have incurred or continued indebtedness to purchase or to carry the Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the Bonds is subject to information reporting to the Internal Revenue Service ("IRS") in a manner similar to interest paid on taxable obligations. In addition, interest on the Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the Owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Bond Counsel is not rendering any opinion as to any federal tax matters other than those described in the opinion attached as APPENDIX A. Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Changes in Law and Post-Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Bonds for federal or state income tax purposes, and thus on the value or marketability of the Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Bonds from gross income for federal or state income tax purposes, or otherwise. Bond Counsel notes that each year since 2011, President Obama released legislative proposals that would limit the extent of the exclusion from gross income of interest on obligations of states and political subdivisions under Section 103 of the Code (including the Bonds) for taxpayers whose income exceeds certain thresholds. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of owners of the Bonds may occur. Prospective purchasers of the Bonds should consult their own tax advisors regarding the impact of any change in law on the Bonds. Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Bonds may affect the tax status of interest on the Bonds. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

CONTINUING DISCLOSURE

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, the District will enter into a Continuing Disclosure Agreement on or prior to the sale of the Bonds in which the District will undertake (the "Continuing Disclosure Agreement"), for the benefit of the beneficial Owners of the Bonds, to provide audited financial statements of the District and certain other information to Municipal Securities Rulemaking Board, or any other repository then recognized by the Securities and Exchange Commission, at the times and in the manner set forth in the Continuing Disclosure Agreement.

A review of the District's compliance with its previous continuing disclosure undertakings was conducted and it was found that, during the preceding five years, the District did not timely file certain of its annual reports and/or audited financial statements for certain fiscal years and, with respect to some of its annual reports, it appears the District did not include certain operating or financial data as was required by its previous continuing disclosure undertakings. Moreover, the District's audited financial statements for certain fiscal years were not correctly linked with CUSIP numbers for all of its obligations as was required by its previous continuing disclosure undertakings. In addition, the District did not timely file notice of certain notice events relating to rating changes. The District has decided to self-report to the U.S. Securities and Exchange Commission (the "SEC") under the SEC's Municipal Continuing Disclosure Cooperation Initiative ("MCDC Initiative") with respect to certain of its statements in prior official statements regarding the District's compliance with its prior continuing disclosure undertakings pursuant to the Rule.

The District has subsequently filed all required portions of such reports and is now current on all filings required pursuant to its previous continuing Disclosure undertakings. The District is working to put in place policies and procedures, and provide continuing disclosure training, to enhance ongoing compliance with its continuing disclosure undertakings in the future. The District has also hired third parties to assist the District in complying with its continuing disclosure undertakings. The form of Continuing Disclosure Agreement is attached to this Official Statement as APPENDIX C.

LEGALITY FOR INVESTMENT

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

RATINGS

Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC ("S&P") is expected to assign [has assigned] its underlying rating of "__" to the Bonds. Such ratings reflect only the views of such rating agency, and an explanation of the significance of the ratings may be obtained from S&P at: Standard & Poor's, 55 Water Street, New York, NY 10041; or its website at: www.standardandpoors.com. There can be no assurance that such ratings will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Bonds are being purchased by Piper Jaffray & Co. (the "Underwriter"). The Underwriter has agreed, subject to certain conditions, to purchase the Bonds at a purchase price of $______ (reflecting an aggregate principal amount of $_______, plus/less [net] original issue premium/discount of $______ and less an Underwriter's discount of $_______). The purchase contract provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the purchase agreement, the approval of certain legal matters by counsel and certain other conditions.

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

The following paragraphs in this "Underwriting" section have been provided by the Underwriter. The District cannot and does not make any representation as to the accuracy or the completeness thereof.

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

The Underwriter and Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation, entered into an agreement (the "Agreement") which enables Pershing LLC to distribute certain new issue municipal securities underwritten by or allocated to the Underwriter, including the Bonds. Under the Agreement, the Underwriter will share with Pershing LLC a portion of the fee or commission paid to the Underwriter.

The Underwriter has made a contribution to a bond referendum campaign or provided in-kind election related assistance to a bond referendum campaign and the campaign resulted in voter authorization for this series of bonds being underwritten or privately placed.

NO LITIGATION

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

VERIFICATION OF MATHEMATICAL ACCURACY

Upon the issuance of the Bonds, Causey Demgen & Moore P.C., Denver, Colorado, will deliver a report on the mathematical accuracy of certain computations contained in schedules provided to them on behalf of the District relating to the sufficiency of the amounts deposited under the Escrow Agreement to pay, when due, the principal and interest due on the 2013 Notes at August 1, 2016, their first prepayment date.

OTHER INFORMATION

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the County Resolution and the District

Resolution are available upon request from the Superintendent, Val Verde Unified School District, 975 West Morgan Street, Perris, California 92571. The District may impose a fee for copying, mailing and handling.

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

The execution and delivery of this Official Statement has been duly authorized by the District.

VAL VERDE UNIFIED SCHOOL DISTRICT

By: ______________________________

Superintendent

APPENDIX A

FORM OF BOND COUNSEL OPINION

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

Re: $_______ Val Verde Unified School District General Obligation Bonds, 2012 Election, Series 2015B

Ladies and Gentlemen:

We have acted as Bond Counsel to the Val Verde Unified School District, County of Riverside, State of California (the "District"), in connection with the issuance by the District of $________ aggregate principal and issue amount of the District's General Obligation Bonds, 2012 Election, Series 2015B (the "Bonds"). The Bonds are being issued pursuant to pertinent provisions of the Government Code and Education Code of the State of California, a resolution of the Board of Supervisors of the County adopted February 17, 2015 (the "County Resolution"), at the request of the District, and a resolution of the Board of Education of the District adopted on February 3, 2015 (the "District Resolution, and together with the County Resolution, the "Resolutions"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Resolutions.

As Bond Counsel, we have examined copies, certified to us as being true and complete copies, of the proceedings of the District for the authorization and issuance of the Bonds. In connection thereto, we have also examined such certificates of public officials and officers of the District as we have considered necessary for the purposes of this opinion. We have, with your approval, assumed that all items submitted to us as originals are authentic and that all items submitted to us as copies conform to the originals.

On the basis of such examination, our reliance upon the assumptions contained herein and our consideration of those questions of law we considered relevant, and subject to the limitations and qualifications in this opinion, we are of the opinion that:

1. The Bonds have been duly authorized and issued and constitute legally valid and binding obligations of the District, enforceable in accordance with their terms and the terms of the Resolutions.

2. The Bonds are payable solely from and are secured by a pledge of *ad valorem* taxes which may be levied without limitation as to rate or amount upon all taxable real property in the District, and which, under the laws now in force with respect to the Bonds, may be levied within the limit prescribed by law upon all taxable personal property in the District, and from other available funds as set forth in the applicable Resolution.

3. The County Resolution has been duly approved by the County and constitutes the legally valid and binding obligation of the County, enforceable in accordance with its terms. The Bonds, assuming due authentication by the Paying Agent, are entitled to the benefits of the County Resolution.

4. The Internal Revenue Code of 1986, as amended (the "Code") sets forth certain requirements which must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Bonds. Pursuant to the District Resolution and the tax and nonarbitrage certificate executed by the District in connection with the issuance of the Bonds (the "Tax Certificate"), the District has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the District has made certain representations and certifications in the District Resolution and the Tax Certificate. We have not independently verified the accuracy of those certifications and representations. Under existing law, assuming compliance with the tax covenants described herein and the accuracy of the aforementioned representations and certifications, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. We are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

5. Interest on the Bonds is exempt from personal income taxes of the State of California under present state law.

6. Bond Counsel is further of the opinion that the difference between the principal amount of the Bonds maturing on August 1, 20__ through August 1, 20__, inclusive (collectively, the "Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment.

The opinions set forth in paragraphs 1, 2, and 3 above (i) assume that the Paying Agent has duly authenticated the Bonds and (ii) are subject to (a) applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent conveyance laws), (b) the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and (c) the limitations on legal remedies against government entities in the State of California.

In rendering the opinions set forth in paragraphs 4 and 6 above, we are relying upon representations and covenants of the District in the Tax Certificate concerning the investment and use of Bond proceeds, the rebate to the federal government of certain earnings thereon, and the use of the property and facilities financed and refinanced with the proceeds of the Bonds. In addition, we have assumed that all such representations are true and correct and that the District will comply with such covenants. We express no opinion with respect to the exclusion of the interest on the Bonds from gross income under Section 103(a) of the Code in the event that any of such representations are untrue or the District fails to comply with such covenants, unless such failure to comply is based on our advice or opinion.

Except as stated in paragraphs 4 through 6 above, we express no opinion as to any other federal, state or local tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

No opinion is expressed herein on the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds. This opinion is expressly limited to the matters set forth above and we render no opinion, whether by implication or otherwise, as to any other matters.

Our opinions are limited to matters of California law and applicable federal law, and we assume no responsibility as to the applicability of laws of other jurisdictions. We call attention to the fact that the opinions expressed herein and the exclusion of interest on the Bonds from gross income for federal income tax purposes may be affected by actions taken or omitted or events occurring or failing to occur after the date hereof. We have not undertaken to determine, or inform any person, whether any such actions are taken, omitted, occur or fail to occur.

Respectfully submitted,

APPENDIX B

VAL VERDE UNIFIED SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2014

APPENDIX C

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the Val Verde Unified School District (the "District") in connection with the execution and delivery of $________ aggregate principal amount of its General Obligation Bonds, 2012 Election, Series 2015B (the "Bonds"). The Bonds are being issued pursuant to a resolution of the Board of Supervisors of the County adopted February 17, 2015 (the "County Resolution"), at the request of the District and pursuant to a resolution of the Board of Education of the District adopted on February 3, 2015 (the "District Resolution, and together with the County Resolution, the "Resolutions"). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Resolution.

In consideration of the execution and delivery of the Bonds by the District and the purchase of such Bonds by the Underwriter described below, the District hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District for the benefit of the Bondholders and in order to assist Piper Jaffray & Co. (the "Underwriter") in complying with Rule 15c2-12(b)(5) (the "Rule") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

SECTION 2. Additional Definitions. In addition to the above definitions and the definitions set forth in the Resolutions, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 4 and 5 of this Disclosure Agreement.

"Bondholder" or "Holder" means any holder of the Bonds or any beneficial owner of the Bonds so long as they are immobilized with DTC.

"Dissemination Agent" shall mean the District, or any Dissemination Agent, or any alternate or successor Dissemination Agent, designated in writing by the Superintendent (or otherwise by the District), which entity has evidenced its acceptance in writing. Initially, the Dissemination Agent shall be Applied Best Practices, LLC.

"EMMA System" shall mean the MSRB's Electronic Municipal Market Access system, which can be found at www.emma.msrb.org, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission in the future.

"Listed Event" means any of the events listed in Section 6 of this Disclosure Agreement.

"""MSRB" shall mean the Municipal Securities Rulemaking Board.

"State" shall mean the State of California.

SECTION 3. CUSIP® Numbers and Final Official Statement. The CUSIP Numbers for the Bonds have been assigned. The Final Official Statement relating to the Bonds is dated ________, 2015 ("Final Official Statement").

SECTION 4. Provision of Annual Reports.

(a) The District shall cause the Dissemination Agent, not later than 240 days after the end of the District's Fiscal Year (currently ending June 30), commencing with the report for the Fiscal Year ending June 30, 2015, to provide to the MSRB through the EMMA System an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Agreement; provided that the audited financial statements of the District may be submitted, when and if available, separately from the balance of the relevant Annual Report.

(b) If the District is unable to provide to the MSRB through the EMMA System an Annual Report by the date required in paragraph (a) above, the District shall send a notice to the MSRB through the EMMA System in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the electronic filing requirements of the MSRB for the Annual Reports; and

(ii) if the Dissemination Agent is other than the District or an official of the District, the Dissemination Agent shall file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and confirming that it has been filed with the MSRB through the EMMA System.

SECTION 5. Content of Annual Report. The District's Annual Report shall contain or incorporate by reference the following:

(a) Financial information including the general purpose financial statements of the District for the preceding Fiscal Year, prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. If audited financial information is not available by the time the Annual Report is required to be filed pursuant to Section 4(a) hereof, the financial information included in the Annual Report may be unaudited, and the District will provide audited financial information to the EMMA System as soon as practical after it has been made available to the District.

(b) Operating data, including the following information (to the extent not included in the audited financial statements described in paragraph (a) above):

(i) Outstanding indebtedness and lease obligations with respect to the District's preceding Fiscal Year;

(ii) General fund budget for the most current Fiscal Year and actual results with respect to the District's preceding Fiscal Year;

(iii) Average daily attendance with respect to the District's preceding Fiscal Year, and State funding received by the District for the last completed Fiscal Year;

(iv) Assessed valuations for the most current Fiscal Year for which data is available; and

(v) Largest local secured taxpayers for the most current Fiscal Year for which data is available.

(c) Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the EMMA System or to the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each other document so incorporated by reference.

SECTION 6. Reporting of Listed Events.

(a) The District agrees to provide or cause to be provided to the MSRB notice of the occurrence of any of the following Listed Events with respect to the Bonds not later than ten (10) Business Days after the occurrence of the event:

(i) Principal and interest payment delinquencies;

(ii) Unscheduled draws on any debt service reserves reflecting financial difficulties;

(iii) Unscheduled draws on any credit enhancements reflecting financial difficulties;

(iv) Substitution of or failure to perform by any credit provider;

(v) Issuance by the Internal Revenue Service of an adverse tax opinion, a proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);

(vi) Tender offers;

(vii) Defeasances;

(viii) Rating changes; and

(ix) Bankruptcy, insolvency, receivership or similar event of the obligated person.

For purposes of item (ix) above, the described event shall be deemed to occur when any of the following shall occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or other governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority have supervision or jurisdiction over substantially all of the assets or business of the District.

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds, if material, not later than ten (10) Business Days after the occurrence of the event:

(i) Unless described in paragraph 6(a)(v) hereof, other material events affecting the tax status of the Bonds;

(ii) Modifications of rights to Bondholders;

(iii) Optional, unscheduled or contingent Bond calls;

(iv) Release, substitution or sale of property securing repayment of the Bonds;

(v) Non-payment related defaults;

(vi) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

(vii) Appointment of a successor or additional Paying Agent or the change of name of a Paying Agent.

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 4 hereof, as provided in Section 4(b) hereof.

(d) Upon the occurrence of a Listed Event described in Section 6(a) hereof, or if the District determines that knowledge of a Listed Event described in Section 6(b) hereof would be material under applicable federal securities laws, the District shall within ten (10) Business Days of occurrence of the Listed Event file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of a Listed Event described in subsection (a)(vii) or a Listed Event described in subsection (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolutions.

SECTION 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Agreement shall terminate when the District is no longer an obligated person with respect to the Bonds, as provided in the Rule, upon the defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 8. Dissemination Agent. The District may, from time to time, appoint or engage an alternate or successor Dissemination Agent to assist in carrying out the District's obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

The Dissemination Agent shall be entitled to the protections, limitations from liability, immunities and indemnities provided to the Paying Agent as set forth in the Resolutions which are incorporated by reference herein. The Dissemination Agent agrees to perform only those duties of the Dissemination Agent specifically set forth in the Agreement, and no implied duties, covenants or obligations shall be read into this Agreement against the Dissemination Agent.

The Dissemination Agent shall have no duty or obligation to review the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the District in a timely manner in a form suitable for filing. In accepting the appointment under this Agreement, the Dissemination Agent is not acting in a fiduciary capacity to the registered holders or beneficial owners of the Bonds, the District, or any other party or person.

The Dissemination Agent may consult with counsel of its choice and shall be protected in any action taken or not taken by it in accordance with the advice or opinion of such counsel. No provision of this Agreement shall require the Dissemination Agent to risk or advance or expend its own funds or incur any financial liability. The Dissemination Agent shall have the right to resign from its duties as Dissemination Agent under this Agreement upon thirty days' written notice to the District. The Dissemination Agent shall be entitled to compensation for its services as Dissemination Agent and reimbursement for its out-of-pocket expenses, attorney's fees, costs and advances made or incurred in the performance of its duties under this Agreement in accordance with its written fee schedule provided to the District, as such fee schedule may be amended from time to time in writing. The District agrees to indemnify and hold the Dissemination Agent harmless from and against any cost, claim, expense, or liability related to or arising from the acceptance of and performance of the duties of the Dissemination Agent hereunder, provided the Dissemination Agent shall not be indemnified to the extent of its willful misconduct or negligence. The obligations of the District under this Section shall survive the termination or discharge of this Disclosure Agreement and the Bonds.

SECTION 9. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the District may amend this Disclosure Agreement under the following conditions, provided no amendment to this Agreement shall be made that affects the rights, duties or obligations of the Dissemination Agent without its written consent:

(a) The amendment may be made only in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the obligated person, or type of business conducted;

(b) This Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of Holders, as determined either by parties unaffiliated with the District or another obligated person (such as Bond Counsel) or by the written approval of the Bondholders; provided, that the Annual Report containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

SECTION 10. Additional Information. If the District chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or to include it in any future disclosure or notice of occurrence of a Listed Event.

Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement.

SECTION 11. Default. The District shall give notice to the MSRB through the EMMA System of any failure to provide the Annual Report when the same is due hereunder, which notice shall be given prior to July 1 of that year. In the event of a failure of the District to comply with any provision of this Disclosure Agreement, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an event of default under the Resolutions, and the sole remedy under this Disclosure Agreement in the event of any failure of the District to comply with this Disclosure Agreement shall be an action to compel performance.

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

[Remainder of this page intentionally left blank.]

SECTION 13. Governing Law. This Disclosure Agreement shall be governed by the laws of the State, applicable to contracts made and performed in such State.

Dated: ________, 2015

VAL VERDE UNIFIED SCHOOL DISTRICT

By: ____________________________________
Superintendent

ACCEPTED:

APPLIED BEST PRACTICES, LLC, as Dissemination Agent

By: ____________________________________
Authorized Officer

EXHIBIT A

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

Name of Issuer: VAL VERDE UNIFIED SCHOOL DISTRICT

Name of Issue: $________ General Obligation Bonds, 2012 Election, Series 2015B

Date of Issuance: _______, 2015

NOTICE IS HEREBY GIVEN that the above-named Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 4(a) of the Continuing Disclosure Agreement dated _________, 2015. The Issuer anticipates that the Annual Report will be filed by ___________________.

Dated: ________________________________

[ISSUER/DISSEMINATION AGENT]

By: ____

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Participants are on file with DTC.

General

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

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

Principal, premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Discontinuance of use of the system of book-entry transfers through

DTC may require the approval of DTC Participants under DTC's operational arrangements. In that event, printed certificates for the Bonds will be printed and delivered.

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

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

The Principal, Accreted Value or Maturity Amount of the Bonds and any premium and interest due upon the redemption thereof prior to the maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the office of the Paying Agent, initially located in Los Angeles, California. Interest on the Bonds will be paid by the Paying Agent by check or draft mailed to the person whose name appears on the registration books of the Paying Agent as the registered owner, and to that person's address appearing on the registration books as of the close of business on the Record Date. At the written request of any registered owner of at least $1,000,000 in aggregate principal, payments shall be wired to a bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for Bonds of any authorized denomination upon presentation and surrender at the office of the Paying Agent, initially located in Los Angeles, California, together with a request for exchange signed by the registered Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred only on the Bond registration books upon presentation and surrender of the Bond at such office of the Paying Agent together with an assignment executed by the registered Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of any authorized denomination or denominations requested by the Owner equal in the aggregate to the unmatured principal amount of the Bond surrendered and bearing or accreting interest at the same rate and maturing on the same date.

Neither the District nor the Paying Agent will be required to exchange or transfer any Bond during the period from the Record Date through the next Interest Payment Date.

APPENDIX E

TABLE OF ACCRETED VALUE OF CAPITAL APPRECIATION BONDS

APPENDIX F

THE RIVERSIDE COUNTY POOLED INVESTMENT FUND

The following information concerning the Riverside County Pooled Investment Fund has been provided by the Treasurer and Tax Collector of Riverside County and has not been confirmed or verified by the District nor the Underwriter. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.

The County Treasurer maintains one Pooled Investment Fund (the "PIF") for all local jurisdictions having funds on deposit in the County Treasury. As of December 31, 2014, the portfolio assets comprising the PIF had a market value of $5,895,845,894.96.

State law requires that all operating moneys of the County, school districts, and certain special districts be held by the County Treasurer. On June 30, 2014, the Auditor-Controller performed an analysis on the County Treasury which resulted in the identification and classification of "mandatory" vs. "discretionary" depositors. Collectively, these mandatory deposits constituted approximately 76.92% of the funds on deposit in the County Treasury, while approximately 23.08% of the total funds on deposit in the County Treasury represented discretionary deposits.

While State law permits other governmental jurisdictions to participate in the County's PIF, the desire of the County Treasurer is to maintain a stable depositor base for those entities participating in the PIF.

All purchases of securities for the PIF are to be made in accordance with the County Treasurer's 2014 Statement of Investment Policy, which is more restrictive than the investments authorized pursuant to Sections 53601 and 53635 of the California Government Code. The Policy Statement requires that all investment transactions be governed by first giving consideration to the safety and preservation of principal and liquidity sufficient to meet daily cash flow needs prior to achieving a reasonable rate of return on the investment. Investments are not authorized in reverse-repurchase agreements except for an unanticipated and immediate cash flow need that would otherwise cause the Treasurer to sell portfolio securities prior to maturity at a principal loss.

The investments in the Pooled Investment Fund as of December 31, 2014 were as follows:

U.S. Treasury Securities	$ 584,885,546.92	9.91%
Federal Agency Securities	3,716,581,980.64	62.99
Cash Equivalent & Money Market Funds	754,000,000.00	12.78
Commercial Paper	724,374,779.96	12.28
Medium Term Notes	-	0.00
Municipal Notes	119,616,090.16	2.03
Certificates of Deposit	-	0.00
Repurchase Agreements	-	0.00
Local Agency Obligations[1]	395,000.00	0.01
	$ 5,899,853,397.68	100.00%

Book Yield	0.42%
Weighted Average Maturity (years)	1.24

[1] Represents County Obligations issued by the Riverside District Court Financing Corporation.

Source: Riverside County Treasurer-Tax Collector.

As of December 31, 2014, the market value of the PIF was 99.93% of book value. The Treasurer estimates that sufficient liquidity exists within the portfolio to meet daily expenditure needs without requiring any sale of securities at a principal loss prior to their maturity.

In keeping with Sections 53684 and 53844 of the California Government Code, all interest, income, gains and losses on the portfolio are distributed quarterly to participants based upon their average daily balance except for specific investments made on behalf of a particular fund. In these instances, Section 53844 requires that the investment income be credited to the specific fund in which the investment was made.

The Board has established an "Investment Oversight Committee" in compliance with California Government Code Section 27131. Currently, the Committee is composed of the County Finance Director, the County Treasurer-Tax Collector, the County Superintendent of Schools, a school district representative and a public member at large. The purpose of the committee is to review the prudence of the County's investment policy, portfolio holdings and investment procedures, and to make any findings and recommendations known to the Board. This committee was reorganized to conform to new State requirements requiring the County to have a local oversight committee. The committee is utilized by the County to manage, audit, and safeguard public funds and to perform other internal control measures.

The County has obtained a rating on the PIF of "AAA-bf" from Moody's Investors Service and "AAA/V1" rating from Fitch Ratings. There is no assurance that such ratings will continue for any given period of time or that any such rating may not be lowered, suspended or withdrawn entirely by the respective rating agency if, in the judgment of such rating agency, circumstances so warrant.

Riverside County Board of Supervisors
Request to Speak

Submit request to Clerk of Board (right of podium), Speakers are entitled to three (3) minutes, subject to Board Rules listed on the reverse side of this form.

SPEAKER'S NAME: Holmstrom, B.

Address: ______
(only if follow-up mail response requested)

City: ______ **Zip:** ______

Phone #: ______

Date: ______ **Agenda #** 3-32

PLEASE STATE YOUR POSITION BELOW:

Position on "Regular" (non-appealed) Agenda Item:

______**Support** ______**Oppose** ______**Neutral**

Note: If you are here for an agenda item that is filed for "Appeal", please state separately your position on the appeal below:

______**Support** ______**Oppose** ______**Neutral**

I give my 3 minutes to: ______

BOARD RULES

Requests to Address Board on "Agenda" Items:

You may request to be heard on a published agenda item. Requests to be heard must be submitted to the Clerk of the Board before the scheduled meeting time.

Requests to Address Board on items that are "NOT" on the Agenda:

Notwithstanding any other provisions of these rules, member of the public shall have the right to address the Board during the mid-morning "Oral Communications" segment of the published agenda. Said purpose for address must pertain to issues which are under the direct jurisdiction of the Board of Supervisors. YOUR TIME WILL BE LIMITED TO THREE (3) MINUTES.

Power Point Presentations/Printed Material:

Speakers who intend to conduct a formalized Power Point presentation or provide printed material must notify the Clerk of the Board's Office by 12 noon on the Monday preceding the Tuesday Board meeting, insuring that the Clerk's Office has sufficient copies of all printed materials and at least one (1) copy of the Power Point CD. Copies of printed material given to the Clerk (by Monday noon deadline) will be provided to each Supervisor. If you have the need to use the overhead "Elmo" projector at the Board meeting, please insure your material is clear and with proper contrast, notifying the Clerk well ahead of the meeting, of your intent to use the Elmo.

Individual Speaker Limits:

Individual speakers are limited to a maximum of three (3) minutes. Please step up to the podium when the Chairman calls your name and begin speaking immediately. Pull the microphone to your mouth so that the Board, audience, and audio recording system hear you clearly. Once you start speaking, the "green" podium light will light. The "yellow" light will come on when you have one (1) minute remaining. When you have 30 seconds remaining, the "yellow" light will begin flash, indicating you must quickly wrap up your comments. Your time is up when the "red" light flashes. The Chairman adheres to a strict three (3) minutes per speaker. ***Note: If you intend to give your time to a "Group/Organized Presentation", please state so clearly at the very bottom of the reverse side of this form.***

Group/Organized Presentations:

Group/organized presentations with more than one (1) speaker will be limited to nine (9) minutes at the Chairman's discretion. The organizer of the presentation will automatically receive the first three (3) minutes, with the remaining six (6) minutes relinquished by other speakers, as requested by them on a completed "Request to Speak" form, and clearly indicated at the front bottom of the form.

Addressing the Board & Acknowledgement by Chairman:

The Chairman will determine what order the speakers will address the Board, and will call on all speakers in pairs. The first speaker should immediately step to the podium and begin addressing the Board. The second speaker should take up a position in one of the chamber aisles in order to quickly step up to the podium after the preceding speaker. This is to afford an efficient and timely Board meeting, giving all attendees the opportunity to make their case. Speakers are prohibited from making personal attacks, and/or using coarse, crude, profane or vulgar language while speaking to the Board members, staff, the general public and/or meeting participants. Such behavior, at the discretion of the Board Chairman may result in removal from the Board Chambers by Sheriff Deputies.